UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2019

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

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

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value $0.001 per share	PSEC	NASDAQ Global Select Market
6.25% Notes due 2024, par value $25	PBB	New York Stock Exchange
6.25% Notes due 2028, par value $25	PBY	New York Stock Exchange
6.875% Notes due 2029, par value $25	PBC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 every Interactive Data File required to be submitted 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 such files). Yes ☐ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

(Do not check if a smaller reporting company)

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

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

The aggregate market value of the common equity held by non-affiliates of the Registrant as of December 31, 2018 was $2.057 billion (based on the closing price on that date of $6.31 on the NASDAQ Global Select Market). For the purposes of calculating this amount only, all executive officers and Directors are "affiliates" of the Registrant.

As of August 26, 2019, there were 367,287,523 shares of the Registrant's common stock outstanding.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement relating to the 2019 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III of this Annual Report on Form 10-K to the extent described therein.

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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 I, "Item 1A. Risk Factors" and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

The forward-looking statements contained in this report involve a number of risks and uncertainties, including statements concerning:

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- difficulty in obtaining financing or raising capital, especially in the current credit and equity environment;
- the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;
- adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;
- a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;
- our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of the Investment Adviser to locate suitable investments for us and to monitor and administer our investments; and
- authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the Securities and Exchange Commission, Internal Revenue Service, the NASDAQ Global Select Market, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business.

PART I

Item 1. Business

In this report, the terms "Prospect," "the Company," "we," "us" and "our" mean Prospect Capital Corporation and all entities included in our consolidated financial statements, unless the context specifically requires otherwise.

General

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. We are one of the largest BDCs with approximately $5.80 billion of total assets as of June 30, 2019.

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 seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine strategies that guide our origination of investment opportunities: (1) lending to companies controlled by private equity sponsors, (2) lending to companies not controlled by private equity sponsors, (3) purchasing controlling equity positions and lending to operating companies, (4) purchasing controlling equity positions and lending to financial services companies, (5) purchasing controlling equity positions and lending to real estate companies, (6) purchasing controlling equity positions and lending to aircraft leasing companies, (7) investing in structured credit, (8) investing in syndicated debt and (9) investing in consumer and small business loans and asset-backed securitizations. We may also invest in other strategies and opportunities from time to time that we view as attractive. We continue to evaluate other origination strategies in the ordinary course of business with no specific top-down allocation to any single origination strategy.

Lending to Companies Controlled by Private Equity Sponsors - We make agented loans to companies which are controlled by private equity sponsors. This debt can take the form of first lien, second lien, unitranche or unsecured loans. These loans typically have equity subordinate to our loan position. Historically, this strategy has comprised approximately 25%-50% of our portfolio.

Lending to Companies not Controlled by Private Equity Sponsors - We make loans to companies which are not controlled by private equity sponsors, such as companies that are controlled by the management team, the founder, a family or public shareholders. This origination strategy may have less competition to provide debt financing than the private-equity-sponsor origination strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. This origination strategy can result in investments with higher returns or lower leverage than the private-equity-sponsor origination strategy. Historically, this strategy has comprised less than 5% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Operating Companies - This strategy involves purchasing yield-producing debt and controlling equity positions in non-financial-services operating companies. We believe that we can provide enhanced certainty of closure and liquidity to sellers and we look for management to continue on in their current roles. This strategy has comprised approximately 5%-10% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Financial Services Companies - This strategy involves purchasing yield-producing debt and control equity investments in financial services companies, including consumer direct lending, sub-prime auto lending and other strategies. These investments are often structured in tax-efficient partnerships, enhancing returns. This strategy has comprised approximately 5%-15% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Real Estate Companies - We purchase debt and controlling equity positions in tax-efficient real estate investment trusts (“REIT” or “REITs”). The real estate investments of National Property REIT Corp. (“NPRC”) are in various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and self-storage. NPRC seeks to identify properties that have historically significant occupancy rates and recurring cash flow generation. NPRC generally co-invests with established and experienced property management teams that manage such properties after acquisition. Additionally, NPRC purchases loans originated by certain consumer loan facilitators. It purchases each loan in its entirety (i.e., a “whole loan”). The borrowers are consumers, and the loans are typically serviced by the facilitators of the loans. This investment strategy has comprised approximately 10%-20% of our business.

Purchasing Controlling Equity Positions and Lending to Aircraft Leasing Companies - We invest in debt as well as equity in companies with aircraft assets subject to commercial leases to airlines across the globe. We believe that these investments can present attractive return opportunities due to cash flow consistency from long-term leases coupled with hard asset residual value. We believe that these investment companies seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across a variety of aircraft types and vintages. This strategy historically has comprised less than 5% of our portfolio.

Investing in Structured Credit - We make investments in collateralized loan obligations (“CLOs”), often taking a significant position in the subordinated interests (equity) and debt of the CLOs. The underlying portfolio of each CLO investment is diversified across approximately 100 to 200 broadly syndicated loans and does not have direct exposure to real estate, mortgages, or consumer-based credit assets. The CLOs in which we invest are managed by established collateral management teams with many years of experience in the industry. This strategy has comprised approximately 10%-20% of our portfolio.

Investing in Syndicated Debt - On a primary or secondary basis, we purchase primarily senior and secured loans and high yield bonds that have been sold to a club or syndicate of buyers. These investments are often purchased with a long-term, buy-and-hold outlook, and we often look to provide significant input to the transaction by providing anchoring orders. This strategy has comprised approximately 10%-25% of our portfolio.

Investing in Consumer and Small Business Loans and Asset-Backed Securitizations - We purchase loans originated by certain consumer and small-and-medium-sized business (“SME”) loan platforms. We generally purchase each loan in its entirety (i.e., a “whole loan”) and we invest in asset-backed securitizations collateralized by consumer or small business loans. The borrowers are consumers and SMEs and the loans are typically serviced by the platforms of the loans. This investment strategy has comprised up to approximately 0% of our portfolio.

Typically, we concentrate on making investments in companies with annual revenues of less than $750 million and enterprise values of less than $1 billion. Our typical investment involves a secured loan of less than $250 million. We also 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. We are constantly pursuing multiple investment opportunities, including purchases of portfolios from private and public companies, as well as originations and secondary purchases of particular securities. We also regularly evaluate control investment opportunities in a range of industries, and some of these investments could be material to us. There can be no assurance that we will successfully consummate any investment opportunity we are currently pursuing. If any of these opportunities are consummated, there can be no assurance that investors will share our view of valuation or that any assets acquired will not be subject to future write downs, each of which could have an adverse effect on our stock price.

Our Investment Objective and Policies

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We focus on making investments in private companies. We are a non-diversified company within the meaning of the 1940 Act.

We invest primarily in first and second lien secured loans and unsecured debt, which in some cases includes an equity component. First and second lien secured loans generally are senior debt instruments that rank ahead of unsecured debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Our investments in CLOs are subordinated to senior loans and are generally unsecured. We invest in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Our CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

We may also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. These may be in several industries, including industrial, service, aircraft leasing, real estate and financial businesses.

We seek to maximize returns and minimize risk for our investors by applying rigorous analysis to make and monitor our investments. While the structure of our investments varies, we can invest in senior secured debt, senior unsecured debt, subordinated secured debt, subordinated unsecured debt, convertible debt, convertible preferred equity, preferred equity, common equity, warrants and other instruments, many of which generate current yield. While our primary focus is to seek current income through investment in the debt and/or dividend-paying equity securities of eligible privately-held, thinly-traded or distressed companies and long-term capital appreciation by acquiring accompanying warrants, options or other equity securities of such companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek enhanced returns for stockholders. Such investments may include investments in the debt and equity instruments of broadly-traded public companies. We expect that these public companies generally will have debt securities that are non-investment grade. Such investments may also include purchases (either in the primary or secondary markets) of the equity and junior debt tranches of a type of pools such as CLOs. Structurally, CLOs are entities that are formed to hold a portfolio of senior secured loans made to companies whose debt is rated below investment grade or, in limited circumstances, unrated. The senior secured loans within a CLO are limited to senior secured loans which meet specified credit and diversity criteria and are subject to concentration limitations in order to create an investment portfolio that is diverse by senior secured loan, borrower, and industry, with limitations on non-U.S. borrowers. Within this 30% basket, we have and may make additional investments in debt and equity securities of financial companies and companies located outside of the United States.

Our investments may include other equity investments, such as warrants, options to buy a minority interest in a portfolio company, or contractual payment rights or rights to receive a proportional interest in the operating cash flow or net income of such company. When determined by the Investment Adviser to be in our best interest, we may acquire a controlling interest in a portfolio company. Any warrants we receive with our debt securities may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We have structured, and will continue to structure, some warrants to include provisions protecting our rights as a minority-interest or, if applicable, controlling-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

We plan to hold many of our debt investments to maturity or repayment, but will sell a debt investment earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company, or if we determine a sale of such debt investment to be in our best interest.

We have qualified and elected to be treated for U.S. federal income tax purposes as a RIC under Subchapter M of the Code. As a RIC, we generally do not have to pay corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To continue to qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify for RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses.

For a discussion of the risks inherent in our portfolio investments, see "Risk Factors – Risks Relating to Our Investments."

Industry Sectors

Our portfolio is invested across 39 industry categories. Excluding our CLO investments, which do not have industry concentrations, no individual industry comprises more than 14.6% of the portfolio on either a cost or fair value basis.

Ongoing Relationships with Portfolio Companies

Monitoring

Prospect Capital Management monitors our portfolio companies on an ongoing basis. Prospect Capital Management will continue to monitor the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company.

Prospect Capital Management employs several methods of evaluating and monitoring the performance and value of our investments, which may include, but are not limited to, the following:

- Assessment of success in adhering to the portfolio company's business plan and compliance with covenants;
- Regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor to discuss financial position, requirements and accomplishments;
- Comparisons to other portfolio companies in the industry, if any;
- Attendance at and participation in board meetings of the portfolio company; and
- Review of monthly and quarterly financial statements and financial projections for the portfolio company.

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 accounting principles generally accepted in the United States of America ("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.

4. 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.

For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors – Risks Relating to Our Business – Most of our portfolio investments are recorded at fair value as determined in good faith under the direction of our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments."

Managerial Assistance

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. "Making available significant managerial assistance" refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

Prospect Administration, when executing a managerial assistance agreement with each portfolio company to which we provide managerial assistance, arranges for the provision of such managerial assistance on our behalf. When doing so, Prospect Administration utilizes personnel of our Investment Adviser. We, on behalf of Prospect Administration, invoice portfolio companies

receiving and paying for managerial assistance, and we remit to Prospect Administration its cost of providing such services, including the charges deemed appropriate by our Investment Adviser for providing such managerial assistance. No income is recognized by Prospect.

Investment Adviser

Prospect Capital Management, a Delaware limited partnership that is registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") manages our investments. Prospect Capital Management is led by John F. Barry III and M. Grier Eliasek, two senior executives with significant investment advisory and business experience. Both Messrs. Barry and Eliasek spend a significant amount of their time in their roles at Prospect Capital Management working on our behalf. The principal executive offices of Prospect Capital Management are 10 East 40th Street, 42nd Floor, New York, NY 10016. We depend on the due diligence, skill and network of business contacts of the senior management of the Investment Adviser. We also depend, to a significant extent, on the Investment Adviser's investment professionals and the information and deal flow generated by those investment professionals in the course of their investment and portfolio management activities. The Investment Adviser's senior management team evaluates, negotiates, structures, closes, monitors and services our investments. Our future success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior managers of the Investment Adviser could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain the Investment Adviser or that we will continue to have access to its investment professionals or its information and deal flow. Under the Investment Advisory Agreement (as defined below), we pay Prospect Capital Management investment advisory fees, which consist of an annual base management fee based on our gross assets as well as a two-part incentive fee based on our performance. Mr. Barry currently controls Prospect Capital Management.

Investment Advisory Agreement

Terms

We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies), and (iii) closes and monitors investments we make.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our total assets. For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate), i.e., the "catch-up"; and
- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which may be asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate amortized cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Incentive Fee*

*The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

<u>Alternative 1</u>

Assumptions

- Investment income (including interest, dividends, fees, etc.) = 1.25%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no income incentive fee.

Alternative 2

Assumptions

- Investment income (including interest, dividends, fees, etc.) = 2.70%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 2.00%

Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to the Investment Adviser. The Income Incentive Fee would be calculated as follows:

= 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income – 2.1875%))

= (100% × (2.00% - 1.75%)) + 0%

= 100% × 0.25% + 0%

= 0.25%

Alternative 3

Assumptions

- Investment income (including interest, dividends, fees, etc.) = 3.00%
- Hurdle rate(1) = 1.75%
- Base management fee(2) = 0.50%
- Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
- Pre-incentive fee net investment income (investment income – (base management fee + other expenses)) = 2.30%

Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to the Investment Adviser. The Income Incentive Fee would be calculated as follows:

= 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income – 2.1875%))

= (100% × (2.1875% – 1.75%)) + the greater of 0% AND (20% × (2.30% – 2.1875%))

= (100% × 0.4375%) + (20% × 0.1125%)

= 0.4375% + 0.0225%

= 0.46%

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(1) Represents 7% annualized hurdle rate.

(2) Represents 2% annualized base management fee.

(3) Excludes organizational and offering expenses.

Example 2: Capital Gains Incentive Fee

Alternative 1

Assumptions

- Year 1: $20 million investment made
- Year 2: Fair market value ("FMV") of investment determined to be $22 million
- Year 3: FMV of investment determined to be $17 million
- Year 4: Investment sold for $21 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: No impact
- Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $4 million ($1 million of realized capital gain and $3 million *reversal* in unrealized capital depreciation)

Alternative 2

Assumptions

- Year 1: $20 million investment made
- Year 2: FMV of investment determined to be $17 million
- Year 3: FMV of investment determined to be $17 million
- Year 4: FMV of investment determined to be $21 million
- Year 5: FMV of investment determined to be $18 million
- Year 6: Investment sold for $15 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)
- Year 3: No impact
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million (*reversal* in unrealized capital depreciation)
- Year 5: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (unrealized capital depreciation)
- Year 6: Decrease base amount on which the second part of the incentive fee is calculated by $3 million ($5 million of realized capital loss offset by a $2 million *reversal* in unrealized capital depreciation)

Alternative 3

Assumptions

- Year 1: $20 million investment made in company A (“Investment A”) and $20 million investment made in company B (“Investment B”)
- Year 2: FMV of Investment A is determined to be $21 million and Investment B is sold for $18 million
- Year 3: Investment A is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (realized capital loss on Investment B)
- Year 3: Increase base amount on which the second part of the incentive fee is calculated by $3 million (realized capital gain on Investment A)

Alternative 4

Assumptions

- Year 1: $20 million investment made in company A (“Investment A”) and $20 million investment made in company B (“Investment B”)
- Year 2: FMV of Investment A is determined to be $21 million and FMV of Investment B is determined to be $17 million
- Year 3: FMV of Investment A is determined to be $18 million and FMV of Investment B is determined to be $18 million
- Year 4: FMV of Investment A is determined to be $19 million and FMV of Investment B is determined to be $21 million
- Year 5: Investment A is sold for $17 million and Investment B is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

- Year 1: No impact
- Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation on Investment B)
- Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $1 million ($2 million in unrealized capital depreciation on Investment A and $1 million recovery in unrealized capital depreciation on Investment B)
- Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million ($1 million recovery in unrealized capital depreciation on Investment A and $2 million recovery in unrealized capital depreciation on Investment B)
- Year 5: Increase base amount on which the second part of the incentive fee is calculated by $1 million ($3 million realized capital gain on Investment B offset by $3 million realized capital loss on Investment A plus a $1 million reversal in unrealized capital depreciation on Investment A from Year 4)

Duration and Termination

The Investment Advisory Agreement was originally approved by our Board of Directors on June 23, 2004 and was recently re-approved by the Board of Directors on June 18, 2019 for an additional one-year term expiring June 21, 2020. Unless terminated earlier as described below, it will remain in effect from year to year thereafter if approved annually by our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The Investment Advisory Agreement will automatically terminate in the event of its assignment. The Investment Advisory Agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risk Factors – Risks Relating to Our Business – We are dependent upon Prospect Capital Management's key management personnel for our future success."

Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Capital Management and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Capital Management's services under the Investment Advisory Agreement or otherwise as the Investment Adviser.

Administration Agreement

We have also entered into an administration agreement (the "Administration Agreement") with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff, including the internal legal staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see *Managerial Assistance* section below). The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly-owned subsidiary of the Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us. Our payments to Prospect Administration are reviewed quarterly by our Board of Directors.

Payment of Our Expenses

All investment professionals of the Investment Adviser and its respective staff, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Investment Adviser. We bear all other costs and expenses of our operations and transactions, including those relating to: organization and offering; calculation of our net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by Prospect Capital Management payable to third parties, including agents, consultants or other advisers (such as independent valuation firms, accountants and legal counsel), in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies; interest payable on debt, if any, and dividends payable on preferred stock, if any, incurred to finance our investments; offerings of our debt, our preferred shares, our common stock and other securities; investment advisory fees; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents with the SEC; the costs of any reports, proxy statements or other notices to stockholders, including printing costs; our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any

other insurance premiums; direct costs and expenses of administration, including auditor and legal costs; and all other expenses incurred by us, by the Investment Adviser or by Prospect Administration in connection with administering our business, such as our allocable portion of overhead under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff.

License Agreement

We entered into a license agreement with Prospect Capital Management pursuant to which Prospect Capital Management agreed to grant us a non-exclusive, royalty free license to use the name "Prospect Capital." Under this agreement, we have a right to use the Prospect Capital name, for so long as Prospect Capital Management or one of its affiliates remains the Investment Adviser. Other than with respect to this limited license, we have no legal right to the Prospect Capital name. This license agreement will remain in effect for so long as the Investment Advisory Agreement with the Investment Adviser is in effect.

Determination of Net Asset Value

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

In calculating the value of our total assets, we will value investments for which market quotations are readily available at such market quotations. Short-term investments which mature in 60 days or less, such as U.S. Treasury bills, are valued at amortized cost, which approximates market value. The amortized cost method involves recording a security at its cost (i.e., principal amount plus any premium and less any discount) on the date of purchase and thereafter amortizing/accreting that difference between the principal amount due at maturity and cost assuming a constant yield to maturity as determined at the time of purchase. Short-term securities which mature in more than 60 days are valued at current market quotations by an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, or otherwise by a principal market maker or a primary market dealer). Investments in money market mutual funds are valued at their net asset value as of the close of business on the day of valuation.

Most of the investments in our portfolio do not have market quotations which are readily available, meaning the investments do not have actively traded markets. Debt and equity securities for which market quotations are not readily available are valued with the assistance of an independent valuation service using a documented valuation policy and a valuation process that is consistently applied under the direction of our Board of Directors. For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors – Risks Relating to Our Business – Most of our portfolio investments are recorded at fair value as determined in good faith under the direction of our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments."

The factors that may be taken into account in valuing such investments include, as relevant, the portfolio company's ability to make payments, its estimated earnings and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies, changes in interest rates for similar debt instruments and other relevant factors. Due to the inherent uncertainty of determining the fair value of investments that do not have readily available market quotations, the fair value of these investments may differ significantly from the values that would have been used had such market quotations existed for such investments, and any such differences could be material.

As part of the fair valuation process, the independent valuation firms engaged by the Board of Directors perform a review of each debt and equity investment requiring fair valuation and provide a range of values for each investment, which, along with management's valuation recommendations, is reviewed by our Audit Committee. Management and the independent valuation firms may adjust their preliminary evaluations to reflect comments provided by our Audit Committee. The Audit Committee reviews the final valuation reports and management's valuation recommendations and makes a recommendation to the Board of Directors based on its analysis of the methodologies employed and the various weights that should be accorded to each portion of the valuation as well as factors that the independent valuation firms and management may not have included in their evaluation processes. The Board of Directors then evaluates the Audit Committee recommendations and undertakes a similar analysis to determine the fair value of each investment in the portfolio in good faith.

Determination of fair values involves subjective judgments and estimates. Accordingly, under current accounting standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

Dividend Reinvestment and Direct Stock Purchase Plan

We have adopted a dividend reinvestment and direct stock purchase plan that provides for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below, and the ability to purchase additional shares by making optional cash investments. As a result, when our Board of Directors authorizes, and we declare, a cash dividend or distribution, then our stockholders who have not "opted out" of our dividend reinvestment and direct stock purchase plan will have their cash dividends or distributions automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends or distributions. If you are not a current stockholder and want to enroll or have "opted out" and wish to rejoin, you may purchase shares directly through the plan or opt in by enrolling online or submitting to the plan administrator a completed enrollment form and, if you are not a current stockholder, making an initial investment of at least $250.

No action is required on the part of a registered stockholder to have their cash dividend or distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire dividend or distribution in cash by notifying the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for dividends to stockholders. The plan administrator will set up a dividend reinvestment account for shares acquired pursuant to the plan for each stockholder who has not so elected to receive dividends and distributions in cash or who has enrolled in the plan as described herein (each, a "Participant"). The plan administrator will hold each Participant's shares, together with the shares of other Participants, in non-certificated form in the plan administrator's name or that of its nominee. Upon request by a Participant to terminate their participation in the plan, received in writing, via the internet or the plan administrator's toll free number no later than 3 business days prior to a dividend or distribution payment date, such dividend or distribution will be paid out in cash and not be reinvested. If such request is received fewer than 3 business days prior to a dividend or distribution payment date, such dividend or distribution will be reinvested but all subsequent dividends and distributions will be paid to the stockholder in cash on all balances. Upon such termination of the Participant's participation in the plan, all whole shares owned by the Participant will be issued to the Participant in certificated form and a check will be issued to the Participant for the proceeds of fractional shares less a transaction fee of $15. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends or distributions in cash by notifying their broker or other financial intermediary of their election.

We primarily use newly-issued shares to implement reinvestment of dividends and distributions under the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with the implementation of reinvestment of dividends or distributions under the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend or distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on the NASDAQ Global Select Market on the last business day before the payment date for such dividend or distribution. Market price per share on that date will be the closing price for such shares on the NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend or distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive dividends and distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend or distribution payable to a stockholder.

There are no brokerage charges or other charges to stockholders who participate in reinvestment of dividends or distributions under the plan. The plan administrator's fees under the plan are paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commissions from the proceeds.

Stockholders who receive dividends or distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their dividends or distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend or distribution from us will be equal to the total dollar amount of the dividend or distribution payable to the stockholder. Any stock received in a dividend or distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. Stockholder's account (as defined below).

Participants in the plan have the option of making additional cash payments to the plan administrator for investment in the shares at the then current market price. Such payments may be made in any amount from $25 to $10,000 per transaction. Participants in the plan may also elect to have funds electronically withdrawn from their checking or savings account each month. Direct debit of cash will be performed on the 10th of each month. Participants may elect this option by submitting a written authorization form or by enrolling online at the plan administrator's website. The plan administrator will use all funds received from participants

since the prior investment of funds to purchase shares of our common stock in the open market. We will not use newly-issued shares of our common stock to implement such purchases. Purchase orders will be submitted daily. The plan administrator may, at its discretion, submit purchase orders less frequently but no later than 30 days after receipt. The plan administrator will charge each stockholder who makes such additional cash payments $2.50, plus a $0.10 per share brokerage commission. Cash dividends and distributions payable on all shares credited to your plan account will be automatically reinvested in additional shares pursuant to the terms of the plan. Brokerage charges for some purchases are expected to be less than the usual brokerage charge for such transactions. Instructions sent by a participant to the plan administrator in connection with such participant's cash payment may not be rescinded.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at www.astfinancial.com or by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the plan administrator's Interactive Voice Response System at (888) 888-0313. Upon termination, the stockholder will receive certificates for the full shares credited to your plan account. If you elect to receive cash, the plan administrator sells such shares and delivers a check for the proceeds, less the $0.10 per share commission and the plan administrator's transaction fee of $15. In every case of termination, fractional shares credited to a terminating plan account are paid in cash at the then-current market price, less any commission and transaction fee.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any payable date for the payment of any dividend by us or distribution pursuant to any additional cash payment made. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer and Trust Company LLC, 6201 15th Avenue, Brooklyn, New York 11219, or by telephone at 888-888-0313.

Stockholders who purchased their shares through or hold their shares in the name of a broker or financial institution should consult with a representative of their broker or financial institution with respect to their participation in our dividend reinvestment plan and direct stock purchase plan. Such holders of our stock may not be identified as our registered stockholders with the plan administrator and may not automatically have their cash dividend or distribution reinvested in shares of our common stock by the plan administrator.

Material U.S. Federal Income Tax Considerations

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our common shares. This summary does not purport to be a complete description of the income tax considerations applicable to us or our investors on such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, U.S. Stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares and persons who hold our shares as part of a "straddle," "hedge" or "conversion" transaction. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this report and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

A "U.S. Stockholder" is a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- A citizen or individual resident of the United States;
- A corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- An estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- A trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

A "Non-U.S. Stockholder" is a beneficial owner of shares of our common stock that is not a partnership and is not a U.S. Stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult its tax advisor with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

Election to be Taxed as a RIC

As a business development company, we have elected and intend to continue to qualify to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally are not subject to corporate-level U.S. federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

Taxation as a RIC

In order to qualify as a RIC for U.S. federal income tax purposes, we must, among other things:

- Qualify to be treated as a business development company or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- Derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a "qualified publicly traded partnership" (as defined in the Code) (the "90% Income Test"); and
- Diversify our holdings so that at the end of each quarter of the taxable year:
    - At least 50% of the value of our assets consists of cash, cash equivalents, U.S. government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a "qualified publicly traded partnership"); and
    - No more than 25% of the value of our assets is invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer (ii) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of one or more "qualified publicly traded partnerships," (the "Diversification Tests").

To the extent that we invest in entities treated as partnerships for U.S. federal income tax purposes (other than a "qualified publicly traded partnership"), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a "qualified publicly traded partnership") will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a "qualified publicly traded partnership") in which we are a partner for purposes of the Diversification Tests. If the partnership is a "qualified publicly traded partnership," the net income derived from such partnership will be qualifying income for purposes of the 90% Income Test, and interests in the partnership will be "securities" for purposes of the Diversification Tests. We monitor our investments in equity securities of entities that are treated as partnerships for U.S. federal income tax purposes to prevent our disqualification as a RIC.

In order to meet the 90% Income Test, we may establish one or more special purpose corporations to hold assets from which we do not anticipate earning dividend, interest or other qualifying income under the 90% Income Test. Any such special purpose corporation would generally be subject to U.S. federal income tax, and could result in a reduced after-tax yield on the portion of our assets held by such corporation.

Provided that we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. federal income tax on the portion of our investment company taxable income and net capital gain (which we define as net long-term capital gains in excess of net short-term capital losses) we timely distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders. Any undistributed taxable income is subject to U.S. federal income tax.

We will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income of RICs unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during the calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31 in that calendar year and (iii) any income recognized, but not distributed, in preceding years.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount, we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant. As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our investment company taxable income in other taxable years.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation as a Business Development Company – Senior Securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

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 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 distributees 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. The remainder of this discussion assumes we will qualify for taxation as a RIC.

Certain of our investment practices may be subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

We may invest in preferred securities or other securities the U.S. federal income tax treatment of which may be unclear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the expected tax treatment, it could affect the timing or character of income recognized, requiring us to purchase or sell securities, or otherwise change our portfolio, in order to comply with the tax rules applicable to RICs under the Code.

Taxation of U.S. Stockholders

Distributions by us generally are taxable to U.S. Stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. Stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. Provided that certain holding period and other requirements are met, such distributions (if reported by us) may qualify (i) for the dividends received deduction available to corporations, but only to the extent that our income consists of dividend income from U.S. corporations and (ii) in the case of individual shareholders, as qualified dividend income eligible to be taxed at long-term capital gain rates to the extent that we receive qualified dividend income (generally, dividend income from taxable domestic corporations and certain qualified foreign corporations). There can be no assurance as to what portion, if any, of our distributions will qualify for favorable treatment as qualified dividend income.

Distributions of our net capital gain (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly reported by us as "capital gain dividends" will be taxable to a U.S. Stockholder as long-term capital gains, regardless of the U.S. Stockholder's holding period for its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. Stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. Stockholder.

Under recently proposed regulations on which taxpayers are entitled to rely, properly reported dividends paid by us that are attributable to our "qualified REIT dividends" (generally, ordinary income dividends paid by a REIT, not including capital gain dividends or dividends treated as qualified dividend income) may be eligible for the 20% deduction described in Section 199A of the Code in the case of non-corporate U.S. shareholders, provided that certain holding period and other requirements are met by us and by such shareholder. There can be no assurance as to what portion, if any, of our distributions will qualify for such deduction. Subject to any future regulatory guidance to the contrary, any distribution of income attributable to income from our investment in a master limited partnership ("MLP") will not qualify for the 20% deduction for "qualified PTP income" that would generally be available to a non-corporate U.S. shareholder were the shareholder to own such MLP directly. As a result, it is possible that a non-corporate U.S. shareholder will be subject to a higher effective tax rate on any such distributions received from us compared to the effective rate applicable to any income the U.S. shareholder would receive if the shareholder invested directly in an MLP.

Although we currently intend to distribute any long-term capital gains at least annually, we may in the future decide to retain some or all of our long-term capital gains, and designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. Stockholder will be required to include his, her or its proportionate share of the deemed distribution in income as if it had been actually distributed to the U.S. Stockholder, and the U.S. Stockholder will be entitled to claim a credit equal to its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Stockholder's tax basis for his, her or its common stock. The amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit may exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. Stockholder's other U.S. federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for U.S. federal income tax. A stockholder that is not subject to U.S. federal income tax or otherwise required to file a U.S. federal income tax return would be required to file a U.S. federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. Stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in any such month and actually paid during January of the following year, will be treated as if it had been received by our U.S. Stockholders on December 31 of the year in which the dividend was declared.

If a U.S. Stockholder purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of its investment.

A U.S. Stockholder generally will recognize taxable gain or loss if such U.S. Stockholder sells or otherwise disposes of its shares of our common stock. Any gain or loss arising from such sale or taxable disposition generally will be treated as long-term capital gain or loss if the U.S. Stockholder has held his, her or its shares for more than one year. Otherwise, it would be classified as short-

term capital gain or loss. However, any capital loss arising from the sale or taxable disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a taxable disposition of shares of our common stock may be disallowed if other substantially identical shares are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. Capital losses are deductible only to the extent of capital gains (subject to an exception for individuals under which a limited amount of capital losses may be offset against ordinary income).

In general, individual U.S. Stockholders currently are subject to a preferential rate on their net capital gain, or the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. Stockholders currently are subject to U.S. federal income tax on net capital gain at ordinary income rates.

Certain U.S. Stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax on all or a portion of their “net investment income,” which includes dividends received from us and capital gains from the sale or other disposition of our stock.

We will make available to each of our U.S. Stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share basis, the amounts includible in such U.S. Stockholder’s taxable income for such year as ordinary income and as long-term capital gain on form 1099-DIV. In addition, the amount and the U.S. federal tax status of each year’s distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. Stockholder’s particular situation.

Payments of dividends, including deemed payments of constructive dividends, or the proceeds of the sale or other taxable disposition of our common stock generally are subject to information reporting unless the U.S. Stockholder is an exempt recipient. Such payments may also be subject to U.S. federal backup withholding at the applicable rate if the recipient of such payment fails to supply a taxpayer identification number and otherwise comply with the rules for establishing an exemption from backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the holder’s U.S. federal income tax liability, provided that certain information is provided timely to the IRS.

Taxation of Non-U.S. Stockholders

Whether an investment in our common stock is appropriate for a Non-U.S. Stockholder will depend upon that person’s particular circumstances. An investment in our common stock by a Non-U.S. Stockholder may have adverse tax consequences. Non-U.S. Stockholders should consult their tax advisers before investing in our common stock.

Distributions of our “investment company taxable income” to Non-U.S. Stockholders that are not “effectively connected” with a U.S. trade or business conducted by the Non-U.S. Stockholder, will generally be subject to withholding of U.S. federal income tax at a rate of 30% (or lower applicable treaty rate) to the extent of our current and accumulated earnings and profits.

Properly reported distributions to Non-U.S. Stockholders are generally exempt from U.S. federal withholding tax where they (i) are paid in respect of our “qualified net interest income” (generally, our U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of our “qualified short-term capital gains” (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). However, depending on our circumstances, we may report all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a Non-U.S. Stockholder needs to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E or substitute form). In the case of shares held through an intermediary, the intermediary may withhold even if we report the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. Stockholders should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of our distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains.

Actual or deemed distributions of our net capital gain to a Non-U.S. Stockholder, and gains recognized by a Non-U.S. Stockholder upon the sale of our common stock, that are not effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder, will generally not be subject to U.S. federal withholding tax and generally will not be subject to U.S. federal income tax unless the Non-U.S. Stockholder is a nonresident alien individual and is physically present in the United States for 183 or more days during the taxable year and meets certain other requirements.

Distributions of our “investment company taxable income” and net capital gain (including deemed distributions) to Non-U.S. Stockholders, and gains realized by Non-U.S. Stockholders upon the sale of our common stock, that are effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder, will be subject to U.S. federal income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. In addition, if such Non-U.S. Stockholder is a foreign corporation, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax on its effectively connected earnings and profits for the taxable year, subject to adjustments, if its investment in our common stock is effectively connected with its conduct of a U.S. trade or business.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. Stockholder will be entitled to a U.S. federal income tax credit or tax refund equal to the stockholder’s allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. Stockholder must obtain a U.S. taxpayer identification number and file a U.S. federal income tax return even if the Non-U.S. Stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. federal income tax return.

In addition, withholding at a rate of 30% will be required on dividends in respect of our stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. Accordingly, the entity through which our shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of our shares held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any “substantial United States owners” or (ii) provides certain information regarding the entity’s “substantial United States owners,” which we or the applicable withholding agent will in turn provide to the IRS. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. We will not pay any additional amounts to stockholders in respect of any amounts withheld. Non-U.S. Stockholders are encouraged to consult their tax advisors regarding the possible implications of the legislation on their investment in our shares.

A Non-U.S. Stockholder generally will be required to comply with certain certification procedures to establish that such holder is not a U.S. person in order to avoid backup withholding with respect to payments of dividends, including deemed payments of constructive dividends, or the proceeds of a disposition of our common stock. In addition, we are required to annually report to the IRS and each Non-U.S. Stockholder the amount of any dividends or constructive dividends treated as paid to such Non-U.S. Stockholder, regardless of whether any tax was actually withheld. Copies of the information returns reporting such dividend or constructive dividend payments and the amount withheld may also be made available to the tax authorities in the country in which a Non-U.S. Stockholder resides under the provisions of an applicable income tax treaty. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against a Non-U.S. Stockholder’s U.S. federal income tax liability, if any, provided that certain required information is provided timely to the IRS.

Non-U.S. persons should consult their tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our common stock.

Tax Cuts and Jobs Act

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including a reduction in the statutory corporate income tax rate to 21%, a new limitation on the deductibility of business interest expense, restrictions on the use of net operating loss carryforwards arising in taxable years beginning after December 31, 2017 and dramatic changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the Treasury Department to issue regulations with respect to the new provisions.

The newly imposed limitation on the deductibility of interest expense for U.S. federal income tax purposes may adversely affect our leveraged portfolio companies’ ability to deduct interest payments. Additionally, the disallowance of interest deductibility may or may not impact the portfolio company’s ability to make dividend distributions from taxable earnings and profits. We cannot predict how these or the other changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business, the business of our portfolio companies, or an investment in our securities.

The discussion set forth herein does not constitute tax advice, and potential investors should consult their own tax advisors concerning the tax considerations relevant to their particular situation.

Regulation as a Business Development Company

General

We are a closed-end, non-diversified investment company that has filed an election to be treated as a BDC under the 1940 Act and has elected to be treated as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act of 1933. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate, foreign currency and other market fluctuations. However, in connection with an investment or acquisition financing of a portfolio company, we may purchase or otherwise receive warrants to purchase the common stock of the portfolio company. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except with respect to money market funds, we generally cannot acquire more than 3% of the voting stock of any regulated investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments subject our stockholders indirectly to additional expenses. None of these policies are fundamental and may be changed without stockholder approval.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

1. Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An "eligible portfolio company" is defined in the 1940 Act and rules adopted pursuant thereto as any issuer which:

    a. is organized under the laws of, and has its principal place of business in, the United States;

    b. is not an investment company (other than a small business investment company wholly-owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act for certain financial companies such as banks, brokers, commercial finance companies, mortgage companies and insurance companies; and

    c. satisfies any of the following:

        i. does not have any class of securities with respect to which a broker or dealer may extend margin credit;

        ii. is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company;

        iii. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million;

        iv. does not have any class of securities listed on a national securities exchange; or

        v. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million.

2. Securities in companies that were eligible portfolio companies when we made our initial investment if certain other requirements are satisfied.

3. Securities of any eligible portfolio company which we control.

4. Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing agreements.

5. Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

6. Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

7. Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2), (3) or (4) above.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, a business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. “Making available significant managerial assistance” refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us will vary according to the particular needs of each portfolio company. Examples of such activities include advice on marketing, operations, fulfillment and overall strategy, capital budgeting, managing relationships with financing sources, recruiting management personnel, evaluating acquisition and divestiture opportunities, participating in board and management meetings, consulting with and advising officers of portfolio companies, and providing other organizational and financial guidance. We provide significant managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. Prospect Administration provides such managerial assistance on our behalf to portfolio companies, including controlled companies, when we are required to provide this assistance, utilizing personnel from Prospect Capital Management.

Temporary Investments

Pending investment in other types of “qualifying assets,” as described above, our investments may consist of cash, cash equivalents, including money market funds, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in money market funds, U.S. Treasury bills or in repurchase agreements that are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for U.S. federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. The Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. On March 23, 2018, the Small Business Credit Availability Act was signed into law, which included changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances. While certain other BDCs have

elected to allow for the increase in leverage, after consideration of the expected negative impact on us, including a rating downgrade by S&P, our Board of Directors has not currently elected to approve the application of the modified asset coverage requirements for the Company. In addition, while any preferred stock or public debt securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios after giving effect to such distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see “Risk Factors – Risks Relating to Our Securities.”

Code of Ethics

We, Prospect Capital Management and Prospect Administration have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code’s requirements. For information on how to obtain a copy of each code of ethics, see “Available Information.”

Compliance Policies and Procedures

We and the Investment Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the U.S. federal securities laws and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation and to designate a Chief Compliance Officer to be responsible for administering the policies and procedures. Kristin L. Van Dask serves as our Chief Compliance Officer.

Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to Prospect Capital Management. The Proxy Voting Policies and Procedures of Prospect Capital Management are set forth below. The guidelines are reviewed periodically by Prospect Capital Management and our independent directors, and, accordingly, are subject to change.

Introduction.

As an investment adviser registered under the Advisers Act, Prospect Capital Management has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, Prospect Capital Management recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for Prospect Capital Management’s Investment Advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy policies.

These policies are designed to be responsive to the wide range of subjects that may be the subject of a proxy vote. These policies are not exhaustive due to the variety of proxy voting issues that Prospect Capital Management may be required to consider. In general, Prospect Capital Management will vote proxies in accordance with these guidelines unless: (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients’ best interests. In such cases, a decision on how to vote will be made by the Proxy Voting Committee (as described below). In reviewing proxy issues, Prospect Capital Management will apply the following general policies:

Elections of directors.

In general, Prospect Capital Management will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on the Board of Directors or Prospect Capital Management determines that there are other compelling reasons for withholding votes for directors, the Proxy Voting Committee will determine the appropriate vote on the matter. Prospect Capital Management believes that directors have a duty to respond to stockholder actions that have received significant stockholder support. Prospect Capital Management may withhold votes for directors that fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a stockholder vote and failure to act on tender offers where a majority of stockholders have tendered their shares. Finally, Prospect Capital Management may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

Appointment of auditors.

Our Audit Committee and Board of Directors believe that the company remains in the best position to choose the auditors and will generally support management's recommendation.

Changes in capital structure.

Changes in a company's charter, articles of incorporation or by-laws may be required by state or U.S. federal regulation. In general, Prospect Capital Management will cast its votes in accordance with the company's management on such proposal. However, the Proxy Voting Committee will review and analyze on a case-by-case basis any proposals regarding changes in corporate structure that are not required by state or U.S. federal regulation.

Corporate restructurings, mergers and acquisitions.

Prospect Capital Management believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, the Proxy Voting Committee will analyze such proposals on a case-by-case basis.

Proposals affecting the rights of stockholders.

Prospect Capital Management will generally vote in favor of proposals that give stockholders a greater voice in the affairs of the company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals, Prospect Capital Management will weigh the financial impact of the proposal against the impairment of the rights of stockholders.

Corporate governance.

Prospect Capital Management recognizes the importance of good corporate governance in ensuring that management and the Board of Directors fulfill their obligations to the stockholders. Prospect Capital Management favors proposals promoting transparency and accountability within a company.

Anti-takeover measures.

The Proxy Voting Committee will evaluate, on a case-by-case basis, proposals regarding anti-takeover measures to determine the measure's likely effect on stockholder value dilution.

Stock splits.

Prospect Capital Management will generally vote with the management of the company on stock split matters.

Limited liability of directors.

Prospect Capital Management will generally vote with management on matters that would affect the limited liability of directors.

Social and corporate responsibility.

The Proxy Voting Committee may review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on stockholder value. Prospect Capital Management may abstain from voting on social proposals that do not have a readily determinable financial impact on stockholder value.

Proxy voting procedures.

Prospect Capital Management will generally vote proxies in accordance with these guidelines. In circumstances in which (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients' best interests, the Proxy Voting Committee will vote the proxy.

Proxy voting committee.

Prospect Capital Management has formed a proxy voting committee to establish general proxy policies and consider specific proxy voting matters as necessary. In addition, members of the committee may contact the management of the company and interested stockholder groups as necessary to discuss proxy issues. Members of the committee will include relevant senior personnel. The committee may also evaluate proxies where we face a potential conflict of interest (as discussed below). Finally, the committee monitors adherence to guidelines, and reviews the policies contained in this statement from time to time.

Conflicts of interest.

Prospect Capital Management recognizes that there may be a potential conflict of interest when it votes a proxy solicited by an issuer that is its advisory client or a client or customer of one of our affiliates or with whom it has another business or personal relationship that may affect how it votes on the issuer's proxy. Prospect Capital Management believes that adherence to these policies and procedures ensures that proxies are voted with only its clients' best interests in mind. To ensure that its votes are not the product of a conflict of interests, Prospect Capital Management requires that: (i) anyone involved in the decision making process (including members of the Proxy Voting Committee) disclose to the chairman of the Proxy Voting Committee any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process or vote administration are prohibited from revealing how Prospect Capital Management intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting.

Each account's custodian will forward all relevant proxy materials to Prospect Capital Management, either electronically or in physical form to the address of record that Prospect Capital Management has provided to the custodian.

Proxy recordkeeping.

Prospect Capital Management must retain the following documents pertaining to proxy voting:

- copies of its proxy voting policies and procedures;
- copies of all proxy statements;
- records of all votes cast by Prospect Capital Management;
- copies of all documents created by Prospect Capital Management that were material to making a decision how to vote proxies or that memorializes the basis for that decision; and
- copies of all written client requests for information with regard to how Prospect Capital Management voted proxies on behalf of the client as well as any written responses provided.

All of the above-referenced records will be maintained and preserved for a period of not less than five years from the end of the fiscal year during which the last entry was made. The first two years of records must be maintained at our office.

Proxy voting records.

Clients may obtain information about how Prospect Capital Management voted proxies on their behalf by making a written request for proxy voting information to: Compliance Officer, Prospect Capital Management LLC, 10 East 40th Street, 42nd Floor, New York, NY 10016.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a variety of regulatory requirements on publicly-held companies. In addition to our Chief Executive and Chief Financial Officers' required certifications as to the accuracy of our financial reporting, we are also required to disclose the effectiveness of our disclosure controls and procedures as well as report on our assessment of our internal controls over financial reporting, the latter of which must be audited by our independent registered public accounting firm.

The Sarbanes-Oxley Act of 2002 also requires us to continually review our policies and procedures to ensure that we remain in compliance with all rules promulgated thereunder.

Available Information

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 Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information is available free of charge by contacting us at (212) 448-0702 or on our website at *www.prospectstreet.com*. Information contained on our website is not incorporated into this Annual Report and you should not consider such information to be part of this Annual Report. You also may inspect and copy these reports, proxy statements and other information, as well as the Annual Report and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. Such information is also available from the EDGAR database on the SEC's website at *http://www.sec.gov*. You also can obtain copies of such information, after paying a duplicating fee, by sending a request by e-mail to publicinfo@sec.gov or by writing the SEC's Public Reference Branch, Office of Consumer Affairs and Information Services, Securities and Exchange Commission, Washington, D.C. 20549. You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at (202) 551-8090 or (800) SEC-0330.

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, before you decide whether to make an investment in our securities. The risks set forth below are not the only risks we face. If any of the adverse events or conditions described below occurs, 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, or the value of our preferred stock, debt securities, and warrants, if any are outstanding, may decline, and you may lose all or part of your investment.

Our $224.1 million of 4.75% convertible notes due 2020 are referred to as the "2020 Notes". Our $328.5 million of 4.95% convertible notes due 2022 are referred to as the "2022 Notes". Our $201.3 million of 6.375% convertible notes due 2025 are referred to as the "2025 Notes", and collectively with the 2020 Notes and the 2022 Notes, are the "Convertible Notes". Our $320.0 million of 5.875% unsecured notes due 2023 are referred to as the "2023 Notes". Our $234.4 million of 6.25% unsecured notes due 2024 are referred to as the "2024 Notes". Our $70.8 million of 6.25% unsecured notes due 2028 are referred to as the "2028 Notes". Our $100.0 million of 6.375% unsecured notes due 2024 are referred to as the "6.375% 2024 Notes". Our $69.2 million of 6.875% unsecured notes due 2029 are referred to as the "2029 Notes", and collectively with the 2023 Notes, the 2024 Notes, the 2028 Notes, and the 6.375% 2024 Notes are the "Public Notes". Any corporate notes issued pursuant to our medium term notes program with Incapital LLC are referred to as "Prospect Capital InterNotes®". The Convertible Notes, Public Notes, and Prospect Capital InterNotes® are collectively referred to as the "Unsecured Notes".

Risks Relating to Our Business

Capital markets may experience periods of disruption and instability. Such market conditions may materially and adversely affect debt and equity capital markets in the United States and abroad, which may have a negative impact on our business and operations.

From time to time, capital markets may experience periods of disruption and instability. For example, between 2007 and 2009, the global capital markets experienced an extended period of disruption as evidenced by a lack of liquidity in the debt capital markets, write-offs in the financial services sector, the re-pricing of credit risk and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While the adverse effects of these conditions have abated to a degree, global financial markets experienced significant volatility following the downgrade by Standard & Poor's on August 5, 2011 of the long-term credit rating of U.S. Treasury debt from AAA to AA+. These market conditions have historically had, and could again have, a material adverse effect on debt and equity capital markets in the United States and Europe, which could have a materially negative impact on our business, financial condition and results of operations. We and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. In such circumstances, equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without general approval by our stockholders, which we currently have, and approval of the specific issuance by our Board of Directors. In addition, our ability to incur indebtedness or issue preferred stock is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness or issue preferred stock. The debt capital that may be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Market conditions may in the future make it difficult to extend the maturity of or refinance our existing indebtedness, including the final maturity of our revolving credit facility in March 2024, and any failure to do so could have a material adverse effect on

our business. The re-appearance of market conditions similar to those experienced from 2007 through 2009 for any substantial length of time or worsened market conditions, including as a result of U.S. government shutdowns or the perceived creditworthiness of the United States, could make it difficult to extend the maturity of, or refinance, our existing indebtedness, or obtain new indebtedness with similar terms and any failure to do so could have a material adverse effect on our business. The debt capital that will be available to us in the future, if at all, may be at a higher cost and on less favorable terms and conditions than what we currently experience. Further, if we are unable to raise or refinance debt, then our equity investors may not benefit from the potential for increased returns on equity resulting from leverage and we may be limited in our ability to make new commitments or to fund existing commitments to our portfolio companies.

The illiquidity of our investments may make it difficult for us to sell such investments, if required. As a result, we may realize significantly less than the value at which we have recorded our investments if forced to liquidate quickly.

Given the extreme volatility and dislocation that the capital markets have historically experienced, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. We may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations. In addition, significant changes in the capital markets, including the extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

The Investment Adviser does not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the United States economy and securities markets or on our investments. The Investment Adviser monitors developments and seeks to manage our investments in a manner consistent with achieving our investment objective, but there can be no assurance that it will be successful in doing so; and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments in the current or future market environment.

We are required to record certain of our assets at fair value, as determined in good faith by our Board of Directors in accordance with our valuation policy. As a result, volatility in the capital markets may have a material adverse effect on our investment valuations and our net asset value, even if we plan to hold investments to maturity.

Uncertainty about the financial stability of the United States, the economic crisis in Europe and the Trump administration could negatively impact our business, financial condition and results of operations.

Although U.S. lawmakers passed legislation to raise the federal debt ceiling and Standard & Poor’s Ratings Services affirmed its AA+ long-term sovereign credit rating on the United States and revised the outlook on the long-term rating from negative to stable in June of 2013, U.S. debt ceiling and budget deficit concerns together with signs of deteriorating sovereign debt conditions in Europe continue to present the possibility of a credit-rating downgrade, economic slowdowns, or a recession for the United States. The impact of any further downgrades to the U.S. government’s sovereign credit rating or downgraded sovereign credit ratings of European countries or the Russian Federation, or their perceived creditworthiness could adversely affect the U.S. and global financial markets and economic conditions. These developments, along with any further European sovereign debt issues, could cause interest rates and borrowing costs to rise, which may negatively impact our ability to access the debt markets on favorable terms. Continued adverse economic conditions could have a material adverse effect on our business, financial condition and results of operations.

In October 2014, the Federal Reserve announced that it was concluding its bond-buying program, or quantitative easing, which was designed to stimulate the economy and expand the Federal Reserve’s holdings of long-term securities, suggesting that key economic indicators, such as the unemployment rate, had showed signs of improvement since the inception of the program. During the period between December 2015 and December 2018, the Federal Reserve raised the federal funds rate nine times and may continue to do so in the future. To the extent the Federal Reserve continues to raise rates, and without quantitative easing by the Federal Reserve, there is a risk that the debt markets may experience increased volatility and that the liquidity of certain of our investments may be reduced. These developments, along with the corresponding potential rise in interest rates and borrowing costs, the United States government’s credit and deficit concerns and the European sovereign debt crisis, may negatively impact our ability to access the debt markets on favorable terms.

The Trump administration has called for significant changes to U.S. trade, healthcare, immigration, foreign, and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a

corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the Trump administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Some particular areas identified as subject to potential change, amendment or repeal include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), including the Volcker Rule and various swaps and derivatives regulations, credit risk retention requirements and the authorities of the Federal Reserve, the Financial Stability Oversight Council and the SEC. Although we cannot predict the impact, if any, of these changes to our business, they could adversely affect our business, financial condition, operating results and cash flows. Until we know what policy changes are made and how those changes impact our business and the business of our competitors over the long-term, we will not know if, overall, we will benefit from them or be negatively affected by them. Although the Federal Reserve elected not to raise the federal funds rate at its first quarter 2019 meeting, it had previously raised the federal funds rate nine times during the period between December 2015 and December 2018, and it may continue to raise the federal funds rate in the future. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net investment income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high-yield bonds, and also could increase our interest expense, thereby decreasing our net investment income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our distributions rate, which could reduce the value of our common stock.

On February 3, 2017, President Trump signed Executive Order 13772 announcing the administration's policy to regulate the U.S. financial system in a manner consistent with certain "Core Principles," including regulation that is efficient, effective and appropriately tailored. The Executive Order directed the Secretary of the Treasury, in consultation with the heads of the member agencies of the Financial Stability Oversight Council, to report to the President on the extent to which existing laws, regulations and other government policies promote the Core Principles and to identify any laws, regulations or other government policies that inhibit federal regulation of the U.S. financial system. On June 12, 2017, the U.S. Department of the Treasury published the first of several reports in response to the Executive Order on the depository system covering banks and other savings institutions. On October 6, 2017, the Treasury released a second report outlining ways to streamline and reform the U.S. regulatory system for capital markets, followed by a third report, on October 26, 2017, examining the current regulatory framework for the asset management and insurance industries. The Treasury released a fourth report on July 31, 2018 describing recommendations relating to non-bank financial institutions. Subsequent reports are expected to address retail and institutional investment products and vehicles.

On June 8, 2017, the U. S. House of Representatives passed the Financial Choice Act, which includes legislation intended to repeal or replace substantial portions of the Dodd-Frank Act. Among other things, the proposed law would repeal the Volcker Rule limiting certain proprietary investment and trading activities by banks, eliminate the authority of regulators to designate asset managers and other large non-bank institutions as "systemically important financial institutions" or "SIFIs," and repeal the U.S. Department of Labor ("DOL") "fiduciary rule" governing standards for dealing with retirement plans until the SEC issues standards for similar dealings by broker-dealers and limiting the substance of any subsequent DOL rule to the SEC standards. The bill was referred to the Senate, where it is unlikely to pass as proposed. On November 16, 2017, a bipartisan group of U.S. Senators, led by Senate Banking Committee Chairman, introduced the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Senate Regulatory Relief Bill"). The Senate Regulatory Relief Bill would revise various post-crisis regulatory requirements and provide targeted regulatory relief to certain financial institutions. Among the most significant of its proposed amendments to the Dodd-Frank Act are a substantial increase in the $50 billion asset threshold for automatic regulation of bank holding companies as SIFIs, an exemption from the Volcker Rule for insured depository institutions with less than $10 billion in consolidated assets and lower levels of trading assets and liabilities, as well as amendments to the liquidity leverage ratio and supplementary leverage ratio requirements. On December 5, 2017, the Senate Banking Committee approved the Senate Regulatory Relief Bill. If the legislation is adopted in the Senate, it remains unclear whether and how it would be reconciled with its House-passed counterpart, the Financial Choice Act, which is substantially different in scope and substance, and ultimately approved by both chambers of Congress. At this time it is not possible to determine whether any such particular proposal will become law or its potential impact on us.

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act, which increased from $50 billion to $250 billion the asset threshold for designation of "systemically important financial institutions" or "SIFIs" subject to enhanced prudential standards set by the Federal Reserve, staggering application of this change based on the size and risk of the covered bank holding company. On May 30, 2018, the Federal Reserve voted to consider changes to the Volcker Rule that would loosen compliance requirements for all banks. On July 17, 2018, the House of Representatives passed the JOBS and Investor Confidence Act, which includes 32 pieces of legislation intended to help small businesses, entrepreneurs and investors by reforming capital markets. The proposed legislation includes provisions to expand the definition of "accredited investors,"

extend on-ramp exemptions for emerging growth companies (EGCs) and ease securities regulations on initial public offerings. The legislation was forwarded to the Senate for consideration, where no further action was taken, although it may be reintroduced in the future. At this time it is not possible to determine the potential impact of these new laws and proposals on us.

Regulations adopted by prudential regulators have begun to require that certain qualified financial contracts entered into with certain counterparties that are part of a U.S. or foreign banking organization designated as a global-systemically important banking organization include contractual provisions that delay or restrict the rights of counterparties, such as the portfolio, to exercise certain close-out, cross-default and similar rights under certain conditions. Qualified financial contracts include agreements relating to swaps, foreign currency forward contracts and other derivatives. Qualified financial contracts are subject to a stay for a specified time period during which counterparties, such as the portfolio, will be prevented from closing out a qualified financial contract if the counterparty is subject to resolution proceedings and prohibit the portfolio from exercising default rights due to a receivership or similar proceeding of an affiliate of the counterparty. Implementation of these requirements may increase credit and other risks to the portfolio.

Legislative or other actions relating to taxes could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the U.S. Internal Revenue Service, or the "IRS," and the U.S. Treasury Department. On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which significantly changed the Code, including by, among other changes, instituting a reduction in the corporate income tax rate, changing the tax rates applicable to non-corporate taxpayers, creating a new limitation on the deductibility of interest expense and other deductions, and making significant changes to the taxation of income earned from foreign sources and foreign subsidiaries. The Tax Cuts and Jobs Act also authorizes the IRS to issue regulations with respect to the new provisions. We cannot predict how the changes in the Tax Cuts and Jobs Act, or regulations or other guidance issued under it, might affect us, our business, the business of our portfolio companies, or an investment in our securities. In addition, other legislation, U.S. Treasury regulations, administrative interpretations or court decisions, with or without retroactive application, could affect the U.S. federal income tax consequences to our investors and us or could have other adverse consequences. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our securities.

Rising interest rates may adversely affect the value of our portfolio investments which could have an adverse effect on our business, financial condition and results of operations.

Our debt investments may be based on floating rates, such as London Interbank Offer Rate ("LIBOR"), EURIBOR, the Federal Funds Rate or the Prime Rate. General interest rate fluctuations may have a substantial negative impact on our investments, the value of our common stock and our rate of return on invested capital. A reduction in the interest rates on new investments relative to interest rates on current investments could also have an adverse impact on our net interest income. An increase in interest rates could decrease the value of any investments we hold which earn fixed interest rates, including subordinated loans, senior and junior secured and unsecured debt securities and loans and high-yield bonds, and also could increase our interest expense, thereby decreasing our net investment income. Also, an increase in interest rates available to investors could make investment in our common stock less attractive if we are not able to increase our dividend rate, which could reduce the value of our common stock.

Because we have borrowed money, and may issue preferred stock to finance investments, our net investment income depends, in part, upon the difference between the rate at which we borrow funds or pay distributions on preferred stock and the rate that our investments yield. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase except to the extent we have issued fixed rate debt or preferred stock, which could reduce our net investment income.

You should also be aware that a change in the general level of interest rates can be expected to lead to a change in the interest rate we receive on many of our debt investments. Accordingly, a change in the interest rate could make it easier for us to meet or exceed the performance threshold and may result in a substantial increase in the amount of incentive fees payable to our Investment Adviser with respect to the portion of the Incentive Fee based on income.

Changes relating to the LIBOR calculation process may adversely affect the value of the LIBOR-indexed, floating-rate debt securities in our portfolio.

In the recent past, concerns have been publicized that some of the member banks surveyed by the British Bankers' Association ("BBA") in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they actually submitted. A number of BBA member banks entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

In July 2017, the head of the United Kingdom Financial Conduct Authority announced the desire to phase out the use of LIBOR by the end of 2021. It is unclear if at that time whether LIBOR will cease to exist or if new methods of calculating LIBOR will be established such that it continues to exist after 2021. In addition, in April 2018, the Federal Reserve System, in conjunction with the Alternative Reference Rates Committee, announced the replacement of LIBOR with a new index, calculated by short-term repurchase agreements collateralized by U.S. Treasury securities, called the Secured Overnight Financing Rate, or the SOFR. At this time, it is not possible to predict whether SOFR will attain market traction as a LIBOR replacement tool, and the future of LIBOR is still uncertain. As such, the potential effect of the phase-out or replacement of LIBOR on our cost of capital and net investment income cannot yet be determined.

Actions by the BBA, the United Kingdom Financial Conduct Authority or other regulators or law enforcement agencies as a result of these or future events, may result in changes to the manner in which LIBOR is determined. Potential changes, or uncertainty related to such potential changes, may adversely affect the market for LIBOR-based securities, including our portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of our portfolio of LIBOR-indexed, floating-rate debt securities.

Volatility in the global financial markets resulting from relapse of the Eurozone crisis, geopolitical developments in Eastern Europe, turbulence in the Chinese stock markets and global commodity markets, the United Kingdom's vote to leave the European Union or otherwise could have a material adverse effect on our business, financial condition and results of operations.

Volatility in the global financial markets could have an adverse effect on the economic recovery in the United States and could result from a number of causes, including a relapse in the Eurozone crisis, geopolitical developments in Eastern Europe, turbulence in the Chinese stock markets and global commodity markets or otherwise. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these nations to continue to service their sovereign debt obligations. While the financial stability of many of such countries has improved significantly, risks resulting from any future debt crisis in Europe or any similar crisis could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in these countries and the financial condition of European financial institutions. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence of and default on consumer debt and home prices, among other factors. We cannot assure you that market disruptions in Europe, including the increased cost of funding for certain governments and financial institutions, will not impact the global economy, and we cannot assure you that assistance packages will be available or, if available, be sufficient to stabilize countries and markets in Europe or elsewhere affected by a financial crisis. To the extent uncertainty regarding any economic recovery in Europe negatively impacts consumer confidence and consumer credit factors, our business, financial condition and results of operations could be significantly and adversely affected.

In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In addition, in August 2015, Chinese authorities sharply devalued China's currency. Since then, the Chinese capital markets have continued to experience periods of instability. The current political climate has also intensified concerns about a potential trade war between the United States and China in connection with each country's recent or proposed tariffs on the other country's products. These market and economic disruptions and the potential trade war with China have affected, and may in the future affect, the U.S. capital markets, which could adversely affect our business, financial condition or results of operations.

As a consequence of the United Kingdom's vote to withdraw from the European Union (the "EU"), the government of the United Kingdom gave notice of its withdrawal from the EU ("Brexit"). The United Kingdom and EU announced in March 2018 an agreement in principle to transitional provisions under which EU law would remain in force in the United Kingdom until the end of December 2020, but this remains subject to the successful conclusion of an agreement between the United Kingdom and the EU. In the absence of such an agreement there would be no transitional provisions and the United Kingdom would exit the EU and the relationship between the United Kingdom and the EU would be based on the World Trade Organization rules. On March

21, 2019, the United Kingdom came to an agreement with the EU to delay its withdrawal and has since come to further agreements to delay the withdrawal. The process for the United Kingdom to exit the EU, and the longer term economic, legal, political, regulatory and social framework to be put in place between the United Kingdom and the EU remain unclear and may lead to ongoing political and economic uncertainty and periods of exacerbated volatility in both the United Kingdom and in wider European and global markets for some time. The mid-to-long-term uncertainty may have a negative effect on the performance of any investments located or with operations in the United Kingdom or Europe. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased market and currency volatility (including volatility of the value of the British pound sterling relative to the United States dollar and other currencies and volatility in global currency markets generally), and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. It is possible that certain economic activity will be curtailed until some signs of clarity begin to emerge, including negotiations around the terms for United Kingdom's exit out of the EU. Additional risks associated with the outcome of Brexit include macroeconomic risk to the United Kingdom and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like us), prejudice to financial services business that are conducting business in the EU and which are based in the United Kingdom, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations in view of the expected steps to be taken pursuant to or in contemplation of Article 50 of the Treaty on EU and negotiations undertaken under Article 218 of the Treaty on the Functioning of the EU, and the unavailability of timely information as to expected legal, tax and other regimes. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties. We will continue to monitor the potential impact of Brexit on our results of operations and financial condition.

The occurrence of events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria, Russia, Ukraine and the Middle East, ongoing epidemics of infectious diseases in certain parts of the world, terrorist attacks in the U.S. and around the world, social and political discord, debt crises (such as the Greek crisis), sovereign debt downgrades, continued tensions between North Korea and the U.S. and the international community generally, new and continued political unrest in various countries, such as Venezuela, the exit or potential exit of one or more countries from the EU or the Economic and Monetary Union, the change in the U.S. president and the new administration, among others, may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause further economic uncertainties in the U.S. and worldwide.

The occurrence of any of these above events could have a significant adverse impact on the value and risk profile of our portfolio. We do not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. Non-investment grade and equity securities tend to be more volatile than investment-grade fixed income securities; therefore, these events and other market disruptions may have a greater impact on the prices and volatility of non-investment grade and equity securities than on investment-grade fixed income securities. There can be no assurances that similar events and other market disruptions will not have other material and adverse implications.

Economic sanction laws in the United States and other jurisdictions may prohibit us and our affiliates from transacting with certain countries, individuals and companies.

Economic sanction laws in the United States and other jurisdictions may prohibit us or our affiliates from transacting with certain countries, individuals and companies. In the United States, the U.S. Department of the Treasury's Office of Foreign Assets Control administers and enforces laws, executive orders and regulations establishing U.S. economic and trade sanctions, which prohibit, among other things, transactions with, and the provision of services to, certain non-U.S. countries, territories, entities and individuals. These types of sanctions may significantly restrict or completely prohibit investment activities in certain jurisdictions, and if we, our portfolio companies or other issuers in which we invest were to violate any such laws or regulations, we may face significant legal and monetary penalties.

The U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws and regulations, as well as anti-boycott regulations, may also apply to and restrict our activities, our portfolio companies and other issuers of our investments. If an issuer or we were to violate any such laws or regulations, such issuer or we may face significant legal and monetary penalties. The U.S. government has indicated that it is particularly focused on FCPA enforcement, which may increase the risk that an issuer or us becomes the subject of such actual or threatened enforcement. In addition, certain commentators have suggested that private investment firms and the funds that they manage may face increased scrutiny and/or liability with respect to the activities of their underlying portfolio companies. As such, a violation of the FCPA or other applicable regulations by us or an issuer of our portfolio investments could have a material adverse effect on us. We are committed to complying with the FCPA and other anti-corruption laws and regulations, as well as anti-boycott regulations, to which we are subject. As a result, we may be adversely affected because of our unwillingness to enter into transactions that violate any such laws or regulations.

We may suffer credit losses.

Investment in small and middle-market companies is highly speculative and involves a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods. See "Risks Related to Our Investments."

Our financial condition and results of operations will depend on our ability to manage our future growth effectively.

Prospect Capital Management has been registered as an investment adviser since March 31, 2004, and we have been organized as a closed-end investment company since April 13, 2004. Our ability to achieve our investment objective depends on our ability to grow, which depends, in turn, on the Investment Adviser's ability to continue to identify, analyze, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the Investment Adviser's structuring of investments, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. As we continue to grow, Prospect Capital Management will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a materially adverse effect on our business, financial condition and results of operations.

We are dependent upon Prospect Capital Management's key management personnel for our future success.

We depend on the diligence, skill and network of business contacts of the senior management of the Investment Adviser. We also depend, to a significant extent, on the Investment Adviser's access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. The senior management team of the Investment Adviser evaluates, negotiates, structures, closes, monitors and services our investments. Our success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior management team could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain the Investment Adviser or that we will continue to have access to its investment professionals or its information and deal flow.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make in middle-market companies. We compete with other BDCs, public and private funds, commercial and investment banks, commercial financing companies, insurance companies, hedge funds, and, to the extent they provide an alternative form of financing, private equity funds. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. Some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC and that the Code imposes on us as a RIC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to pursue attractive investment opportunities from time to time.

We do not seek to compete primarily based on the interest rates we offer and we believe that some of our competitors may make loans with interest rates that are comparable to or lower than the rates we offer. Rather, we compete with our competitors based on our existing investment platform, seasoned investment professionals, experience and focus on middle-market companies, disciplined investment philosophy, extensive industry focus and flexible transaction structuring.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss. As a result of operating in such a competitive environment, we may make investments that are on less favorable terms than what we may have originally anticipated, which may impact our return on these investments.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more

sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

Changes in interest rates may affect our cost of capital and net investment income.

A portion of the debt investments we make bears interest at fixed rates and other debt investments bear interest at variable rates with floors and the value of these investments could be negatively affected by increases in market interest rates. In addition, as the interest rate on our revolving credit facility is at a variable rate based on an index, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, an increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which could reduce our net investment income or net increase in net assets resulting from operations. A portion of our floating rate investments may include features such as LIBOR floors. To the extent we invest in credit instruments with LIBOR floors, we may lose some of the benefits of incurring leverage. Specifically, if we issue preferred stock or debt (or otherwise borrow money), our costs of leverage will increase as rates increase. However, we may not benefit from the higher coupon payments resulting from increased interest rates if our investments in LIBOR floors and rates do not rise to levels above the LIBOR floors. In this situation, we will experience increased financing costs without the benefit of receiving higher income. This, in turn, may result in the potential for a decrease in the level of income available for dividends or other distributions made by us.

We need to raise additional capital to grow because we must distribute most of our income.

We need additional capital to fund growth in our investments. A reduction in the availability of new capital could limit our ability to grow. 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, to our stockholders to maintain our status as a RIC for U.S. federal income tax purposes. As a result, such earnings are not available to fund investment originations. We have sought additional capital by borrowing from financial institutions and may issue debt securities or additional equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, we could be limited in our ability to grow, which may have an adverse effect on the value of our common stock. In addition, as a BDC, we generally may not borrow money or issue debt securities or issue preferred stock unless immediately thereafter our ratio of total assets to total borrowings and other senior securities is at least 200%. This may restrict our ability to obtain additional leverage in certain circumstances.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the level of structuring fees received, the interest or dividend rates payable on the debt or equity securities we hold, the default rate on debt securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets, and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our most recent NAV was calculated on June 30, 2019 and our NAV when calculated effective September 30, 2019 and thereafter may be higher or lower.

Our NAV per share is $9.01 as of June 30, 2019. NAV per share as of September 30, 2019 may be higher or lower than $9.01 based on potential changes in valuations, issuances of securities, repurchases of securities, dividends paid and earnings for the quarter then ended. Our Board of Directors has not yet determined the fair value of portfolio investments at any date subsequent to June 30, 2019. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis in connection with the preparation of quarterly financial statements and based on input from independent valuation firms, the Investment Adviser, the Administrator and the Audit Committee of our Board of Directors.

Our business model depends upon the development and maintenance of strong referral relationships with other asset managers and investment banking firms.

We are substantially dependent on our informal relationships, which we use to help identify and gain access to investment opportunities. If we fail to maintain our relationships with key firms, or if we fail to establish strong referral relationships with other firms or other sources of investment opportunities, we will not be able to grow our portfolio of equity investments and achieve our investment objective. In addition, persons with whom we have informal relationships are not obligated to inform us of investment opportunities, and therefore such relationships may not lead to the origination of equity or other investments. Any loss or diminishment of such relationships could effectively reduce our ability to identify attractive portfolio companies that meet our investment criteria, either for direct equity investments or for investments through private secondary market transactions or other secondary transactions.

The Investment Adviser's liability is limited under the Investment Advisory Agreement, and we are required to indemnify the Investment Adviser against certain liabilities, which may lead the Investment Adviser to act in a riskier manner on our behalf than it would when acting for its own account.

The Investment Adviser has not assumed any responsibility to us other than to render the services described in the Investment Advisory Agreement, and it will not be responsible for any action of our Board of Directors in declining to follow the Investment Adviser's advice or recommendations. Pursuant to the Investment Advisory Agreement, the Investment Adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it will not be liable to us for their acts under the Investment Advisory Agreement, absent willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties. We have agreed to indemnify, defend and protect the Investment Adviser and its members and their respective officers, managers, partners, agents, employees, controlling persons and members and any other person or entity affiliated with it with respect to all damages, liabilities, costs and expenses resulting from acts of the Investment Adviser not arising out of willful misfeasance, bad faith, gross negligence or reckless disregard in the performance of their duties under the Investment Advisory Agreement. These protections may lead the Investment Adviser to act in a riskier manner when acting on our behalf than it would when acting for its own account.

Potential conflicts of interest could impact our investment returns.

Our executive officers and directors, and the executive officers of the Investment Adviser, may serve as officers, directors or principals of entities that operate in the same or related lines of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our best interests or those of our stockholders. Nevertheless, it is possible that new investment opportunities that meet our investment objective may come to the attention of one of these entities in connection with another investment advisory client or program, and, if so, such opportunity might not be offered, or otherwise made available, to us. However, as an investment adviser, Prospect Capital Management has a fiduciary obligation to act in the best interests of its clients, including us. To that end, if Prospect Capital Management or its affiliates manage any additional investment vehicles or client accounts in the future, Prospect Capital Management will endeavor to allocate investment opportunities in a fair and equitable manner over time so as not to discriminate unfairly against any client. If Prospect Capital Management chooses to establish another investment fund in the future, when the investment professionals of Prospect Capital Management identify an investment, they will have to choose which investment fund should make the investment.

In the course of our investing activities, under the Investment Advisory Agreement we pay base management and incentive fees to Prospect Capital Management and reimburse Prospect Capital Management for certain expenses it incurs. As a result of the Investment Advisory Agreement, there may be times when the senior management team of Prospect Capital Management has interests that differ from those of our stockholders, giving rise to a conflict.

The Investment Adviser receives a quarterly income incentive fee based, in part, on our pre-incentive fee net investment income, if any, for the immediately preceding calendar quarter. This income incentive fee is subject to a fixed quarterly hurdle rate before providing an income incentive fee return to Prospect Capital Management. This fixed hurdle rate was determined when then current interest rates were relatively low on a historical basis. Thus, if interest rates rise, it would become easier for our investment income to exceed the hurdle rate and, as a result, more likely that Prospect Capital Management will receive an income incentive fee than if interest rates on our investments remained constant or decreased. Subject to the receipt of any requisite stockholder approval under the 1940 Act, our Board of Directors may adjust the hurdle rate by amending the Investment Advisory Agreement.

The income incentive fee payable by us is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that has a deferred interest feature, it is possible that interest accrued under such loan that has previously been included in the calculation of the income incentive fee will become uncollectible. If this happens, we will reverse the interest that was recorded but Prospect Capital Management is not required to reimburse us for any such income incentive fee payments that were received in the past but would reduce the current period incentive fee for the effects of the reversal, if any. If we do not have sufficient liquid assets to pay this incentive fee or distributions to stockholders on such accrued income, we may be required to liquidate assets in order to do so. This fee structure could give rise to a conflict of interest for Prospect Capital Management to the extent that it may encourage Prospect Capital Management to favor debt financings that provide for deferred interest, rather than current cash payments of interest.

We have entered into a royalty-free license agreement with Prospect Capital Management. Under this agreement, Prospect Capital Management agrees to grant us a non-exclusive license to use the name "Prospect Capital." Under the license agreement, we have the right to use the "Prospect Capital" name for so long as Prospect Capital Management or one of its affiliates remains our investment adviser. In addition, we rent office space from Prospect Administration, an affiliate of Prospect Capital Management, and pay Prospect Administration our allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations as Administrator under the Administration Agreement, including rent and our allocable portion of the

costs of our Chief Financial Officer and Chief Compliance Officer and their respective staffs. This may create conflicts of interest that our Board of Directors monitors.

Our incentive fee could induce Prospect Capital Management to make speculative investments.

The incentive fee payable by us to Prospect Capital Management may create an incentive for the Investment Adviser to make investments on our behalf that are more speculative or involve more risk than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable is determined (calculated as a percentage of the return on invested capital) may encourage the Investment Adviser to use leverage to increase the return on our investments. Increased use of leverage and this increased risk of replacement of that leverage at maturity would increase the likelihood of default, which would disfavor holders of our common stock. Similarly, because the Investment Adviser will receive an incentive fee based, in part, upon net capital gains realized on our investments, the Investment Adviser may invest more than would otherwise be appropriate in companies whose securities are likely to yield capital gains, as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to Prospect Capital Management could create an incentive for the Investment Adviser to invest on our behalf in instruments, such as zero coupon bonds, that have a deferred interest feature. Under these investments, we would accrue interest income over the life of the investment but would not receive payments in cash on the investment until the end of the term. Our net investment income used to calculate the income incentive fee, however, includes accrued interest. For example, accrued interest, if any, on our investments in zero coupon bonds will be included in the calculation of our incentive fee, even though we will not receive any cash interest payments in respect of payment on the bond until its maturity date. Thus, a portion of this incentive fee would be based on income that we may not have yet received in cash in the event of default may never receive.

We may be obligated to pay our Investment Adviser incentive compensation even if we incur a loss.

The Investment Adviser is entitled to incentive compensation for each fiscal quarter based, in part, on our pre-incentive fee net investment income if any, for the immediately preceding calendar quarter above a performance threshold for that quarter. Accordingly, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay the Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter. In addition, increases in interest rates may increase the amount of incentive fees we pay to our Investment Adviser even though our performance relative to the market has not increased.

The Investment Adviser and the Administrator have the right to resign on 60 days' notice, and we may not be able to find a suitable replacement within that time, resulting in a disruption in our operations that could adversely affect our business, financial condition and results of operations.

The Investment Adviser and the Administrator have the right, under the Investment Advisory Agreement and the Administration Agreement, respectively, to resign at any time upon not less than 60 days' written notice, whether we have found a replacement or not. If the Investment Adviser or the Administrator resigns, we may not be able to find a replacement or hire internal management or administration with similar expertise and ability to provide the same or equivalent services on acceptable terms within 60 days, or at all. If we are unable to do so quickly, our operations are likely to experience a disruption, our business, financial condition and results of operations as well as our ability to pay distributions are likely to be adversely affected and the market price of our shares may decline. In addition, the coordination of our internal management and investment activities or our internal administration activities, as applicable, is likely to suffer if we are unable to identify and reach an agreement with a single institution or group of executives having the expertise possessed by the Investment Adviser and its affiliates or the Administrator and its affiliates. Even if we are able to retain comparable management or administration, whether internal or external, the integration of such management or administration and their lack of familiarity with our investment objective may result in additional costs and time delays that may adversely affect our business, financial condition and results of operations.

Changes in the laws or regulations governing our business or the businesses of our portfolio companies and any failure by us or our portfolio companies to comply with these laws or regulations could negatively affect the profitability of our operations or the profitability of our portfolio companies.

We are subject to changing rules and regulations of federal and state governments, as well as the stock exchange on which our common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Global Select Market, have issued a significant number of new and increasingly complex requirements and regulations over the

course of the last several years and continue to develop additional regulations. In particular, changes in the laws or regulations or the interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could significantly affect our operations and our cost of doing business. We are subject to federal, state and local laws and regulations and are subject to judicial and administrative decisions that affect our operations, including our loan originations, maximum interest rates, fees and other charges, disclosures to portfolio companies, the terms of secured transactions, collection and foreclosure procedures and other trade practices. If these laws, regulations or decisions change, or if we expand our business into jurisdictions that have adopted more stringent requirements than those in which we currently conduct business, we may have to incur significant expenses in order to comply, or we might have to restrict our operations. In addition, if we do not comply with applicable laws, regulations and decisions, we may lose licenses needed for the conduct of our business and be subject to civil fines and criminal penalties, any of which could have a material adverse effect upon our business, financial condition and results of operations.

Foreign and domestic political risk may adversely affect our business.

We are exposed to political risk to the extent that Prospect Capital Management, on its behalf and subject to its investment guidelines, transacts in securities in the U.S. and foreign markets. The governments in any of these jurisdictions could impose restrictions, regulations or other measures, which may have a material adverse impact on our strategy.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or the subsequent testing by our independent registered public accounting firm (when undertaken, as noted below), may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors and lenders to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We may experience cyber-security incidents and are subject to cyber-security risks. The failure in cyber-security systems, as well as the occurrence of events unanticipated in our disaster recovery systems and management continuity planning, could impair our ability to conduct business effectively.

Our business operations rely upon secure information technology systems for data processing, storage and reporting. Despite careful security and controls design, implementation and updating, our information technology systems could become subject to cyber-attacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Network, system, application and data breaches could result in operational disruptions or information misappropriation, which could have a material adverse effect on our business, results of operations and financial condition. Like other companies, we may experience threats to our data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations, which could result in damage to our reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

The occurrence of a disaster, such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in our disaster recovery systems, or a support failure from external providers, could have an adverse effect on our ability to conduct business and on our results of operations and financial condition, particularly if those events affect our computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of our managers were unavailable in the event of a disaster, our ability to effectively conduct our business could be severely compromised.

Cyber-security failures or breaches by the Investment Adviser, any future sub-adviser(s), the Administrator and other service providers (including, but not limited to, accountants, custodians, transfer agents and administrators), and the issuers of securities in which we invest, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with our ability to calculate our net asset value, impediments to trading, the inability of our stockholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other

compensation costs, or additional compliance costs. We and our Investment Adviser's employees have been and expect to continue to be the target of fraudulent calls, emails and other forms of activities. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. While we have established a business continuity plan in the event of, and risk management systems to prevent, such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, we cannot control the cyber-security plans and systems put in place by our service providers and issuers in which we invest. We and our stockholders could be negatively impacted as a result. In addition, cyber-security has become a top priority for regulators around the world, and some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. If we fail to comply with the relevant laws and regulations, we could suffer financial losses, a disruption of our business, liability to investors, regulatory intervention or reputational damage.

We are dependent on information systems and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to pay dividends.

Our business is dependent on our and third parties' communications and information systems. Further, in the ordinary course of our business we or our Investment Adviser may engage certain third party service providers to provide us with services necessary for our business. Any failure or interruption of those systems or services, including as a result of the termination or suspension of an agreement with any third-party service providers, could cause delays or other problems in our business activities. Our financial, accounting, data processing, backup or other operating systems and facilities may fail to operate properly or become disabled or damaged as a result of a number of factors including events that are wholly or partially beyond our control and adversely affect our business. There could be:

- sudden electrical or telecommunications outages;
- natural disasters such as earthquakes, tornadoes and hurricanes;
- disease pandemics;
- events arising from local or larger scale political or social matters, including terrorist acts; and
- cyber-attacks.

These events, in turn, could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to pay dividends to our stockholders.

Risks Relating to Our Operation as a Business Development Company

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a BDC or be precluded from investing according to our current business strategy.

As a BDC, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. We may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could be found to be in violation of the 1940 Act provisions applicable to BDCs, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to come into compliance with the 1940 Act. Because most of our investments will be in private companies, and therefore will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in substantial losses.

If we fail to qualify as a RIC, we will have to pay corporate-level taxes on our income, and our income available for distribution would be reduced.

To maintain our qualification for U.S. federal income tax purposes as a RIC under Subchapter M of the Code and obtain RIC tax treatment, we must meet certain source of income, annual distribution and asset diversification requirements.

The source of income requirement is satisfied if we derive at least 90% of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in "qualified publicly traded partnerships," as defined in the Code.

The annual distribution requirement for a RIC will generally be satisfied if we distribute at least 90% of our ordinary income and net short-term capital gains in excess of net long-term capital losses, if any, to our stockholders on an annual basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants that could, under certain circumstances, restrict us from making distributions necessary to qualify for RIC tax treatment. If we are unable to obtain cash from other sources, we may fail to qualify for RIC tax treatment and, thus, may be subject to corporate-level income tax on all of our taxable income.

To maintain our qualification as a RIC, we must also meet certain asset diversification requirements at the end of each quarter of our taxable year. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses.

If we fail to qualify as a RIC for any reason or become subject to corporate income tax, the resulting corporate taxes would substantially reduce our net assets, the amount of income available for distribution, and the actual amount of our distributions. Such a failure could have a materially adverse effect on us and our stockholders. For additional information regarding asset coverage ratio and RIC requirements, see “Business—Material U.S. Federal Income Tax Considerations” and “Business— Regulation as a Business Development Company.”

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such amounts could be significant relative to our overall investment activities. We also may be required to include in taxable income certain other amounts that we do not receive in cash. While we focus primarily on investments that will generate a current cash return, our investment portfolio currently includes, and we may continue to invest in, securities that do not pay some or all of their return in periodic current cash distributions.

Since in some cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty distributing 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, as required to maintain RIC tax treatment. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC treatment and thus become subject to corporate-level income tax. See “Business—Material U.S. Federal Income Tax Considerations” and “Business—Regulation as a Business Development Company.”

Regulations governing our operation as a BDC affect our ability to raise, and the way in which we raise, additional capital. These constraints may hinder our Investment Adviser’s ability to take advantage of attractive investment opportunities and to achieve our investment objective.

We have incurred indebtedness under our revolving credit facility and through the issuance of the Unsecured Notes and, in the future, may issue preferred stock or debt securities and/or borrow additional money from banks or other financial institutions, which we refer to collectively as “senior securities,” up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test, which would prohibit us from paying dividends in cash or other property and could prohibit us from qualifying as a RIC. If we cannot satisfy this test, we may be required to sell a portion of our investments or sell additional shares of common stock at a time when such sales may be disadvantageous in order to repay a portion of our indebtedness or otherwise increase our net assets. In addition, issuance of additional common stock could dilute the percentage ownership of our current stockholders in us.

As a BDC regulated under provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below the current net asset value per share without stockholder approval. If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital. We may, however, sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of our common stock in certain circumstances, including if (i)(1) the holders of a majority of our shares (or, if less, at least 67% of a quorum consisting of a majority of our shares) and a similar majority of the holders of our shares who are not affiliated persons of us approve the sale of our common stock at a price that is less than the current net asset value, and (2) a majority of our Directors who have no financial interest in the transaction and a majority of our independent Directors (a) determine that such sale is in our and our stockholders' best interests 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 or (ii) a majority of the number of the beneficial holders of our common stock entitled to vote at our annual meeting, without regard to whether a majority of such shares are voted in favor of the proposal, approve the sale of our common stock at a price that is less than the current net asset value per share.

To generate cash for funding new investments, we pledged a substantial portion of our portfolio investments under our revolving credit facility. These assets are not available to secure other sources of funding or for securitization. Our ability to obtain additional secured or unsecured financing on attractive terms in the future is uncertain.

Alternatively, we may securitize our future loans to generate cash for funding new investments. See "Securitization of our assets subjects us to various risks."

Securitization of our assets subjects us to various risks.

We may securitize assets to generate cash for funding new investments. We refer to the term securitize to describe a form of leverage under which a company such as us (sometimes referred to as an "originator" or "sponsor") transfers income producing assets to a single-purpose, bankruptcy-remote subsidiary (also referred to as a "special purpose entity" or "SPE"), which is established solely for the purpose of holding such assets and entering into a structured finance transaction. The SPE then issues notes secured by such assets. The special purpose entity may issue the notes in the capital markets either publicly or privately to a variety of investors, including banks, non-bank financial institutions and other investors. There may be a single class of notes or multiple classes of notes, the most senior of which carries less credit risk and the most junior of which may carry substantially the same credit risk as the equity of the SPE.

An important aspect of most debt securitization transactions is that the sale and/or contribution of assets into the SPE be considered a true sale and/or contribution for accounting purposes and that a reviewing court would not consolidate the SPE with the operations of the originator in the event of the originator's bankruptcy based on equitable principles. Viewed as a whole, a debt securitization seeks to lower risk to the note purchasers by isolating the assets collateralizing the securitization in an SPE that is not subject to the credit and bankruptcy risks of the originator. As a result of this perceived reduction of risk, debt securitization transactions frequently achieve lower overall leverage costs for originators as compared to traditional secured lending transactions.

In accordance with the above description, to securitize loans, we may create a wholly-owned subsidiary and contribute a pool of our assets to such subsidiary. The SPE may be funded with, among other things, whole loans or interests from other pools and such loans may or may not be rated. The SPE would then sell its notes to purchasers who we would expect to be willing to accept a lower interest rate and the absence of any recourse against us to invest in a pool of income producing assets to which none of our creditors would have access. We would retain all or a portion of the equity in the SPE. An inability to successfully securitize portions of our portfolio or otherwise leverage our portfolio through secured and unsecured borrowings could limit our ability to grow our business and fully execute our business strategy, and could decrease our earnings. However, the successful securitization of portions of our portfolio exposes us to a risk of loss for the equity we retain in the SPE and might expose us to greater risk on our remaining portfolio because the assets we retain may tend to be those that are riskier and more likely to generate losses. A successful securitization may also impose financial and operating covenants that restrict our business activities and may include limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. The 1940 Act may also impose restrictions on the structure of any securitizations.

Interests we hold in the SPE, if any, will be subordinated to the other interests issued by the SPE. As such, we will only receive cash distributions on such interests if the SPE has made all cash interest and other required payments on all other interests it has issued. In addition, our subordinated interests will likely be unsecured and rank behind all of the secured creditors, known or unknown, of the SPE, including the holders of the senior interests it has issued. Consequently, to the extent that the value of the SPE's portfolio of assets has been reduced as a result of conditions in the credit markets, or as a result of defaults, the value of the subordinated interests we retain would be reduced. Securitization imposes on us the same risks as borrowing except that our risk in a securitization is limited to the amount of subordinated interests we retain, whereas in a borrowing or debt issuance by us directly we would be at risk for the entire amount of the borrowing or debt issuance.

If the SPE is not consolidated with us, our only interest will be the value of our retained subordinated interest and the income allocated to us, which may be more or less than the cash we receive from the SPE, and none of the SPE's liabilities will be reflected as our liabilities. If the assets of the SPE are not consolidated with our assets and liabilities, then our interest in the SPE may be deemed not to be a qualifying asset for purposes of determining whether 70% of our assets are qualifying assets and the leverage incurred by such SPE may or may not be treated as borrowings by us for purposes of the requirement that we not issue senior securities in an amount in excess of our net assets.

We may also engage in transactions utilizing SPEs and securitization techniques where the assets sold or contributed to the SPE remain on our balance sheet for accounting purposes. If, for example, we sell the assets to the SPE with recourse or provide a guarantee or other credit support to the SPE, its assets will remain on our balance sheet. Consolidation would also generally result if we, in consultation with the SEC, determine that consolidation would result in a more accurate reflection of our assets, liabilities and results of operations. In these structures, the risks will be essentially the same as in other securitization transactions but the assets will remain our assets for purposes of the limitations described above on investing in assets that are not qualifying assets and the leverage incurred by the SPE will be treated as borrowings incurred by us for purposes of our limitation on the issuance of senior securities.

The Investment Adviser may have conflicts of interest with respect to potential securitizations in as much as securitizations that are not consolidated may reduce our assets for purposes of determining its investment advisory fee although in some circumstances the Investment Adviser may be paid certain fees for managing the assets of the SPE so as to reduce or eliminate any potential bias against securitizations.

Our ability to invest in public companies may be limited in certain circumstances.

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). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than $250 million at the time of such investment.

Risks Relating to Our Investments

We may not realize gains or income from our investments.

We seek to generate both current income and capital appreciation. However, the securities we invest in may not appreciate and, in fact, may decline in value, and the issuers of debt securities we invest in may default on interest and/or principal payments. Accordingly, we may not be able to realize gains from our investments, and any gains that we do realize may not be sufficient to offset any losses we experience. See "Business—Our Investment Objective and Policies."

Most of our portfolio investments are recorded at fair value as determined in good faith under the direction of our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments consist of securities of privately held companies. Hence, market quotations are generally not readily available for determining the fair values of such investments. The determination of fair value, and thus the amount of unrealized losses we may incur in any year, is to a degree subjective, and the Investment Adviser has a conflict of interest in making the determination. We value these securities quarterly at fair value as determined in good faith by our Board of Directors based on input from the Investment Adviser, our Administrator, a third party independent valuation firm and our Audit Committee. Our Board of Directors utilizes the services of an independent valuation firm to aid it in determining the fair value of any securities. The types of factors that may be considered in determining the fair values of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow, current market interest rates and other relevant factors.

Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, the valuations may fluctuate significantly over short periods of time due to changes in current market conditions. The determinations of fair value by our Board of Directors may differ materially from the values that would have been used if an active market and market quotations existed for these investments. Our net asset value could be adversely affected if the determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

In addition, decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Declines in prices and liquidity in the corporate debt markets experienced during a financial crisis will result in significant net unrealized depreciation in our portfolio. The effect of all of these factors increases the net unrealized depreciation in our portfolio and reduces our NAV. Depending on market conditions, we could incur substantial realized losses which could have a material adverse impact on our business, financial condition and results of operations. We have no policy regarding holding a minimum level of liquid assets. As such, a high percentage of our portfolio generally is not liquid at any given point in time. See "The lack of liquidity in our investments may adversely affect our business."

Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. As part of the valuation process, the types of factors that we may take into account in determining the fair value of our investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparables, our principal market (as the reporting entity) and enterprise values of our portfolio companies. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. The effect of all of these factors on our portfolio can reduce our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Our investments in prospective portfolio companies may be risky and we could lose all or part of our investment.

Some of our portfolio companies have relatively short or no operating histories. These companies are and will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their investment objective, and the value of our investment in them may decline substantially or fall to zero. In addition, investment in the middle-market companies that we are targeting involves a number of other significant risks, including:

- These companies may have limited financial resources and may be unable to meet their obligations under their securities that we hold, which may be accompanied by a deterioration in the value of their securities or of any collateral with respect to any securities, and a reduction in the likelihood of our realizing on any guarantees we may have obtained in connection with our investment.
- They may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions as well as general economic downturns.
- Because many of these companies are privately held companies, public information is generally not available about these companies. As a result, we will depend on the ability of the Investment Adviser to obtain adequate information to evaluate these companies in making investment decisions. If the Investment Adviser is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and we may lose money on our investments.
- They are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a materially adverse impact on our portfolio company and, in turn, on us.
- They may have less predictable operating results, may from time to time be parties to litigation, may be engaged in changing businesses with products subject to a risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position.
- They may have difficulty accessing the capital markets to meet future capital needs.
- Changes in laws and regulations, as well as their interpretations, may adversely affect their business, financial structure or prospects.

- Increased taxes, regulatory expense or the costs of changes to the way they conduct business due to the effects of climate change may adversely affect their business, financial structure or prospects.

We acquire majority interests in operating companies engaged in a variety of industries. When we acquire these companies we generally seek to apply financial leverage to them in the form of debt. In most cases all or a portion of this debt is held by us, with the obligor being either the operating company itself, a holding company through which we own our majority interest or both. The level of debt leverage utilized by these companies makes them susceptible to the risks identified above.

In addition, our executive officers, directors and the Investment Adviser could, in the ordinary course of business, be named as defendants in litigation arising from proposed investments or from our investments in the portfolio companies and may, as a result, incur significant costs and expenses in connection with such litigation.

The lack of liquidity in our investments may adversely affect our business.

We make investments in private companies. A portion of these investments may be subject to legal and other restrictions on resale, transfer, pledge or other disposition or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we face other restrictions on our ability to liquidate an investment in a business entity to the extent that we or the Investment Adviser has or could be deemed to have material non-public information regarding such business entity.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans or meet other obligations during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease, during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company’s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company’s ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt or preferred equity, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt or equity holding and subordinate all or a portion of our claim to those of other creditors.

Investments in equity securities, many of which are illiquid with no readily available market, involve a substantial degree of risk.

We may purchase common and other equity securities. Although common stock has historically generated higher average total returns than fixed income securities over the long-term, common stock has significantly more volatility in those returns and may significantly underperform relative to fixed income securities. The equity securities we acquire may fail to appreciate and may decline in value or become worthless and our ability to recover our investment will depend on our portfolio company’s success. Investments in equity securities involve a number of significant risks, including:

- Any equity investment we make in a portfolio company could be subject to further dilution as a result of the issuance of additional equity interests and to serious risks as a junior security that will be subordinate to all indebtedness (including trade creditors) or senior securities in the event that the issuer is unable to meet its obligations or becomes subject to a bankruptcy process.
- To the extent that the portfolio company requires additional capital and is unable to obtain it, we may not recover our investment.
- In some cases, equity securities in which we invest will not pay current dividends, and our ability to realize a return on our investment, as well as to recover our investment, will be dependent on the success of the portfolio company. Even if the portfolio company is successful, our ability to realize the value of our investment may be dependent on the occurrence of a liquidity event, such as a public offering or the sale of the portfolio company. It is likely to take a significant amount

of time before a liquidity event occurs or we can otherwise sell our investment. In addition, the equity securities we receive or invest in may be subject to restrictions on resale during periods in which it could be advantageous to sell them.

There are special risks associated with investing in preferred securities, including:

- Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If we own a preferred security that is deferring its distributions, we may be required to report income for tax purposes before we receive such distributions.
- Preferred securities are subordinated to debt in terms of priority to income and liquidation payments, and therefore will be subject to greater credit risk than debt.
- Preferred securities may be substantially less liquid than many other securities, such as common stock or U.S. government securities.
- Generally, preferred security holders have no voting rights with respect to the issuing company, subject to limited exceptions.

Additionally, when we invest in first lien senior secured loans (including unitranche loans), second lien senior secured loans or unsecured debt, we may acquire warrants or other equity securities as well. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

We may invest, to the extent permitted by law, in the equity securities of investment funds that are operating pursuant to certain exceptions to the 1940 Act and in advisers to similar investment funds and, to the extent we so invest, will bear our ratable share of any such company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to Prospect Capital Management with respect to the assets invested in the securities and instruments of such companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of Prospect Capital Management as well as indirectly bearing the management and performance fees and other expenses of any such investment funds or advisers.

There may be circumstances where our debt investments could be subordinated to claims of other creditors or we could be subject to lender liability claims.

If one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize our debt holding as an equity investment and subordinate all or a portion of our claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower. For example, we could become subject to a lender's liability claim, if, among other things, we actually render significant managerial assistance.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

Our portfolio companies may have, or may be permitted to incur, other debt or issue other equity securities that rank equally with or senior to our investments. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of our investments. These debt instruments would usually prohibit the portfolio companies from paying interest on or repaying our investments in the event and during the continuance of a default under such debt. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company typically are entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with our investments, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

The rights we may have with respect to the collateral securing any junior priority loans we make to our portfolio companies may also be limited pursuant to the terms of one or more intercreditor agreements (including agreements governing "first out" and "last out" structures) that we enter into with the holders of senior debt. Under such an intercreditor agreement, at any time that senior obligations are outstanding, we may forfeit certain rights with respect to the collateral to the holders of the senior obligations. These rights may include the right to commence enforcement proceedings against the collateral, the right to control the conduct of such enforcement proceedings, the right to approve amendments to collateral documents, the right to release liens on the collateral and the right to waive past defaults under collateral documents. We may not have the ability to control or direct such actions, even if as a result our rights as junior lenders are adversely affected.

This risk is characteristic of many of the majority-owned operating companies in our portfolio in that any debt to us from a holding company and the holding company's substantial equity investments in the related operating company are subordinated to any creditors of the operating company.

When we are a debt or minority equity investor in a portfolio company, we are often not in a position to exert influence on the entity, and other debt holders, other equity holders and/or portfolio company management may make decisions that could decrease the value of our portfolio holdings.

When we make debt or minority equity investments, we are subject to the risk that a portfolio company may make business decisions with which we disagree and the other equity holders and management of such company may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our investment. In addition, when we hold a subordinate debt position, other more senior debt holders may make decisions that could decrease the value of our investment.

Our portfolio companies may be highly leveraged.

Some of our portfolio companies may be highly leveraged, which may have adverse consequences to these companies and to us as an investor. These companies may be subject to restrictive financial and operating covenants and the leverage may impair these companies' ability to finance their future operations and capital needs. As a result, these companies' flexibility to respond to changing business and economic conditions and to take advantage of business opportunities may be limited. Further, a leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used.

Our portfolio contains a limited number of portfolio companies, some of which comprise a substantial percentage of our portfolio, which subjects us to a greater risk of significant loss if any of these companies defaults on its obligations under any of its debt securities.

A consequence of the limited number of investments in our portfolio is that the aggregate returns we realize may be significantly adversely affected if one or more of our significant portfolio company investments perform poorly or if we need to write down the value of any one significant investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our portfolio could contain relatively few portfolio companies.

Our failure to make follow-on investments in our existing portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments, may be constrained in our ability to employ available funds, or otherwise may lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

We may be unable to invest the net proceeds raised from offerings and repayments from investments on acceptable terms, which would harm our financial condition and operating results.

Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings and repayments from investments in interest-bearing deposits or other short-term instruments or use the net proceeds from such offerings to reduce then-outstanding obligations under our revolving credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering or repayments will produce a sufficient return.

We may have limited access to information about privately-held companies in which we invest.

We invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of the Investment Adviser’s investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act of 2002 and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investment.

We may not be able to fully realize the value of the collateral securing our debt investments.

Although a substantial amount of our debt investments are protected by holding security interests in the assets or equity interests of the portfolio companies, we may not be able to fully realize the value of the collateral securing our investments due to one or more of the following factors:

- Our debt investments may be in the form of unsecured loans, therefore our liens on the collateral, if any, are subordinated to those of the senior secured debt of the portfolio companies, if any. As a result, we may not be able to control remedies with respect to the collateral.
- The collateral may not be valuable enough to satisfy all of the obligations under our secured loan, particularly after giving effect to the repayment of secured debt of the portfolio company that ranks senior to our loan.
- Bankruptcy laws may limit our ability to realize value from the collateral and may delay the realization process.
- Our rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral.
- The need to obtain regulatory and contractual consents could impair or impede how effectively the collateral would be liquidated and could affect the value received.
- Some or all of the collateral may be illiquid and may have no readily ascertainable market value. The liquidity and value of the collateral could be impaired as a result of changing economic conditions, competition, and other factors, including the availability of suitable buyers.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates potential investments in securities of foreign companies, including those located in emerging market countries. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Such risks are more pronounced in emerging market countries.

Although currently substantially all of our investments are, and we expect that most of our investments will be, U.S. dollar-denominated, investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

We may expose ourselves to risks if we engage in hedging transactions.

We may employ hedging techniques to minimize certain investment risks, such as fluctuations in interest and currency exchange rates, but we can offer no assurance that such strategies will be effective. If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price. Furthermore, our ability to engage in hedging transactions may also be adversely affected by rules adopted by the U.S. Commodity Futures Trading Commission, or the "CFTC". The Dodd-Frank Act has made broad changes to the OTC derivatives market, granted significant new authority to the CFTC and the SEC to regulate OTC derivatives (swaps and security-based swaps) and participants in these markets. The Dodd-Frank Act is intended to regulate the OTC derivatives market by requiring many derivative transactions to be cleared and traded on an exchange, expanding entity registration requirements, imposing business conduct requirements on dealers and requiring banks to move some derivatives trading units to a non-guaranteed affiliate separate from the deposit-taking bank or divest them altogether. The CFTC has implemented mandatory clearing and exchange-trading of certain OTC derivatives contracts including many standardized interest rate swaps and credit default index swaps. The CFTC continues to approve contracts for central clearing. Exchange-trading and central clearing are expected to reduce counterparty credit risk by substituting the clearinghouse as the counterparty to a swap and increase liquidity, but exchange-trading and central clearing do not make swap transactions risk-free. Uncleared swaps, such as non-deliverable foreign currency forwards, are subject to certain margin requirements that mandate the posting and collection of minimum margin amounts. This requirement may result in the portfolio and its counterparties posting higher margin amounts for uncleared swaps than would otherwise be the case. Certain rules require centralized reporting of detailed information about many types of cleared and uncleared swaps. Reporting of swap data may result in greater market transparency, but may subject a portfolio to additional administrative burdens, and the safeguards established to protect trader anonymity may not function as expected. Future CFTC or SEC rulemakings to implement the Dodd-Frank Act requirements could potentially limit or completely restrict our ability to use these instruments as a part of our investment strategy, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which we engage in derivative transactions could also prevent us from using these instruments or affect the pricing or other factors relating to these instruments, or may change availability of certain investments. The SEC has also indicated that it may adopt new policies on the use of derivatives by registered investment companies. Such policies could affect the nature and extent of our use of derivatives.

The success of our hedging transactions depends on our ability to correctly predict movements, currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies. We have no current intention of engaging in any of the hedging transaction described above, although it reserves the right to do so in the future.

Our Board of Directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to us and could impair the value of our stockholders' investment.

Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, financial condition, and value of our common stock. However, the effects might be adverse, which could negatively impact our ability to pay dividends and cause stockholders to lose all or part of their investment.

Investments in the energy sector are subject to many risks.

We have made certain investments in and relating to the energy sector. The operations of energy companies are subject to many risks inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including, without limitation: damage to pipelines, storage tanks or related equipment and surrounding properties caused by

hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism, inadvertent damage from construction and farm equipment, leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage, and may result in the curtailment or suspension of their related operations, any and all of which could adversely affect our portfolio companies in the energy sector. In addition, the energy sector commodity prices have experienced significant volatility at times, which may occur in the future, and which could negatively affect the returns on any investment made by us in this sector. In addition, valuation of certain investments includes the probability weighting of future events which are outside of management's control. The final outcome of such events could increase or decrease the fair value of the investment in a future period.

Our investments in CLOs may be riskier and less transparent to us and our stockholders than direct investments in the underlying companies.

We invest in CLOs. Generally, there may be less information available to us regarding the underlying debt investments held by CLOs than if we had invested directly in the debt of the underlying companies. As a result, our stockholders will not know the details of the underlying securities of the CLOs in which we will invest. Our CLO investments are subject to the risk of leverage associated with the debt issued by such CLOs and the repayment priority of senior debt holders in such CLOs. Our investments in portfolio companies may be risky, and we could lose all or part of our investment.

CLOs typically will have no significant assets other than their underlying senior secured loans; payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans.

CLOs typically will have no significant assets other than their underlying senior secured loans. Accordingly, payments on CLO investments are and will be payable solely from the cash flows from such senior secured loans, net of all management fees and other expenses. Payments to us as a holder of CLO junior securities are and will be made only after payments due on the senior secured notes, and, where appropriate, the junior secured notes, have been made in full. This means that relatively small numbers of defaults of senior secured loans may adversely impact our returns.

Our CLO investments are exposed to leveraged credit risk.

Generally, we are in a subordinated position with respect to realized losses on the senior secured loans underlying our investments in CLOs. The leveraged nature of CLOs, in particular, magnifies the adverse impact of senior secured loan defaults. CLO investments represent a leveraged investment with respect to the underlying senior secured loans. Therefore, changes in the market value of the CLO investments could be greater than the change in the market value of the underlying senior secured loans, which are subject to credit, liquidity and interest rate risk.

There is the potential for interruption and deferral of cash flow from CLO investments.

If certain minimum collateral value ratios and/or interest coverage ratios are not met by a CLO, primarily due to senior secured loan defaults, then cash flow that otherwise would have been available to pay distributions to us on our CLO investments may instead be used to redeem any senior notes or to purchase additional senior secured loans, until the ratios again exceed the minimum required levels or any senior notes are repaid in full. This could result in an elimination, reduction or deferral in the distribution and/or principal paid to the holders of the CLO investments, which would adversely impact our returns.

Investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our CLO investment strategy allows investments in foreign CLOs. Investing in foreign entities may expose us to additional risks not typically associated with investing in U.S. issuers. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor's rights in foreign jurisdictions. In addition, the underlying companies of the CLOs in which we invest may be foreign, which may create greater exposure for us to foreign economic developments.

The payment of underlying portfolio manager fees and other charges on CLO investments could adversely impact our returns.

We may invest in CLO investments where the underlying portfolio securities may be subject to management, administration and incentive or performance fees, in addition to those payable by us. Payment of such additional fees could adversely impact the returns we achieve.

The inability of a CLO collateral manager to reinvest the proceeds of the prepayment of senior secured loans at equivalent rates may adversely affect us.

There can be no assurance that for any CLO investment, in the event that any of the senior secured loans of a CLO underlying such investment are prepaid, the CLO collateral manager will be able to reinvest such proceeds in new senior secured loans with equivalent investment returns. If the CLO collateral manager cannot reinvest in new senior secured loans with equivalent investment returns, the interest proceeds available to pay interest on the rated liabilities and investments may be adversely affected.

Our CLO investments are subject to prepayments and calls, increasing re-investment risk.

Our CLO investments and/or the underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond our control and consequently cannot be predicted with certainty. In addition, for a CLO collateral manager there is often a strong incentive to refinance well performing portfolios once the senior tranches amortize. The yield to maturity of the investments will depend on the amount and timing of payments of principal on the loans and the price paid for the investments. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments of the debt.

Furthermore, our CLO investments generally do not contain optional call provisions, other than a call at the option of the holders of the equity tranches for the senior notes and the junior secured notes to be paid in full after the expiration of an initial period in the deal (referred to as the “non-call period”).

The exercise of the call option is by the relevant percentage (usually a majority) of the holders of the equity tranches and, therefore, where we do not hold the relevant percentage we will not be able to control the timing of the exercise of the call option. The equity tranches also generally have a call at any time based on certain tax event triggers. In any event, the call can only be exercised by the holders of equity tranches if they can demonstrate (in accordance with the detailed provisions in the transaction) that the senior notes and junior secured notes will be paid in full if the call is exercised.

Early prepayments and/or the exercise of a call option otherwise than at our request may also give rise to increased re-investment risk with respect to certain investments, as we may realize excess cash earlier than expected. If we are unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the investment repaid, this may reduce our net income and, consequently, could have an adverse impact on our ability to pay dividends.

We have limited control of the administration and amendment of senior secured loans owned by the CLOs in which we invest.

We are not able to directly enforce any rights and remedies in the event of a default of a senior secured loan held by a CLO vehicle. In addition, the terms and conditions of the senior secured loans underlying our CLO investments may be amended, modified or waived only by the agreement of the underlying lenders. Generally, any such agreement must include a majority or a super majority (measured by outstanding loans or commitments) or, in certain circumstances, a unanimous vote of the lenders. Consequently, the terms and conditions of the payment obligations arising from senior secured loans could be modified, amended or waived in a manner contrary to our preferences.

We have limited control of the administration and amendment of any CLO in which we invest.

The terms and conditions of target securities may be amended, modified or waived only by the agreement of the underlying security holders. Generally, any such agreement must include a majority or a super majority (measured by outstanding amounts) or, in certain circumstances, a unanimous vote of the security holders. Consequently, the terms and conditions of the payment obligation arising from the CLOs in which we invest be modified, amended or waived in a manner contrary to our preferences.

Senior secured loans of CLOs may be sold and replaced resulting in a loss to us.

The senior secured loans underlying our CLO investments may be sold and replacement collateral purchased within the parameters set out in the relevant CLO indenture between the CLO and the CLO trustee and those parameters may typically only be amended, modified or waived by the agreement of a majority of the holders of the senior notes and/or the junior secured notes and/or the equity tranche once the CLO has been established. If these transactions result in a net loss, the magnitude of the loss from the perspective of the equity tranche would be increased by the leveraged nature of the investment.

Our financial results may be affected adversely if one or more of our significant equity or junior debt investments in a CLO vehicle defaults on its payment obligations or fails to perform as we expect.

We expect that a majority of our portfolio will consist of equity and junior debt investments in CLOs, which involve a number of significant risks. CLOs are typically highly levered up to approximately 10 times, and therefore the junior debt and equity tranches

that we will invest in are subject to a higher risk of total loss. In particular, investors in CLOs indirectly bear risks of the underlying debt investments held by such CLOs. We will generally have the right to receive payments only from the CLOs, and will generally not have direct rights against the underlying borrowers or the entities that sponsored the CLOs. Although it is difficult to predict whether the prices of indices and securities underlying CLOs will rise or fall, these prices, and, therefore, the prices of the CLOs will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally.

The investments we make in CLOs are thinly traded or have only a limited trading market. CLO investments are typically privately offered and sold, in the primary and secondary markets. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLOs carry additional risks, including, but not limited to: (i) the possibility that distributions from the underlying senior secured loans will not be adequate to make interest or other payments; (ii) the quality of the underlying senior secured loans may decline in value or default; and (iii) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO or unexpected investment results. Further, our investments in equity and junior debt tranches of CLOs are subordinate to the senior debt tranches thereof.

Investments in structured vehicles, including equity and junior debt instruments issued by CLOs, involve risks, including credit risk and market risk. Changes in interest rates and credit quality may cause significant price fluctuations. Additionally, changes in the underlying senior secured loans held by a CLO may cause payments on the instruments we hold to be reduced, either temporarily or permanently. Structured investments, particularly the subordinated interests in which we invest, are less liquid than many other types of securities and may be more volatile than the senior secured loans underlying the CLOs in which we invest.

Non-investment grade debt involves a greater risk of default and higher price volatility than investment grade debt.

The senior secured loans underlying our CLO investments typically are BB or B rated (non-investment grade) and in limited circumstances, unrated, senior secured loans. Non-investment grade securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default and higher price volatility than investment grade debt.

We will have no influence on management of underlying investments managed by non-affiliated third party CLO collateral managers.

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. Similarly, we are not responsible for and have no influence over the day-to-day management, administration or any other aspect of the issuers of the individual securities. As a result, the values of the portfolios underlying our CLO investments could decrease as a result of decisions made by third party CLO collateral managers.

The application of the risk retention rules under Section 941 of the Dodd-Frank Act to CLOs may have broader effects on the CLO and loan markets in general, potentially resulting in fewer or less desirable investment opportunities for us.

Section 941 of the Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") added a provision to the Exchange Act, requiring the seller, sponsor or securitizer of a securitization vehicle to retain no less than five percent of the credit risk in assets it sells into a securitization and prohibiting such securitizer from directly or indirectly hedging or otherwise transferring the retained credit risk. The responsible federal agencies adopted final rules implementing these restrictions on October 22, 2014. The risk retention rules became effective with respect to CLOs two years after publication in the Federal Register. Under the final rules, the asset manager of a CLO is considered the sponsor of a securitization vehicle and is required to retain five percent of the credit risk in the CLO, which may be retained horizontally in the equity tranche of the CLO or vertically as a five percent interest in each tranche of the securities issued by the CLO. Although the final rules contain an exemption from such requirements for the asset manager of a CLO if, among other things, the originator or lead arranger of all of the loans acquired by the CLO retain such risk at the asset level and, at origination of such asset, takes a loan tranche of at least 20% of the aggregate principal balance, it is possible that the originators and lead arrangers of loans in this market will not agree to assume this risk or provide such retention at origination of the asset in a manner that would provide meaningful relief from the risk retention requirements for CLO managers.

We believe that the U.S. risk retention requirements imposed for CLO managers under Section 941 of the Dodd-Frank Act has created some uncertainty in the market in regard to future CLO issuance. Given that certain CLO managers may require capital provider partners to satisfy this requirement, we believe that this may create additional risks for us in the future.

On February 9, 2018, a panel of the United States Court of Appeals for the District of Columbia Circuit ruled (the "D.C. Circuit Ruling") that the federal agencies exceeded their authority under the Dodd-Frank Act in adopting the final rules as applied to asset managers of open-market CLOs. On April 5, 2018, the United States District Court for the District of Columbia entered an order

implementing the D.C. Circuit Ruling and thereby vacated the U.S. Risk Retention Rules insofar as they apply to CLO managers of "open market CLOs".

As of the date of hereof, there has been no petition for writ of certiorari filed requesting the case to be heard by the United States Supreme Court. Since there hasn't been a successful challenge to the D.C. Circuit Ruling and the United States District Court for the District of Columbia has issued the above described order implementing the D.C. Circuit Ruling, collateral managers of open market CLOs are no longer required to comply with the U.S. Risk Retention Rules at this time. As such, it is possible that some collateral managers of open market CLOs will decide to dispose of the notes constituting the "eligible vertical interest" or "eligible horizontal interest" they were previously required to retain, or decide to take other action with respect to such notes that is not otherwise permitted by the U.S. risk retention rules. As a result of this decision, certain CLO managers of "open market CLOs" will no longer be required to comply with the U.S. risk retention rules solely because of their roles as managers of "open market CLOs", and there may be no "sponsor" of such securitization transactions and no party may be required to acquire and retain an economic interest in the credit risk of the securitized assets of such transactions.

There can be no assurance or representation that any of the transactions, structures or arrangements currently under consideration by or currently used by CLO market participants will comply with the U.S. risk retention rules to the extent such rules are reinstated or otherwise become applicable to open market CLOs. The ultimate impact of the U.S. risk retention rules on the loan securitization market and the leveraged loan market generally remains uncertain, and any negative impact on secondary market liquidity for securities comprising a CLO may be experienced due to the effects of the U.S. risk retention rules on market expectations or uncertainty, the relative appeal of other investments not impacted by the U.S. risk retention rules and other factors.

Changes in credit spreads may adversely affect our profitability and result in realized and unrealized depreciation on our investments.

The performance of our CLO equity investments will depend, in a large part, upon the spread between the rate at which the CLO borrows funds and the rate at which it lends these funds. Any reduction of the spread between the rate at which the CLO invests and the rate at which it borrows may adversely affect the CLO equity investor's profitability. Additionally, changes in credit spreads could lead to refinancing (paying off the existing senior secured loan with the proceeds from a new loan) or repricing (reducing the interest rate on an existing senior secured loan) of the senior secured loans that make up a CLO's portfolio, which would result in a decline in the yield to the CLO's equity investors and a corresponding loss on investment.

Because CLO equity investors are paid the residual income after the CLO debt tranches receive contractual interest payments, a reduction in the weighted average spread of the senior secured loans underlying a CLO will reduce the income flowing to CLO equity investors. As a result, CLO investors will experience realized and unrealized depreciation in periods of prolonged spread compression. If these conditions continue, the CLO investors, such as us, may lose some or all of their investment.

With respect to our online consumer lending initiative, we are dependent on the business performance and competitiveness of marketplace lending facilitators and our ability to assess loan underwriting performance and, if the marketplace lending facilitators from which we currently purchase consumer loans are unable to maintain or increase consumer loan originations, or if such marketplace lending facilitators do not continue to sell consumer loans to us, or we are unable to otherwise purchase additional loans, our business and results of operations will be adversely affected.

With respect to our online consumer lending initiative, we invest primarily in marketplace loans through marketplace lending facilitators. We do not conduct loan origination activities ourselves. Therefore, our ability to purchase consumer loans, and our ability to grow our portfolio of consumer loans, is directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending facilitators from which we purchase consumer loans.

In addition, our ability to analyze the risk-return profile of consumer loans is significantly dependent on the marketplace facilitators' ability to effectively evaluate a borrower's credit profile and likelihood of default. The platforms from which we purchase such loans utilize credit decisioning and scoring models that assign each such loan offered a corresponding interest rate and origination fee. Our returns are a function of the assigned interest rate for each such particular loan purchased less any defaults over the term of the applicable loan. We evaluate the credit decisioning and scoring models implemented by each platform on a regular basis and leverage the additional data on loan history experience, borrower behavior, economic factors and prepayment trends that we accumulate to continually improve our own decisioning model. 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. Further, if the interest rates for consumer loans available through marketplace lending platforms are set too high or too low, it may adversely impact our ability to receive returns on our investment that are commensurate with the risks we incur in purchasing the loans.

With respect to our online consumer lending initiative, we rely on the marketplace lending facilitators to service loans including pursuing collections against borrowers. Personal loans facilitated through the marketplace lending facilitators are not secured by any collateral, are not guaranteed or insured by any third-party and are not backed by any governmental authority in any way. Marketplace lending facilitators are therefore limited in their ability to collect on the loans if a borrower is unwilling or unable to repay. A borrower's ability to repay can be negatively impacted by increases in their payment obligations to other lenders under mortgage, credit card and other loans, including student loans and home equity lines of credit. These changes can result from increases in base lending rates or structured increases in payment obligations and could reduce the ability of the borrowers to meet their payment obligations to other lenders and under the loans purchased by us. If a borrower defaults on a loan, the marketplace lending facilitators may outsource subsequent servicing efforts to third-party collection agencies, which may be unsuccessful in their efforts to collect the amount of the loan. Marketplace lending facilitators make payments ratably on an investor's investment only if they receive the borrower's payments on the corresponding loan. If they do not receive payments on the corresponding loan related to an investment, we are not entitled to any payments under the terms of the investment.

As servicers of the loans we purchase as part of our online consumer lending initiative, the marketplace lending facilitators have the authority to waive or modify the terms of a consumer loan without our consent or allow the postponement of strict compliance with any such term or in any manner grant any other indulgence to any borrower. If the marketplace lending facilitators approve a modification to the terms of any consumer loan it may adversely impact our revenues.

To continue to grow our online consumer lending initiative business, we rely on marketplace lending facilitators from which we purchase loans to maintain or increase their consumer loan originations and to agree to sell their consumer loans to us. However, we do not have any exclusive arrangements with any of the marketplace lending facilitators and have no agreements with them to provide us with a guaranteed source of supply. There can be no assurance that such marketplace lending facilitators will be able to maintain or increase consumer loan originations or will continue to sell their consumer loans to us, or that we will be able to otherwise purchase additional loans and, consequently, there can be no assurance that we will be able to grow our business through investment in additional loans. The consumer marketplace lending facilitators could elect to become investors in their own marketplace loans which would limit the amount of supply available for our own investments. An inability to expand our business through investments in additional consumer loans would reduce the return on investment that we might otherwise be able to realize from an increased portfolio of such investments. If we are unable to expand our business relating to our online consumer lending initiative, this may have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, if marketplace lending facilitators are unable to attract qualified borrowers and sufficient investor commitments or borrowers and investors do not continue to participate in marketplace lending at current rates, the growth of loan originations will slow or loan originations will decrease. As a result of any of these factors, we may be unable to increase our consumer loan investments and our revenue may grow more slowly than expected or decline, which could have a material adverse effect on our business, financial condition and results of operations.

Marketplace lending facilitators on which we rely as part of the online consumer lending initiative by NPRC depend on issuing banks to originate all loans and to comply with various federal, state and other laws.

Typically, the contracts between marketplace lending facilitators and their loan issuing banks are non-exclusive and do not prohibit the issuing banks from working with other marketplace lending facilitators or from offering competing services. Issuing banks could decide that working with marketplace lending facilitators is not in their interests, could make working with marketplace lending facilitators cost prohibitive or could decide to enter into exclusive or more favorable relationships with other marketplace lending facilitators that do not provide consumer loans to us. In addition, issuing banks may not perform as expected under their agreements. Marketplace lending facilitators could in the future have disagreements or disputes with their issuing banks. Any of these factors could negatively impact or threaten our ability to obtain consumer loans and consequently could have a material adverse effect on our business, financial condition, results of operations and prospects.

Issuing banks are subject to oversight by the FDIC and the states where they are organized and operate and must comply with complex rules and regulations, as well as licensing and examination requirements, including requirements to maintain a certain amount of regulatory capital relative to their outstanding loans. If issuing banks were to suspend, limit or cease their operations or the relationship between the marketplace lending facilitators and the issuing bank were to otherwise terminate, the marketplace lending facilitators would need to implement a substantially similar arrangement with another issuing bank, obtain additional state licenses or curtail their operations. If the marketplace lending facilitators are required to enter into alternative arrangements with a different issuing bank to replace their existing arrangements, they may not be able to negotiate a comparable alternative arrangement. This may result in their inability to facilitate loans through their platform and accordingly our inability to operate the business of our online consumer lending initiative. If the marketplace lending facilitators were unable to enter into an alternative arrangement with a different issuing bank, they would need to obtain a state license in each state in which they operate in order to enable them to originate loans, as well as comply with other state and federal laws, which would be costly and time-consuming

and could have a material adverse effect on our business, financial condition, results of operations and prospects. If the marketplace lending facilitators are unsuccessful in maintaining their relationships with the issuing banks, their ability to provide loan products could be materially impaired and our operating results could suffer.

Credit and other information that is received about a borrower may be inaccurate or may not accurately reflect the borrower's creditworthiness, which may cause the loans to be inaccurately priced and affect the value of our portfolio.

The marketplace lending facilitators obtain borrower credit information from consumer reporting agencies, such as TransUnion, Experian or Equifax, and assign loan grades to loan requests based on credit decisioning and scoring models that take into account reported credit scores and the requested loan amount, in addition to a variety of other factors. A credit score or loan grade assigned to a borrower may not reflect that borrower's actual creditworthiness because the credit score may be based on incomplete or inaccurate consumer reporting data, and typically, the marketplace lending facilitators do not verify the information obtained from the borrower's credit report. Additionally, there is a risk that, following the date of the credit report that the models are based on, a borrower may have:

- become delinquent in the payment of an outstanding obligation;
- defaulted on a pre-existing debt obligation;
- taken on additional debt; or
- sustained other adverse financial events.

Borrowers supply a variety of information to the marketplace lending facilitators based on which the facilitators price the loans. In a number of cases, marketplace lending facilitators do not verify all of this information, and it may be inaccurate or incomplete. For example, marketplace lending facilitators do not always verify a borrower's stated tenure, job title, home ownership status or intention for the use of loan proceeds. Moreover, we do not, and will not, have access to financial statements of borrowers or to other detailed financial information about the borrowers. If we invest in loans through the marketplace provided by the marketplace lending facilitators based on information supplied by borrowers or third parties that is inaccurate, misleading or incomplete, we may not receive expected returns on our investments and this could have a material adverse impact on our business, financial condition, results of operations and prospects and our reputation may be harmed.

Marketplace lending is a relatively new lending method and the platforms of marketplace lending facilitators have a limited operating history relative to established consumer banks. Borrowers may not view or treat their obligations under any such loans we purchase as having the same significance as loans from traditional lending sources, such as bank loans.

The return on our investment in consumer loans depends on borrowers fulfilling their payment obligations in a timely and complete manner under the corresponding consumer loan. Borrowers may not view their obligations originated on the lending platforms that the marketplace lending facilitators provide as having the same significance as other credit obligations arising under more traditional circumstances, such as loans from banks or other commercial financial institutions. If a borrower neglects his or her payment obligations on a consumer loan or chooses not to repay his or her consumer loan entirely, we may not be able to recover any portion of our investment in the consumer loans. This will adversely impact our business, financial condition, results of operations and prospects.

Risks affecting investments in real estate.

NPRC invests in commercial multi-family residential and student-housing real estate. A number of factors may prevent each of NPRC's properties and assets from generating sufficient net cash flow or may adversely affect their value, or both, resulting in less cash available for distribution, or a loss, to us. These factors include, but are not limited to:

- national economic conditions;
- regional and local economic conditions (which may be adversely impacted by plant closings, business layoffs, industry slow-downs, weather conditions, natural disasters, and other factors);
- local real estate conditions (such as over-supply of or insufficient demand for office space);
- changing demographics;
- perceptions by prospective tenants of the convenience, services, safety, and attractiveness of a property;
- the ability of property managers to provide capable management and adequate maintenance;
- the quality of a property's construction and design;
- increases in costs of maintenance, insurance, and operations (including energy costs and real estate taxes);
- changes in applicable laws or regulations (including tax laws, zoning laws, or building codes);

- potential environmental and other legal liabilities;
- the level of financing used by NPRC in respect of its properties, increases in interest rate levels on such financings and the risk that NPRC will default on such financings, each of which increases the risk of loss to us;
- the availability and cost of refinancing;
- the ability to find suitable tenants for a property and to replace any departing tenants with new tenants;
- potential instability, default or bankruptcy of tenants in the properties owned by NPRC;
- potential limited number of prospective buyers interested in purchasing a property that NPRC wishes to sell; and
- the relative illiquidity of real estate investments in general, which may make it difficult to sell a property at an attractive price or within a reasonable time frame.

To the extent original issue discount ("OID") and payment in kind ("PIK") interest constitute a portion of our income, we will be exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash representing such income.

Our investments may include OID instruments and PIK interest arrangements, which represents contractual interest added to a loan balance and due at the end of such loan's term. To the extent OID or PIK interest constitute a portion of our income, we are exposed to typical risks associated with such income being required to be included in taxable and accounting income prior to receipt of cash, including the following:

- The higher interest rates of OID and PIK instruments reflect the payment deferral and increased credit risk associated with these instruments, and OID and PIK instruments generally represent a significantly higher credit risk than coupon loans.
- Even if the accounting conditions for income accrual are met, the borrower could still default when our actual collection is supposed to occur at the maturity of the obligation.
- OID and PIK instruments may have unreliable valuations because their continuing accruals require continuing judgments about the collectability of the deferred payments and the value of any associated collateral. OID and PIK income may also create uncertainty about the source of our cash distributions.

For accounting purposes, any cash distributions to shareholders representing OID and PIK income are not treated as coming from paid-in capital, even if the cash to pay them comes from offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

Capitalizing PIK interest to loan principal increases our gross assets, thus increasing our Investment Adviser's future base management fees, and increases future investment income, thus increasing our Investment Adviser's future income incentive fees at a compounding rate.

Market prices of zero-coupon or PIK securities may be affected to a greater extent by interest rate changes and may be more volatile than securities that pay interest periodically and in cash.

For accounting purposes, any cash distributions to stockholders representing OID and PIK income are not designated as paid-in capital, even if the cash to pay them derives from offering proceeds. As a result, despite the fact that a distribution representing OID and PIK income could be paid out of amounts invested by our stockholders, the 1940 Act does not require that stockholders be given notice of this fact by reporting it as a return of capital.

Risks Relating to Our Securities

Our credit ratings may not reflect all risks of an investment in our debt securities.

Our credit ratings are an assessment by third parties of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of our debt securities. Our credit ratings, however, may not reflect the potential impact of risks related to market conditions generally or other factors discussed above on the market value of or trading market for the publicly issued debt securities.

Senior securities, including debt, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations.

We currently use our revolving credit facility to leverage our portfolio and we expect in the future to borrow from and issue senior debt securities to banks and other lenders and may securitize certain of our portfolio investments. We also have the Unsecured Notes outstanding, which are a form of leverage and are senior in payment rights to our common stock.

With certain limited exceptions, as a BDC, we are only allowed to borrow amounts or otherwise issue senior securities such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing or other issuance. The amount of leverage that we employ will depend on the Investment Adviser's and our Board of Directors' assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, any of which could adversely affect our business, financial condition and results of operations, including the following:

- A likelihood of greater volatility in the net asset value and market price of our common stock;
- Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements required by lenders or investors that are more stringent than those imposed by the 1940 Act;
- The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage;
- Increased operating expenses due to the cost of leverage, including issuance and servicing costs;
- Convertible or exchangeable securities, such as the Convertible Notes outstanding or those issued in the future may have rights, preferences and privileges more favorable than those of our common stock;
- Subordination to lenders' superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds will be distributed to our stockholders;
- Difficulty meeting our payment and other obligations under the Unsecured Notes and our other outstanding debt;
- The occurrence of an event of default if we fail to comply with the financial and/or other restrictive covenants contained in our debt agreements, including the credit agreement and each indenture governing the Unsecured Notes, which event of default could result in all or some of our debt becoming immediately due and payable;
- Reduced availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- The risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our amended senior credit facility; and
- Reduced flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

For example, the amount we may borrow under our revolving credit facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits. Other debt facilities we may enter into in the future may contain similar provisions. Any such forced sales would reduce our net asset value and also make it difficult for the net asset value to recover. The Investment Adviser and our Board of Directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

- In addition, our ability to meet our payment and other obligations of the Unsecured Notes and our credit facility depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot provide assurance that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Unsecured Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Unsecured Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Unsecured Notes and our other debt.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of interest expense. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) $5.8 billion in total assets, (ii) an average cost of funds of 5.41%, (iii) $2.4 billion in debt outstanding and (iv) $3.4 billion of shareholders' equity.

Assumed Return on Our Portfolio (net of expenses)	**(10.0)%**	**(5.0)%**	**— %**	**5.0%**	**10.0%**
Corresponding Return to Stockholder	(20.9)%	(12.3)%	(3.8)%	4.7%	13.2%

The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table. Pursuant to SEC regulations, this table is calculated as of June 30, 2019. As a result, it has not been updated to take into account any changes in assets or leverage since June 30, 2019.

On March 23, 2018, the Small Business Credit Availability Act was signed into law, which included various changes to regulations under the federal securities laws that impact BDCs, including changes to the 1940 Act to allow BDCs to decrease their asset coverage requirement to 150% from 200% under certain circumstances. While certain other BDCs have elected to allow for the increase in leverage, after consideration of the expected negative impact on us, including a rating downgrade by S&P, our Board of Directors has not currently elected to approve the application of the modified asset coverage requirements for the Company.

The Convertible Notes and the Public Notes present other risks to holders of our common stock, including the possibility that such notes could discourage an acquisition of us by a third party and accounting uncertainty.

Certain provisions of the Convertible Notes and the Public Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Convertible Notes and the Public Notes will have the right, at their option, to require us to repurchase all of their notes or any portion of the principal amount of such notes in integral multiples of $1,000. We may also be required to increase the conversion rate or provide for conversion into the acquirer's capital stock in the event of certain fundamental changes with respect to the Convertible Notes. These provisions could discourage an acquisition of us by a third party.

The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the market price of our common stock.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

Holders of any preferred stock we might issue would have the right to elect members of the board of directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of the board of directors at all times and in the event dividends become two full years in arrears, would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies or the terms of our credit facilities, might impair our ability to maintain our qualification as a RIC for federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

In addition to regulatory restrictions that restrict our ability to raise capital, our credit facility contains various covenants which, if not complied with, could accelerate repayment under the facility, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

The agreement governing our credit facility requires us to comply with certain financial and operational covenants. These covenants include:

- Restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets;
- Restrictions on our ability to incur liens; and
- Maintenance of a minimum level of stockholders' equity.

As of June 30, 2019, we were in compliance with these covenants. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, there are no assurances that we will continue to comply with the covenants in our credit facility. Failure to comply with these covenants would result in a default under this facility which, if we were unable to obtain a waiver from the lenders thereunder, could result in an acceleration of repayments under the facility and thereby have a material adverse impact on our business, financial condition and results of operations.

Failure to extend our existing credit facility, the revolving period of which is currently scheduled to expire on March 27, 2022, could have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions.

The revolving period for our credit facility with a syndicate of lenders is currently scheduled to terminate on March 27, 2022, with an additional two year amortization period (with distributions allowed) after the completion of the revolving period. During such two year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two year amortization period, the remaining balance will become due, if required by the lenders. If the credit facility is not renewed or extended by the participant banks by March 27, 2022, we will not be able to make further borrowings under the facility after such date and the outstanding principal balance on that date will be due and payable on March 27, 2024. As of June 30, 2019, we had $167,000 of outstanding borrowings under our credit facility. Interest on borrowings under the credit facility is one-month LIBOR plus 220 basis points with a minimum LIBOR floor of zero. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn.

The credit facility requires us to pledge assets as collateral in order to borrow under the credit facility. If we are unable to extend our facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the facility during the two-year term-out period through one or more of the following: (1) principal collections on our securities pledged under the facility, (2) at our option, interest collections on our securities pledged under the facility and cash collections on our securities not pledged under the facility, or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid. In addition, our stock price could decline significantly, we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, and our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

Failure to refinance our existing Unsecured Notes could have a material adverse effect on our results of operations and financial position.

The Unsecured Notes mature at various dates from January 15, 2020 to October 15, 2043. If we are unable to refinance the Unsecured Notes or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding at maturity under the facility during the two-year term-out period through one or more of the following: (1) borrowing additional funds under our then current credit facility, (2) issuance of additional common stock or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position. In addition, our stock price could decline significantly; we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

The trading market or market value of our publicly issued debt securities may fluctuate.

Our publicly issued debt securities may or may not have an established trading market. We cannot assure our noteholders that a trading market for our publicly issued debt securities will ever develop or be maintained if developed. In addition to our

creditworthiness, many factors may materially adversely affect the trading market for, and market value of, our publicly issued debt securities. These factors include, but are not limited to, the following:

- the time remaining to the maturity of these debt securities;
- the outstanding principal amount of debt securities with terms identical to these debt securities;
- the ratings assigned by national statistical ratings agencies;
- the general economic environment;
- the supply of debt securities trading in the secondary market, if any;
- the redemption or repayment features, if any, of these debt securities;
- the level, direction and volatility of market interest rates generally; and
- market rates of interest higher or lower than rates borne by the debt securities.

Our noteholders should also be aware that there may be a limited number of buyers when they decide to sell their debt securities. This too may materially adversely affect the market value of the debt securities or the trading market for the debt securities.

Terms relating to redemption may materially adversely affect our noteholders return on any debt securities that we may issue.

If our noteholders' debt securities are redeemable at our option, we may choose to redeem their debt securities at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In addition, if our noteholders' debt securities are subject to mandatory redemption, we may be required to redeem their debt securities also at times when prevailing interest rates are lower than the interest rate paid on their debt securities. In this circumstance, our noteholders may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as their debt securities being redeemed.

Our shares of common stock currently trade at a discount from net asset value and may continue to do so in the future, which could limit our ability to raise additional equity capital.

Shares of closed-end investment companies frequently trade at a market price that is less than the net asset value that is attributable to those shares. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. It is not possible to predict whether any shares of our common stock will trade at, above, or below net asset value. The stocks of BDCs as an industry, including shares of our common stock, currently trade below net asset value as a result of concerns over liquidity, interest rate changes, leverage restrictions and distribution requirements. When our common stock is trading below its net asset value per share, we will not be able to issue additional shares of our common stock at its market price without first obtaining approval for such issuance from our stockholders and our independent directors. At our 2016 annual meeting of stockholders held on December 2, 2016, our stockholders approved our ability, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, to sell shares of our common stock at any level of discount from net asset value per share during the 12-month period following December 2, 2016. Similar to our 2017 and 2018 annual meetings, we do not intend to seek stockholder approval at our 2019 annual meeting to continue for an additional 12-month period our ability to sell shares of common stock at any level of discount from net asset value per share, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, but may seek stockholder approval to do so in the future.

There is a risk that investors in our common stock may not receive dividends or that our dividends may not grow over time and investors in our debt securities may not receive all of the interest income to which they are entitled.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. If we declare a dividend and if more stockholders opt to receive cash distributions rather than participate in our dividend reinvestment plan, we may be forced to sell some of our investments in order to make cash dividend payments.

In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Further, if we invest a greater amount of assets in equity securities that do not pay current dividends, it could reduce the amount available for distribution.

The above-referenced restrictions on distributions may also inhibit our ability to make required interest payments to holders of our debt, which may cause a default under the terms of our debt agreements. Such a default could materially increase our cost of raising capital, as well as cause us to incur penalties under the terms of our debt agreements.

Investing in our securities may involve a high degree of risk and is highly speculative.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be speculative and aggressive, and therefore, an investment in our shares may not be suitable for someone with low risk tolerance.

Our stockholders may experience dilution in their ownership percentage if they opt out of our dividend reinvestment plan.

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are automatically reinvested in shares of our common stock. As a result, our stockholders that opt out of our dividend reinvestment plan will experience dilution in their ownership percentage of our common stock over time. Stockholders who do not elect to receive distributions in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the distribution payable to a stockholder.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Sales of substantial amounts of our common stock, or the availability of such common stock for sale (including as a result of the conversion of the Convertible Notes into common stock), could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

If we sell shares of our common stock or securities to subscribe for or are convertible into shares of our common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

At our 2016 annual meeting of stockholders held on December 2, 2016, our stockholders approved our ability, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, to sell shares of our common stock at any level of discount from net asset value per share during the 12-month period following December 2, 2016. Similar to our 2017 and 2018 annual meetings, we do not intend to seek stockholder approval at our 2019 annual meeting to continue for an additional 12-month period our ability to sell shares of common stock at any level of discount from net asset value per share, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, but may seek stockholder approval to do so in the future. The issuance or sale by us of shares of our common stock or securities to subscribe for or are convertible into 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 of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares of common stock 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. We have sold shares of our common stock at prices below net asset value per share in the past and may do so to the future. We have not sold any shares of our common stock at prices below net asset value per share since December 3, 2014.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security or other property from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. Subject to certain limited exceptions, we are prohibited from buying or selling any security or other property from or to the Investment Adviser and its affiliates and persons with whom we are in a control relationship, or entering into joint transactions with any such person, absent the prior approval of the SEC.

On February 10, 2014, we received an exemptive order from the SEC (the "Order") that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. (f/k/a Pathway Capital Opportunity Fund, Inc.), subject to the conditions included therein. Under the terms of the relief permitting us to co-invest with other funds managed by our Investment Adviser or its affiliates, a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

The market price of our securities may fluctuate significantly.

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in the energy industry, which are not necessarily related to the operating performance of these companies;
- price and volume fluctuations in the overall stock market from time to time;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC qualification;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of one or more of Prospect Capital Management's key personnel;
- operating performance of companies comparable to us;
- short-selling pressure with respect to shares of our common stock or BDCs generally;
- future sales of our securities convertible into or exchangeable or exercisable for our common stock or the conversion of such securities, including the Convertible Notes;
- uncertainty surrounding the strength of the U.S. economic recovery;
- concerns regarding European sovereign debt;
- changes in prevailing interest rates;
- litigation matters;
- general economic trends and other external factors; and
- loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has, from time to time, been brought against that company.

If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We have made and intend to continue to make distributions on a monthly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

Our charter and bylaws and the Maryland General Corporation Law contain provisions that may have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interest. These provisions may prevent stockholders from being able to sell shares of our common stock at a premium over the current of prevailing market prices.

Our charter provides for the classification of our Board of Directors into three classes of directors, serving staggered three-year terms, which may render a change of control or removal of our incumbent management more difficult. Furthermore, any and all vacancies on our Board of Directors will be filled generally only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term until a successor is elected and qualifies.

Our Board of Directors is authorized to create and issue new series of shares, to classify or reclassify any unissued shares of stock into one or more classes or series, including preferred stock and, without stockholder approval, to amend our charter to increase or decrease the number of shares of common stock that we have authority to issue, which could have the effect of diluting a stockholder's ownership interest. Prior to the issuance of shares of common stock of each class or series, including any reclassified series, our Board of Directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock.

Our charter and bylaws also provide that our Board of Directors has the exclusive power to adopt, alter or repeal any provision of our bylaws, and to make new bylaws. The Maryland General Corporation Law also contains certain provisions that may limit the ability of a third party to acquire control of us, such as:

- The Maryland Business Combination Act, which, subject to certain limitations, prohibits certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of the common stock or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special minimum price provisions and special stockholder voting requirements on these combinations.
- The Maryland Control Share Acquisition Act, which provides that "control shares" of a Maryland corporation (defined as shares of common stock which, when aggregated with other shares of common stock controlled by the stockholder, entitles the stockholder to exercise one of three increasing ranges of voting power in electing directors, as described more fully below) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares of common stock.

The provisions of the Maryland Business Combination Act will not apply, however, if our Board of Directors adopts a resolution that any business combination between us and any other person will be exempt from the provisions of the Maryland Business Combination Act. Our Board of Directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Maryland Business Combination Act, provided that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. There can be no assurance that this resolution will not be altered or repealed in whole or in part at any time. If the resolution is altered or repealed, the provisions of the Maryland Business Combination Act may discourage others from trying to acquire control of us.

As permitted by Maryland law, our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our common stock. Although our bylaws include such a provision, such a provision may also be amended or eliminated by our Board of Directors at any time in the future, provided that we will notify the Division of Investment Management at the SEC prior to amending or eliminating this provision. However, as noted above, the SEC has recently taken the position that the Maryland Control Share Acquisition Act is inconsistent with the 1940 Act and may not be invoked by a BDC. It is the view of the staff of the SEC that opting into the Maryland Control Share Acquisition Act would be acting in a manner inconsistent with Section 18(i) of the 1940 Act.

Your interest in us may be diluted if you do not fully exercise your subscription rights in any rights offering. In addition, if the subscription price is less than our net asset value per share, then you will experience an immediate dilution of the aggregate net asset value of your shares.

In the event we issue subscription rights, stockholders who do not fully exercise their subscription rights should expect that they will, at the completion of a rights offering pursuant to the applicable prospectus, own a smaller proportional interest in us than would otherwise be the case if they fully exercised their rights. We cannot state precisely the amount of any such dilution in share ownership because we do not know at this time what proportion of the shares will be purchased as a result of such rights offering.

In addition, if the subscription price is less than the net asset value per share of our common stock, then our stockholders would experience an immediate dilution of the aggregate net asset value of their shares as a result of the offering. The amount of any decrease in net asset value is not predictable because it is not known at this time what the subscription price and net asset value per share will be on the expiration date of a rights offering or what proportion of the shares will be purchased as a result of such rights offering. Such dilution could be substantial.

We may in the future choose to pay dividends in our own stock, in which case our stockholders may be required to pay tax in excess of the cash they receive.

We may distribute taxable dividends that are payable in part in our stock. In accordance with guidance issued by the Internal Revenue Service, a publicly traded RIC should generally be eligible to treat a distribution of its own stock as fulfilling its RIC distribution requirements if each stockholder is permitted to elect to receive his or her distribution in either cash or stock of the RIC (even where there is a limitation on the percentage of the distribution payable in cash, provided that the limitation is at least 20%), subject to the satisfaction of certain guidelines. If too many stockholders elect to receive cash, each stockholder electing to receive cash generally must receive a portion of his or her distribution in cash (with the balance of the distribution paid in stock). If these and certain other requirements are met, for U.S. federal income tax purposes, the amount of the distribution paid in stock generally will be a taxable distribution in an amount equal to the amount of cash that could have been received instead of stock. Taxable stockholders receiving such dividends would be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. Stockholder (as defined in "Material U.S. Federal Income Tax Considerations") may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. Stockholder sells the stock it receives as a dividend in order to pay this tax, it may be subject to transaction fees (e.g., broker fees or transfer agent fees) and the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of its stock at the time of the sale. Furthermore, with respect to Non-U.S. Stockholders (as defined in "Material U.S. Federal Income Tax Considerations"), we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. It is unclear whether and to what extent we will be pay dividends in cash and our stock.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

We do not own any real estate or other physical properties materially important to our operation. Our principal executive offices are located at 10 East 40th Street, New York, New York 10016, where we occupy our office space pursuant to our Administration Agreement with Prospect Administration. The office facilities, which are shared with the Investment Adviser and Administrator, consist of approximately 32,500 square feet, with various leases expiring up to and through 2023. We believe that our office facilities are suitable and adequate for our business as currently conducted.

Item 3. Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of such matters as may arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any material legal proceedings as of June 30, 2019.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the symbol "PSEC."

Our common stock historically has traded at prices both above and below its net asset value. There can be no assurance, however, that such premium or discount, as applicable, to net asset value will be maintained. See also "Item 1A. Risk Factors" in Part I of this report for additional information about the risks and uncertainties we face.

As of August 26, 2019, there were 148 shareholders of record of our common stock. This figure does not include a substantially greater number of beneficial holders of our common stock, whose shares are held in the names of brokers, dealers and clearing agencies.

Distribution Policy

Through March 2010, we made quarterly distributions to our stockholders out of assets legally available for distribution. In June 2010, we changed our distribution policy from a quarterly payment to a monthly payment. To the extent prudent and practicable, we currently intend to continue making distributions on a monthly basis. Our ability to pay distributions could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants. Our distributions, if any, will be determined by our Board of Directors. Certain amounts of the monthly 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.

As a RIC, we generally are not subject to U.S. federal income tax on income and gains we distribute each taxable year to our stockholders, provided that in such taxable year, we distribute an amount equal to at least 90% of our investment company taxable income (as defined by the Code) to our stockholders. Any undistributed taxable income is subject to U.S. federal income tax. In addition, we will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income unless we distribute in a timely manner an amount at least equal to the sum of (i) 98% of our ordinary income recognized during the calendar year, (ii) 98.2% of our capital gain net income, as defined by the Code, recognized for the one year period ending October 31 in that calendar year and (iii) any income recognized, but not distributed, in preceding years.

We did not have an excise tax liability for the calendar year ended December 31, 2018. As of June 30, 2019, we do not expect to have any excise tax due for the 2019 calendar year. Tax characteristics of all distributions will be reported to stockholders, as appropriate, on Form 1099-DIV after the end of the calendar year.

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 described under "Material U.S. Federal Income Tax Considerations." 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 may 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.

During the years ended June 30, 2019 and June 30, 2018, we distributed approximately $263.6 million and $277.2 million, respectively, to our stockholders. The following table summarizes our distributions declared and payable for the years ended June 30, 2018 and June 30, 2019.

Declaration Date	Record Date	Payment Date	Amount Per Share	Amount Distributed (in thousands)
5/9/2017	7/31/2017	8/24/2017	$ 0.083330	$ 30,011
5/9/2017	8/31/2017	9/21/2017	0.083330	30,017
8/28/2017	9/29/2017	10/19/2017	0.060000	21,619
8/28/2017	10/31/2017	11/22/2017	0.060000	21,623
11/8/2017	11/30/2017	12/21/2017	0.060000	21,630
11/8/2017	12/29/2017	1/18/2018	0.060000	21,659
11/8/2017	1/31/2018	2/15/2018	0.060000	21,691
2/7/2018	2/28/2018	3/22/2018	0.060000	21,724
2/7/2018	3/30/2018	4/19/2018	0.060000	21,759
2/7/2018	4/30/2018	5/24/2018	0.060000	21,797
5/9/2018	5/31/2018	6/21/2018	0.060000	21,829
5/9/2018	6/29/2018	7/19/2018	0.060000	21,865
		Total declared and payable for the year ended June 30, 2018		$ 277,224
5/9/2018	7/31/2018	8/23/2018	$ 0.060000	$ 21,881
5/9/2018	8/31/2018	9/20/2018	0.060000	21,898
8/28/2018	9/28/2018	10/18/2018	0.060000	21,914
8/28/2018	10/31/2018	11/21/2018	0.060000	21,930
11/6/2018	11/30/2018	12/20/2018	0.060000	21,945
11/6/2018	1/2/2019	1/24/2019	0.060000	21,963
11/6/2018	1/31/2019	2/21/2019	0.060000	22,003
2/6/2019	2/28/2018	3/21/2019	0.060000	22,008
2/6/2019	3/29/2019	4/18/2019	0.060000	22,013
2/6/2019	4/30/2019	5/23/2019	0.060000	22,018
5/8/2019	5/31/2019	6/20/2019	0.060000	22,023
5/8/2019	6/28/2019	7/18/2019	0.060000	22,028
		Total declared and payable for the year ended June 30, 2019		$ 263,624

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during the years ended June 30, 2019 and June 30, 2018. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be recorded and payable subsequent to June 30, 2019:

- $0.06 per share for July 2019 to holders of record on July 31, 2019 with a payment date of August 22, 2019.
- $0.06 per share for August 2019 to holders of record on August 30, 2019 with a payment date of September 19, 2019.

Dividend Reinvestment Plan

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution (as discussed above), stockholders' cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. Stockholders who receive distributions in the form of stock are subject to the same U.S. federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. Stockholders are advised to consult with their brokers or financial institutions, as appropriate, with respect to the administration of their dividends and related instructions. See also "Dividend Reinvestment Plan" in Part I of this report for additional information.

We primarily use newly-issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with the implementation of the plan. Our Board of Directors determines how the stock to be distributed as part of the plan is made available.

During the years ended June 30, 2019 and June 30, 2018, we distributed 2,721,087 and 4,333,005 shares of our common stock, respectively, in connection with the dividend reinvestment plan. All of the shares distributed were new issues. The following table summarizes the shares issued through the reinvestment of dividends in the years ended June 30, 2018 and June 30, 2019.

Record Date	Payment Date	Shares Issued	Value of Shares (in thousands)	% of Distribution
6/30/2017	7/20/2017	66,881	$ 546	1.8%
7/31/2017	8/24/2017	77,948	570	1.9%
8/31/2017	9/21/2017	88,660	597	2.0%
9/29/2017	10/19/2017	83,913	529	2.5%
10/31/2017	11/22/2017	98,276	679	3.1%
11/30/2017	12/21/2017	488,141	3,397	15.7%
12/29/2017	1/18/2018	546,596	3,722	17.2%
1/31/2018	2/15/2018	540,758	3,742	17.3%
2/28/2018	3/22/2018	589,256	3,836	17.7%
3/30/2018	4/19/2018	608,202	3,947	18.1%
4/28/2018	5/24/2018	572,125	3,925	18.0%
5/31/2018	6/21/2018	572,249	3,966	18.2%
Total issued in the year ended June 30, 2018		4,333,005	$ 29,456	
6/29/2018	7/19/2018	282,592	$ 1,949	8.9%
7/31/2018	8/23/2018	270,136	1,901	8.7%
8/31/2018	9/20/2018	262,473	1,945	8.9%
9/28/2018	10/18/2018	255,850	1,804	8.2%
10/31/2018	11/21/2018	263,350	1,783	8.1%
11/30/2018	12/20/2018	311,627	1,871	8.5%
1/2/2019	1/24/2019	654,382	4,306	19.6%
1/31/2019	2/21/2019	83,675	561	2.6%
2/28/2019	3/21/2019	90,951	602	2.7%
3/29/2019	4/18/2019	82,697	553	2.5%
4/30/2019	5/23/2019	81,323	555	2.5%
5/31/2019	6/20/2019	82,031	535	2.4%
Total issued in the year ended June 30, 2019		2,721,087	$ 18,365	

Registered stockholders who opt out of the dividend reinvestment plan must notify the plan administrator prior to the payment date in order for that distribution to be paid in cash. As such, the table above includes distributions with payment dates during the years ended June 30, 2019 and June 30, 2018. It does not include distributions previously declared and recorded as payable to stockholders on any future dates, as those amounts are not yet determinable.

On February 9, 2016, we amended our dividend reinvestment plan that provided for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash, to add the ability of stockholders to purchase additional

shares by making optional cash investments. Under the revised dividend reinvestment and direct stock repurchase plan, stockholders may elect to purchase additional shares through our transfer agent in the open market or in negotiated transactions.

Purchases of equity securities by the issuer and affiliated purchasers

On August 24, 2011, our Board of Directors approved a share repurchase plan (the "Repurchase Program") under which we may repurchase up to $100,000 of our common stock at prices below our net asset value per share. Prior to any repurchase, we are required to notify shareholders of our intention to purchase our common stock. Our last notice was delivered with our annual proxy mailing on September 25, 2018.

We did not repurchase any shares of our common stock under the Repurchase Program for the years ended June 30, 2019, June 30, 2018 and June 30, 2017.

As of June 30, 2019, the approximate dollar value of shares that may yet be purchased under the plan is $65,860.

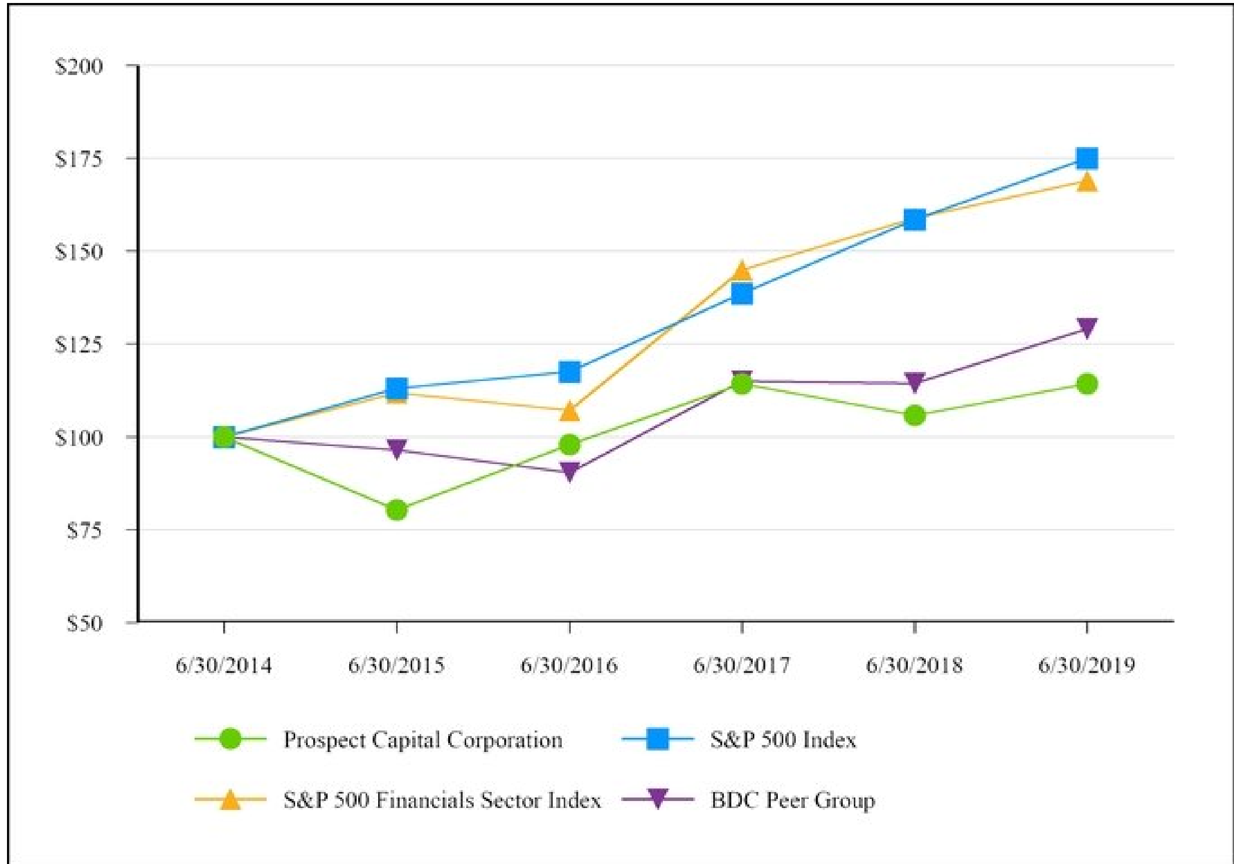
During the year ended June 30, 2019, Prospect officers purchased 3,738,621 shares of our stock, or 1.02% of total outstanding shares as of June 30, 2019, both through the open market transactions and shares issued in connection with our dividend reinvestment plan.

The following table summarizes the shares purchased by Prospect officers during the year ended June 30, 2019.

Period	Total Number of Shares Purchased in Open Market	Average price paid per share	Total Number of Shares Purchased Through Dividend Reinvestment Plan
July 1, 2018 - July 31, 2018	—	$ —	6,448
August 1, 2018 - August 31, 2018	—	—	6,365
September 1, 2018 - September 30, 2018	—	—	6,083
October 1, 2018 - October 31, 2018	—	—	6,452
November 1, 2018 - November 30, 2018	2,500	7.00	6,777
December 31, 2018 - December 31, 2018	2,261,499	5.90	7,654
January 1, 2019 - January 31, 2019	—	—	344,449
February 1, 2019 - February 28, 2019	103,300	6.39	7,047
March 1, 2019 - March 31, 2019	—	—	7,224
April 1, 2019 - April 30, 2019	—	—	7,177
May 1, 2019 - May 30, 2019	—	—	7,123
June 1, 2019 - June 30, 2019	951,086	6.35	7,437
Total	**3,318,385**		**420,236**

Stock Performance Graph

The following graph compares a shareholder's cumulative total return for the last five fiscal years as if such amounts had been invested in: (i) our common stock; (ii) the stocks included in the S&P 500 Index; (iii) the stocks included in the S&P 500 Financials Sector Index; and (iv) a customized BDC Peer Group composed of Apollo Investment Corporation, Ares Capital Corporation, BlackRock Capital Investment Corporation, Gladstone Capital Corporation, and MVC Capital, Inc. The graph is based on historical stock prices and measures total shareholder return, which takes into account both changes in stock price and dividends. The total return assumes that dividends were reinvested daily and is based on a $100 investment on June 30, 2014.



The graph and other information furnished under this Part II, Item 5 of this Annual Report on Form 10-K shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act. The stock price performance included in the above graph is not necessarily indicative of future stock performance.

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and consolidated financial statements and notes thereto contained in "Item 8. Financial Statements and Supplementary Data" of this report. All amounts are in thousands except per share data and number of portfolio companies at year end.

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Summary of Operations					
Total investment income	$ 703,767	$ 657,845	$ 701,046	$ 791,973	$ 791,084
Total operating expenses	390,908	370,995	394,964	420,845	428,337
Net investment income	312,859	286,850	306,082	371,128	362,747
Net Realized and Change in Unrealized Gains (Losses) from Investments	(159,885)	20,607	(46,165)	(267,990)	(12,458)
Net realized (losses) gains on extinguishment of debt	(8,487)	(7,594)	(7,011)	224	(3,950)
Net increase in net assets resulting from operations	144,487	299,863	252,906	103,362	346,339
Per Share Data					
Net investment income(1)	$ 0.85	$ 0.79	$ 0.85	$ 1.04	$ 1.03
Net increase in net assets resulting from operations(1)	0.39	0.83	0.70	0.29	0.98
Dividends to shareholders	(0.72)	(0.77)	(1.00)	(1.00)	(1.19)
Net asset value at end of year	9.01	9.35	9.32	9.62	10.31
Balance Sheet Data					
Total assets(4)	$ 5,800,063	$ 5,838,820	$ 6,172,789	$ 6,236,181	$ 6,753,914
Total debt outstanding(4)	2,382,895	2,311,809	2,642,195	2,666,939	2,939,596
Net assets	3,306,275	3,407,047	3,354,952	3,435,917	3,703,049
Other Data					
Investment purchases for the year	$ 656,668	$ 1,707,294	$ 1,489,470	$ 979,102	$ 1,867,477
Investment sales and repayments for the year	$ 627,978	$ 1,831,286	$ 1,413,882	$ 1,338,875	$ 1,411,562
Number of portfolio companies at year end	135	135	121	125	131
Total return based on market value(2)	8.2%	(7.4)%	16.8%	21.8%	(20.8)%
Total return based on net asset value(2)	7.2%	12.4 %	9.0%	7.2%	11.5 %
Weighted average yield on debt portfolio at year end(3)	13.1%	13.0 %	12.2%	13.2%	12.7 %
Weighted average yield on total portfolio at year end	10.6%	10.5 %	10.4%	12.0%	11.9 %

(1) Per share data is based on the weighted average number of common shares outstanding for the years presented (except for dividends to shareholders which is based on actual rate per share).

(2) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each year and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each year and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

(3) Excludes equity investments and non-performing loans.

(4) We have changed our method of presentation relating to debt issuance costs in accordance with ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30). Unamortized deferred financing costs of $40,526 and $44,140 previously reported as an asset on the Consolidated Statements of Assets and Liabilities as of June 30, 2016, and 2015, respectively, have been reclassified as a direct deduction to the respective Unsecured Notes. See Critical Accounting Policies and Estimates for further discussion.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

(All figures in this item are in thousands except share, per share and other data.)

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this Annual Report. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking information that involves risks and uncertainties. Our actual results may differ significantly from any results expressed or implied by these forward-looking statements due to the factors discussed in Part I, “Item 1A. Risk Factors” and “Forward-Looking Statements” appearing elsewhere herein.

Overview

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 a portion of our investments in Rated Secured Structured Notes ("RSSN") and Subordinated Structured Notes ("SSN") (collectively referred to as "collateralized loan obligations" or "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": CP Holdings of Delaware LLC ("CP Holdings"); Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"); Energy Solutions Holdings Inc.; First Tower Holdings of Delaware LLC ("First Tower Delaware"); MITY Holdings of Delaware Inc. ("MITY Delaware"); Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. ("NMMB Holdings"); NPH Property Holdings, LLC ("NPH"); SB Forging Company, Inc. ("SB Forging"); STI Holding, Inc.; UTP Holdings Group Inc. ("UTP Holdings", f/k/a Harbortouch Holdings of Delaware Inc.); Valley Electric Holdings I, Inc.("Valley Holdings I"); Valley Electric Holdings II, Inc. ("Valley Holdings II"); and Wolf Energy Holdings Inc. ("Wolf Energy Holdings").

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"), 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 seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We currently have nine strategies that guide our origination of investment opportunities: (1) lending to companies controlled by private equity sponsors, (2) lending to companies not controlled by private equity sponsors, (3) purchasing controlling equity positions and lending to operating companies, (4) purchasing controlling equity positions and lending to financial services companies, (5) purchasing controlling equity positions and lending to real estate companies, (6) purchasing controlling equity positions and lending to aircraft leasing companies, (7) investing in structured credit, (8) investing in syndicated debt and (9) investing in consumer and small business loans and asset-backed securitizations. We may also invest in other strategies and opportunities from time to time that we view as attractive. We continue to evaluate other origination strategies in the ordinary course of business with no specific top-down allocation to any single origination strategy.

Lending to Companies Controlled by Private Equity Sponsors - We make agented loans to companies which are controlled by private equity sponsors. This debt can take the form of first lien, second lien, unitranche or unsecured loans. These loans typically have equity subordinate to our loan position. Historically, this strategy has comprised approximately 25%-50% of our portfolio.

Lending to Companies not Controlled by Private Equity Sponsors - We make loans to companies which are not controlled by private equity sponsors, such as companies that are controlled by the management team, the founder, a family or public shareholders. This origination strategy may have less competition to provide debt financing than the private-equity-sponsor origination strategy because such company financing needs are not easily addressed by banks and often require more diligence preparation. This origination strategy can result in investments with higher returns or lower leverage than the private-equity-sponsor origination strategy. Historically, this strategy has comprised less than 5% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Operating Companies - This strategy involves purchasing yield-producing debt and controlling equity positions in non-financial-services operating companies. We believe that we can provide enhanced certainty of closure and liquidity to sellers and we look for management to continue on in their current roles. This strategy has comprised approximately 5%-10% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Financial Services Companies - This strategy involves purchasing yield-producing debt and control equity investments in financial services companies, including consumer direct lending, sub-prime auto lending and other strategies. These investments are often structured in tax-efficient partnerships, enhancing returns. This strategy has comprised approximately 5%-15% of our portfolio.

Purchasing Controlling Equity Positions and Lending to Real Estate Companies - We purchase debt and controlling equity positions in tax-efficient real estate investment trusts ("REIT" or "REITs"). The real estate investments of National Property REIT Corp. ("NPRC") are in various classes of developed and occupied real estate properties that generate current yields, including multi-family properties, student housing, and self-storage. NPRC seeks to identify properties that have historically significant occupancy rates and recurring cash flow generation. NPRC generally co-invests with established and experienced property management teams that manage such properties after acquisition. Additionally, NPRC purchases loans originated by certain consumer loan facilitators. It purchases each loan in its entirety (i.e., a "whole loan"). The borrowers are consumers, and the loans are typically serviced by the facilitators of the loans. This investment strategy has comprised approximately 10%-20% of our business.

Purchasing Controlling Equity Positions and Lending to Aircraft Leasing Companies - We invest in debt as well as equity in companies with aircraft assets subject to commercial leases to airlines across the globe. We believe that these investments can present attractive return opportunities due to cash flow consistency from long-term leases coupled with hard asset residual value. We believe that these investment companies seek to deliver risk-adjusted returns with strong downside protection by analyzing relative value characteristics across a variety of aircraft types and vintages. This strategy historically has comprised less than 5% of our portfolio.

Investing in Structured Credit - We make investments in CLOs, often taking a significant position in the subordinated interests (equity) and debt of the CLOs. The underlying portfolio of each CLO investment is diversified across approximately 100 to 200 broadly syndicated loans and does not have direct exposure to real estate, mortgages, or consumer-based credit assets. The CLOs in which we invest are managed by established collateral management teams with many years of experience in the industry. This strategy has comprised approximately 10%-20% of our portfolio.

Investing in Syndicated Debt - On a primary or secondary basis, we purchase primarily senior and secured loans and high yield bonds that have been sold to a club or syndicate of buyers. These investments are often purchased with a long-term, buy-and-hold outlook, and we often look to provide significant input to the transaction by providing anchoring orders. This strategy has comprised approximately 10%-25% of our portfolio.

Investing in Consumer and Small Business Loans and Asset-Backed Securitizations - We purchase loans originated by certain consumer and small-and-medium-sized business ("SME") loan platforms. We generally purchase each loan in its entirety (i.e., a "whole loan") and we invest in asset-backed securitizations collateralized by consumer or small business loans. The borrowers are consumers and SMEs and the loans are typically serviced by the platforms of the loans. This investment strategy has comprised up to approximately 0% of our portfolio.

We invest primarily in first and second lien secured loans and unsecured debt, which in some cases includes an equity component. First and second lien secured loans generally are senior debt instruments that rank ahead of unsecured debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Our investments in CLOs are subordinated to senior loans and are generally unsecured. We invest in debt and equity positions of CLOs which are a form of securitization in which the cash flows of a portfolio of loans are pooled and passed on to different classes of owners in various tranches. Our CLO investments are derived from portfolios of corporate debt securities which are generally risk rated from BB to B.

We hold many of our control investments in a two-tier structure consisting of a holding company and one or more related operating companies for tax purposes. These holding companies serve various business purposes including concentration of management teams, optimization of third party borrowing costs, improvement of supplier, customer, and insurance terms, and enhancement of co-investments by the management teams. In these cases, our investment, which is generally equity in the holding company, the holding company's equity investment in the operating company and any debt from us directly to the operating company structure represents our total exposure for the investment. As of June 30, 2019, as shown in our *Consolidated Schedule of Investments*, the cost basis and fair value of our investments in controlled companies was $2,385,806 and $2,475,924, respectively. This structure gives rise to several of the risks described in our public documents and highlighted elsewhere in this Annual Report. We consolidate all wholly-owned and substantially wholly-owned holding companies formed by us for the purpose of holding our controlled investments in operating companies. There is no significant effect of consolidating these holding companies as they hold minimal assets other than their investments in the controlled operating companies. Investment company accounting prohibits the consolidation of any operating companies.

Fourth Quarter Highlights

Investment Transactions

We seek to be a long-term investor with our portfolio companies. During the three months ended June 30, 2019, we acquired $122,530 of new investments, completed follow-on investments in existing portfolio companies totaling approximately $50,966, funded $470 of revolver advances, and recorded PIK interest of $13,972, resulting in gross investment originations of $187,938. During the three months ended June 30, 2019, we received full repayments on investments totaling $156,550, received $46,516 in partial prepayments, recorded $3,383 in returns of capital, and revolver paydowns of $4,700, resulting in net repayments of $212,813.

Debt Issuances and Redemptions

During the three months ended June 30, 2019, we increased total commitments to our revolving credit facility (the “Revolving Credit Facility”) for PCF by $87,500 to $1,132,500 in the aggregate.

During the three months ended June 30, 2019, we repaid $2,927 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor’s Option, as defined in the InterNotes® Offering prospectus. In order to replace shorter maturity debt with longer-term debt, we redeemed $156,423 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.97%. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the three months ended June 30, 2019 was $1,142.

During the three months ended June 30, 2019, we issued $112,328 aggregate principal amount of Prospect Capital InterNotes® with a stated and weighted average interest rate of 5.55%, to extend our borrowing base. The newly issued notes mature between April 15, 2024 and June 15, 2029 and generated net proceeds of $110,548.

During the three months ended June 30, 2019, we repurchased an additional $24,588 aggregate principal amount of the 2020 Notes at a weighted average price of 101.1, including commission. As a result of these transactions, we recorded a net loss of $414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 outstanding aggregate principal amount of the 2020 Notes. The tender offer expired at 12:00 midnight on July 26, 2019.

In connection with follow-on programs for our unsecured Public Notes, we completed the following at-the-market (“ATM”) offerings of additional debt during the three months ended June 30, 2019:

	Maturity	Rate	Principal	Net Proceeds
2024 Notes	6/15/2024	6.25%	$ 2,569	$ 2,571
2028 Notes	6/15/2028	6.25%	1,885	1,856

Equity Issuances

On April 18, 2019, May 23, 2019, and June 20, 2019, we issued 82,697, 81,323, and 82,031 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Investment Holdings

As of June 30, 2019, we continue to pursue our investment strategy. At June 30, 2019, approximately $5,653,553, or 171.0%, of our net assets are invested in 135 long-term portfolio investments and CLOs.

Our annualized current yield was 13.1% and 13.0% as of June 30, 2019 and June 30, 2018, respectively, across all performing interest bearing investments, excluding equity investments and non-accrual loans. Our annualized current yield was 10.6% and 10.5% as of June 30, 2019 and June 30, 2018, respectively, across all investments. Monetization of equity positions that we hold and loans on non-accrual status are not included in this yield calculation. In many of our portfolio companies we hold equity positions, ranging from minority interests to majority stakes, which we expect over time to contribute to our investment returns. Some of these equity positions include features such as contractual minimum internal rates of returns, preferred distributions, flip structures and other features expected to generate additional investment returns, as well as contractual protections and preferences over junior equity, in addition to the yield and security offered by our cash flow and collateral debt protections.

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 25% or more 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 of June 30, 2019, we own controlling interests in the following portfolio companies: CP Energy Services Inc. ("CP Energy"); Credit Central Loan Company, LLC ("Credit Central"); Echelon Transportation, LLC ("Echelon"); First Tower Finance Company LLC ("First Tower Finance"); Freedom Marine Solutions, LLC ("Freedom Marine"); InterDent, Inc. ("InterDent"), MITY, Inc. ("MITY"); NPRC; Nationwide Loan Company LLC ("Nationwide"); NMMB, Inc. ("NMMB"); Pacific World Corporation ("Pacific World"); R-V Industries, Inc. ("R-V"); Universal Turbine Parts, LLC ("UTP"); USES Corp. ("USES"); Valley Electric Company, Inc. ("Valley Electric"); and Wolf Energy, LLC ("Wolf Energy"). In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan"), a portfolio company of Prospect with $34,399 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, we report our investments in Spartan as control investments beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans. We also own affiliated interests in Edmentum Ultimate Holdings, LLC ("Edmentum"); Nixon, Inc. ("Nixon"), Targus Cayman HoldCo Limited ("Targus") and United Sporting Companies, Inc. ("USC").

The following shows the composition of our investment portfolio by level of control as of June 30, 2019 and June 30, 2018:

	June 30, 2019				June 30, 2018			
Level of Control	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Control Investments	$ 2,385,806	40.2%	$ 2,475,924	43.8%	$ 2,300,526	39.5%	$ 2,404,326	42.0%
Affiliate Investments	177,616	3.0%	76,682	1.4%	55,637	0.9%	58,436	1.0%
Non-Control/Non-Affiliate Investments	3,368,880	56.8%	3,100,947	54.8%	3,475,295	59.6%	3,264,517	57.0%
Total Investments	$ 5,932,302	100.0%	$ 5,653,553	100.0%	$ 5,831,458	100.0%	$ 5,727,279	100.0%

The following shows the composition of our investment portfolio by type of investment as of June 30, 2019 and June 30, 2018:

	June 30, 2019				June 30, 2018			
Type of Investment	Cost	% of Portfolio	Fair Value	% of Portfolio	Cost	% of Portfolio	Fair Value	% of Portfolio
Revolving Line of Credit	$ 33,928	0.6%	$ 34,239	0.6%	$ 38,659	0.7%	$ 38,559	0.7%
Senior Secured Debt	2,687,709	45.3%	2,449,357	43.3%	2,602,018	44.6%	2,481,353	43.3%
Subordinated Secured Debt	1,439,440	24.3%	1,329,799	23.5%	1,318,028	22.6%	1,260,525	22.0%
Subordinated Unsecured Debt	38,933	0.7%	33,058	0.6%	38,548	0.7%	32,945	0.6%
Small Business Loans	—	—%	—	—%	30	—%	17	—%
Rated Secured Structured Notes	44,774	0.8%	46,851	0.8%	6,159	0.1%	6,159	0.1%
Subordinated Structured Notes	1,103,751	18.4%	850,694	15.1%	1,096,768	18.8%	954,035	16.7%
Preferred Stock	101,094	1.7%	84,294	1.5%	92,346	1.6%	75,986	1.3%
Common Stock	288,731	4.9%	427,085	7.6%	445,364	7.6%	517,858	9.0%
Membership Interest	193,942	3.3%	296,282	5.2%	193,538	3.3%	257,799	4.5%
Participating Interest(1)	—	—%	99,655	1.8%	—	—%	101,126	1.8%
Escrow Receivable	—	—%	2,239	—%	—	—%	917	—%
Total Investments	$ 5,932,302	100.0%	$ 5,653,553	100.0%	$ 5,831,458	100.0%	$ 5,727,279	100.0%

(1) Participating Interest includes our participating equity investments, such as net profits interests, net operating income interests, net revenue interests, and overriding royalty interests.

The following shows our investments in interest bearing securities by type of investment as of June 30, 2019 and June 30, 2018:

	June 30, 2019				June 30, 2018			
Type of Investment	**Cost**	**% of Portfolio**	**Fair Value**	**% of Portfolio**	**Cost**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
First Lien	$ 2,713,478	50.7%	$ 2,475,437	52.2%	$ 2,632,843	51.6%	$ 2,512,078	52.6%
Second Lien	1,447,599	27.1%	1,337,958	28.2%	1,325,862	26.0%	1,268,359	26.6%
Unsecured	38,933	0.7%	33,058	0.7%	38,548	0.8%	32,945	0.7%
Small Business Loans	—	—%	—	—%	30	—%	17	—%
Rated Secured Structured Notes	44,774	0.9%	46,851	1.0%	6,159	0.1%	6,159	0.1%
Subordinated Structured Notes	1,103,751	20.6%	850,694	17.9%	1,096,768	21.5%	954,035	20.0%
Total Interest Bearing Investments	$ 5,348,535	100.0%	$ 4,743,998	100.0%	$ 5,100,210	100.0%	$ 4,773,593	100.0%

The following shows the composition of our investment portfolio by industry as of June 30, 2019 and June 30, 2018:

	June 30, 2019				June 30, 2018			
Industry	**Cost**	**% of Portfolio**	**Fair Value**	**% of Portfolio**	**Cost**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Aerospace & Defense	$ 77,579	1.3%	$ 89,701	1.6%	$ 69,837	1.2%	$ 82,278	1.4%
Air Freight & Logistics	12,500	0.2%	12,233	0.2%	—	—%	—	—%
Auto Components	25,450	0.4%	25,450	0.5%	12,681	0.2%	12,887	0.2%
Building Products	19,842	0.3%	19,842	0.4%	9,905	0.2%	10,000	0.2%
Capital Markets	25,084	0.4%	25,222	0.4%	19,799	0.3%	20,000	0.3%
Commercial Services & Supplies	376,456	6.3%	296,672	5.2%	386,187	6.6%	330,024	5.8%
Communications Equipment	50,503	0.9%	48,760	0.9%	39,860	0.7%	40,000	0.7%
Construction & Engineering	69,935	1.2%	143,685	2.5%	64,415	1.1%	50,797	0.9%
Consumer Finance	487,778	8.2%	618,983	10.9%	485,381	8.3%	586,978	10.2%
Distributors	299,906	5.1%	190,137	3.4%	470,750	8.1%	402,465	7.0%
Diversified Consumer Services	146,845	2.5%	141,308	2.5%	173,695	3.0%	163,152	2.8%
Diversified Telecommunication Services	36,234	0.6%	36,234	0.6%	—	—%	—	—%
Electronic Equipment, Instruments & Components	—	—%	2,239	—%	54,805	0.9%	62,964	1.1%
Energy Equipment & Services	261,663	4.4%	153,865	2.7%	257,371	4.4%	170,574	3.0%
Entertainment	36,221	0.6%	36,327	0.6%	—	—%	—	—%
Equity Real Estate Investment Trusts (REITs)	496,440	8.4%	827,687	14.6%	499,858	8.6%	811,915	14.2%
Food Products	34,729	0.6%	34,729	0.6%	9,884	0.2%	9,886	0.2%
Health Care Equipment & Supplies	41,142	0.7%	41,154	0.7%	43,279	0.7%	43,279	0.8%
Health Care Providers & Services	470,422	7.9%	445,235	7.9%	421,198	7.2%	404,130	7.1%
Hotels, Restaurants & Leisure	34,737	0.6%	34,737	0.7%	37,295	0.6%	37,295	0.6%
Hotels & Personal Products	—	—%	—	—%	24,938	0.4%	24,938	0.4%
Household Durables	29,291	0.5%	22,460	0.4%	42,539	0.7%	41,623	0.7%
Household Products	24,688	0.4%	24,688	0.4%	—	—%	—	—%
Insurance	12,988	0.2%	12,988	0.2%	2,986	0.1%	2,986	0.1%
Interactive Media & Services	37,861	0.6%	37,861	0.7%	—	—%	—	—%
Internet & Direct Marketing Retail	—	—%	—	—%	39,813	0.7%	39,813	0.7%
Internet Software & Services	—	—%	—	—%	229,717	4.0%	229,791	4.0%
IT Services	306,096	5.2%	305,360	5.4%	182,183	3.1%	182,578	3.2%
Leisure Products	32,869	0.6%	32,868	0.6%	45,531	0.8%	45,626	0.8%
Machinery	35,488	0.6%	33,624	0.6%	35,488	0.6%	31,886	0.6%
Media	138,362	2.3%	141,467	2.5%	143,063	2.5%	140,365	2.4%
Online Lending	272,949	4.6%	176,778	3.1%	327,159	5.6%	243,078	4.2%
Paper & Forest Products	11,361	0.2%	11,500	0.2%	11,328	0.2%	11,226	0.2%
Personal Products	237,969	4.0%	112,427	2.0%	228,575	3.9%	165,020	2.9%
Pharmaceuticals	—	—%	—	—%	11,882	0.2%	12,000	0.2%
Professional Services	188,098	3.2%	190,178	3.4%	74,272	1.3%	76,991	1.3%
Real Estate Management & Development	38,852	0.7%	38,852	0.7%	41,860	0.7%	41,860	0.7%
Software	64,723	1.1%	64,729	1.1%	66,435	1.1%	67,265	1.2%
Technology Hardware, Storage & Peripherals	12,400	0.2%	12,400	0.2%	12,384	0.2%	12,500	0.2%
Textiles, Apparel & Luxury Goods	231,106	3.9%	242,981	4.3%	46,429	0.8%	60,220	1.1%
Tobacco	14,419	0.2%	14,500	0.4%	14,392	0.3%	14,392	0.3%
Trading Companies & Distributors	63,213	1.1%	28,043	0.5%	63,863	1.1%	56,199	1.0%
Transportation Infrastructure	27,578	0.5%	28,104	0.5%	27,494	0.5%	28,104	0.5%
Subtotal	$ 4,783,777	80.7%	$ 4,756,008	84.1%	$ 4,728,531	81.1%	$ 4,767,085	83.2%
Structured Finance (1)	$ 1,148,525	19.3%	$ 897,545	15.9%	$ 1,102,927	18.9%	$ 960,194	16.8%
Total Investments	$ 5,932,302	100.0%	$ 5,653,553	100.0%	$ 5,831,458	100.0%	$ 5,727,279	100.0%

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

Portfolio Investment Activity

Our origination efforts are focused primarily on secured lending to non-control investments to reduce the risk in the portfolio by investing primarily in first lien loans, though we also continue to close select junior debt and equity investments. Our gross investment activity for the years ended June 30, 2019 and June 30, 2018 are presented below. The previously disclosed summary of our acquisition and disposition activity for the year ended June 30, 2017 has been omitted from the current year disclosure and can be found in the corresponding section of our Form 10-K for the year ended June 30, 2018.

	Year Ended June 30,	
	2019	2018
Investments made in new portfolio companies	$ 331,571	$ 820,137
Follow-on investments made in existing portfolio companies (1)	312,482	881,808
Revolver advances	16,855	19,308
PIK interest	43,635	9,404
Total acquisitions	$ 704,543	$ 1,730,657
Acquisitions by portfolio composition		
1st Lien Term Loan	$ 291,984	$ 1,126,539
2nd Lien Term Loan	344,553	377,058
Rated Secured Structured Notes	38,524	—
Subordinated Structured Notes	6,884	54,347
Subordinated Unsecured Debt	669	615
Equity	21,929	172,098
Total acquisitions by portfolio composition	$ 704,543	$ 1,730,657
Investments sold	$ 103,122	$ 186,226
Partial repayments (2)	229,538	41,698
Full repayments	273,763	1,595,304
Revolver paydowns	21,555	8,058
Total dispositions	$ 627,978	$ 1,831,286
Dispositions by portfolio composition		
1st Lien Term Loan	$ 353,689	$ 1,519,462
2nd Lien Term Loan	225,151	224,149
Subordinated Structured Notes	—	59,271
Subordinated Unsecured Debt	(285)	—
Equity	49,423	28,404
Total dispositions by portfolio composition	$ 627,978	$ 1,831,286
Weighted average interest rates for new investments by portfolio composition		
1st Lien Term Loan	9.44%	9.90%
2nd Lien Term Loan	10.81%	9.82%
Rated Secured Structured Notes	12.31%	N/A

(1) Includes follow-on investments in existing portfolio companies and refinancings, if any.

(2) Includes partial prepayments of principal, scheduled amortization payments, and refinancings, if any.

Investment Valuation

In determining the range of values for debt instruments, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then prepared using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying earnings before interest, income tax, depreciation and amortization ("EBITDA") multiples, the discounted cash flow technique, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions. The enterprise value technique may also be used to value debt investments which are credit impaired. For stressed debt and equity investments, a liquidation analysis was prepared.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as 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 for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and 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 corresponding multi-path cash flow model.

With respect to our online consumer and SME lending initiative, we invest primarily in marketplace loans through marketplace lending facilitators. We do not conduct loan origination activities ourselves. Therefore, our ability to purchase consumer and SME loans, and our ability to grow our portfolio of consumer and SME loans, are directly influenced by the business performance and competitiveness of the marketplace loan origination business of the marketplace lending facilitators from which we purchase consumer and SME loans. In addition, our ability to analyze the risk-return profile of consumer and SME loans is significantly dependent on the marketplace facilitators' 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 facilitator, we may incur unanticipated losses which could adversely impact our operating results.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties, comparable multiples for recent sales of companies within the industry and discounted cash flow models for our investments in CLOs. The composite of all these various valuation techniques, applied to each investment, was a total valuation of $5,653,553.

Our portfolio companies are generally lower middle-market companies, outside of the financial sector, with less than $100,000 of annual EBITDA. We believe our investment portfolio has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Equity positions in our portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results and market multiples. Several of our controlled companies discussed below experienced such changes and we recorded corresponding fluctuations in valuations during the year ended June 30, 2019.

CP Energy Services Inc.

Prospect owns 100% of the equity of CP Holdings, a Consolidated Holding Company. CP Holdings owns 99.8% of the equity of CP Energy, and the remaining equity is owned by CP Energy management. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries.

On April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect with $34,399 in senior secured term loans due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans. See Note 14 in our *Consolidated Financial Statements* for further discussion.

The fair value of our investment in CP Energy increased to $138,931 as of June 30, 2019, which is a discount of $74,944 from its amortized cost, compared to a fair value of $123,261 as of June 30, 2018, a discount of $56,215 to its amortized cost. The increases in fair value and discount to amortized cost were driven by the inclusion of the Spartan Term Loan A, Spartan Term Loan B and Spartan Holdings common equity fair values and amortized cost bases as a result of the equity purchase.

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Delaware, a consolidated holding company. Credit Central Delaware owns 98.41% of Credit Central, with entities owned by Credit Central management owning the remaining 1.59% of the equity. Credit Central is a branch-based provider of installment loans.

The fair value of our investment in Credit Central decreased to $71,417 as of June 30, 2019, representing a premium of $5,107 to its amortized cost basis, compared to a fair value of $76,677 as of June 30, 2018, representing a premium of $15,450 to its amortized cost basis. The decrease to the premium was driven by a decline in Credit Central's financial performance.

First Tower Finance Company LLC

Prospect owns 100% of the equity of First Tower Delaware, a consolidated holding company. First Tower Delaware owns 80.1% of First Tower Finance. First Tower Finance owns 100% of First Tower, LLC ("First Tower"), a multiline specialty finance company.

The fair value of our investment in First Tower increased to $494,036 as of June 30, 2019, representing a premium of $135,479 to its amortized cost basis compared to a fair value of $443,010 as of June 30, 2018, a premium of $88,798 to its amortized cost. The increase to the premium was driven by an improvement in First Tower Finance's historical and projected financial performance.

InterDent, Inc.

Following assumption of control, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of InterDent and to appoint a new Board of Directors of InterDent, all the members of which are our Investment Adviser's professionals. As a result, as of June 30, 2018, Prospect's investment in InterDent is classified as a control investment.

The fair value of our investment in InterDent increased to $224,876 as of June 30, 2019, a discount of $23,997 to its amortized cost basis compared to a fair value of $197,621 as of June 30, 2018, a discount of $15,080 to its amortized cost. The increase to the discount was driven by significant investments in operating and capital spending initiatives in excess of year over year growth in revenue.

MITY, Inc.

Prospect owns 100% of the equity of MITY Delaware, a consolidated holding company. MITY Delaware holds 95.58% of the equity of MITY. Effective March 13, 2019, MITY Delaware's equity ownership of MITY increased to 100%. MITY owns 100% of each of MITY-Lite, Inc. ("Mity-Lite"); Broda Enterprises USA, Inc.; and Broda Enterprises ULC ("Broda Canada").

The fair value of our investment in Mity decreased to $46,902 as of June 30, 2019, a discount of $22,698 to its amortized
cost basis compared to a fair value of $58,894 as of June 30, 2018, a discount of $5,847 to its amortized cost. The increase to the discount was driven by a decline in MITY's financial performance.

National Property REIT Corp.

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. NPRC is held for purposes of investing, operating, financing, leasing, managing and selling a portfolio of real estate assets and engages in any and all other activities that may be necessary, incidental, or convenient to perform the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, and multi-family properties, self-storage, and student housing properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity. Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans. Effective May 23, 2016, APRC and UPRC merged with and into NPRC, to consolidate all of our real estate holdings, with NPRC as the surviving entity. As of June 30, 2019, we own 100% of the fully-diluted common equity of NPRC.

During the year ended June 30, 2019, we provided $10,206 of equity financing to NPRC for the acquisition of real estate properties and $1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties.

During the year ended June 30, 2019, we received partial repayments of $54,181 of our loans previously outstanding with NPRC and its wholly-owned subsidiary and $15,000 as a return of capital on our equity investment in NPRC.

The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from $1 to $50, with fixed terms ranging from 24 to 84 months. As of June 30, 2019, the outstanding investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries was comprised of 26,446 individual loans and residual interest in four securitizations, and had an aggregate fair value of $147,031. The average outstanding individual loan balance is approximately $4 and the loans mature on dates ranging from July 1, 2019 to April 19, 2025 with a weighted-average outstanding term of 22 months as of June 30, 2019. Fixed interest rates range from 4.0% to 36.0% with a weighted-average current interest rate of 23.3%. As of June 30, 2019, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of $176,778.

As of June 30, 2019, based on outstanding principal balance, 8.7% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation ("FICO") score, of 720 or greater), 23.3% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 68.0% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659).

Loan Type	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate*
Super Prime	$ 9,466	$ 9,168	12.5%
Prime	25,335	24,181	17.4%
Near Prime	73,947	69,163	26.7%

*Weighted by outstanding principal balance of the online consumer loans.

As of June 30, 2019, our investment in NPRC and its wholly-owned subsidiaries had an amortized cost of $769,389 and a fair value of $1,004,465, including our investment in online consumer lending as discussed above. The fair value of $827,687 related to NPRC's real estate portfolio was comprised of thirty-seven multi-families properties, twelve self-storage units, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of June 30, 2019.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Filet of Chicken	Forest Park, GA	10/24/2012	$ 7,400	$ —
2	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	—
3	NPRC Carroll Resort, LLC	Pembroke Pines, FL	6/24/2013	225,000	172,664
4	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	11,289
5	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	13,739
6	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	24,512
7	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	17,416
8	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	13,984
9	Verandas at Rocky Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,127
10	NPH Carroll Bartram Park, LLC	Jacksonville, FL	12/31/2013	38,000	26,652
11	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	7,603
12	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
13	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
14	23 Mile Road Self Storage, LLC	Chesterfield, MI	8/19/2014	5,804	4,350
15	36th Street Self Storage, LLC	Wyoming, MI	8/19/2014	4,800	3,600
16	Ball Avenue Self Storage, LLC	Grand Rapids, MI	8/19/2014	7,281	5,460
17	Ford Road Self Storage, LLC	Westland, MI	8/29/2014	4,642	3,480
18	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	4,458	3,345
19	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	8,927	6,695
20	Ann Arbor Kalamazoo Self Storage, LLC	Kalamazoo, MI	8/29/2014	2,363	1,775
21	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	86,443

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
22	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	14,226
23	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	15,920
24	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	28,935
25	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	14,480
26	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	15,352
27	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	18,328
28	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	19,480
29	Goldenstrand OH Partners, LLC	Hilliard, OH	10/29/2014	7,810	11,880
30	Jolly Road Self Storage, LLC	Okemos, MI	1/16/2015	7,492	5,620
31	Eaton Rapids Road Self Storage, LLC	Lansing West, MI	1/16/2015	1,741	1,305
32	Haggerty Road Self Storage, LLC	Novi, MI	1/16/2015	6,700	5,025
33	Waldon Road Self Storage, LLC	Lake Orion, MI	1/16/2015	6,965	5,225
34	Tyler Road Self Storage, LLC	Ypsilanti, MI	1/16/2015	3,507	2,630
35	SSIL I, LLC	Aurora, IL	11/5/2015	34,500	26,450
36	Vesper Tuscaloosa, LLC	Tuscaloosa, AL	9/28/2016	54,500	43,098
37	Vesper Iowa City, LLC	Iowa City, IA	9/28/2016	32,750	24,825
38	Vesper Corpus Christi, LLC	Corpus Christi, TX	9/28/2016	14,250	10,800
39	Vesper Campus Quarters, LLC	Corpus Christi, TX	9/28/2016	18,350	14,175
40	Vesper College Station, LLC	College Station, TX	9/28/2016	41,500	32,058
41	Vesper Kennesaw, LLC	Kennesaw, GA	9/28/2016	57,900	48,623
42	Vesper Statesboro, LLC	Statesboro, GA	9/28/2016	7,500	7,480
43	Vesper Manhattan KS, LLC	Manhattan, KS	9/28/2016	23,250	15,459
44	JSIP Union Place, LLC	Franklin, MA	12/7/2016	64,750	51,800
45	9220 Old Lantern Way, LLC	Laurel, MD	1/30/2017	187,250	153,580
46	7915 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	95,700	76,560
47	8025 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	15,300	12,240
48	23275 Riverside Drive Owner, LLC	Southfield, MI	11/8/2017	52,000	44,044
49	23741 Pond Road Owner, LLC	Southfield, MI	11/8/2017	16,500	14,185
50	150 Steeplechase Way Owner, LLC	Largo, MD	1/10/2018	44,500	36,668
51	Laurel Pointe Holdings, LLC	Forest Park, GA	5/9/2018	33,005	26,400
52	Bradford Ridge Holdings, LLC	Forest Park, GA	5/9/2018	12,500	10,000
53	Olentangy Commons Owner LLC	Columbus, OH	6/1/2018	113,000	92,876
54	Villages of Wildwood Holdings LLC	Fairfield, OH	7/20/2018	46,500	39,525
55	Falling Creek Holdings LLC	Richmond, VA	8/8/2018	25,000	19,335
56	Crown Pointe Passthrough LLC	Danbury, CT	8/30/2018	108,500	89,400
57	Ashwood Ridge Holdings LLC	Jonesboro, GA	9/21/2018	9,600	7,300
58	Lorring Owner LLC	Forestville, MD	10/30/2018	58,521	47,680
59	Hamptons Apartments Owner, LLC	Beachwood, OH	1/9/2019	96,500	79,520
60	5224 Long Road Holdings, LLC	Orlando, FL	6/28/2019	26,500	21,200
				$ 1,966,757	$ 1,616,821

The fair value of our investment in NPRC decreased to $1,004,465 as of June 30, 2019, a premium of $235,076 from its amortized cost basis compared to a fair value of $1,054,976 as of June 30, 2018, a premium of $227,989 to its amortized cost. This increase to the premium is primarily due to the improved property values, partially offset by a decline in our online lending portfolio value resulting from the runoff and maturity of the existing loans.

NMMB, Inc.

Prospect owns 100% of the equity of NMMB Holdings, a consolidated holding company. NMMB Holdings owns 94.10% and 91.52% of the fully-diluted equity of NMMB as of June 30, 2019 and June 30, 218, respectively, with NMMB management owning the remaining equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. NMMB is an advertising media buying business.

The fair value of our investment in NMMB increased to $24,183 as of June 30, 2019, representing a premium of $8,200 to its amortized cost basis, compared to a fair value of $18,735 as of June 30, 2018, representing a discount of $2,748 to its amortized cost basis. The increase to the premium was driven by improved financial performance, including revenue growth and higher gross profit and operating margins.

Pacific World

On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder voting rights in respect of the stock of Pacific World and to appoint a new Board of Directors of Pacific World. As a result, as of June 30, 2018, Prospect’s investment in Pacific World is classified as a control investment. Pacific World is a supplier of nail and beauty care products to food, drug, and value retail channels worldwide, and is based in Irvine, California.

The fair value of our investment in Pacific World decreased to $112,427 as of June 30, 2019, a discount of $125,542 to its amortized cost basis, compared to a fair value of $165,020 as of June 30, 2018, representing discount of $63,555 to its amortized cost. The increase to the discount was driven by a decline in financial performance.

Universal Turbine Parts, LLC

On December 10, 2018, UTP Holdings purchased all of the voting stock of UTP and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect’s investment in UTP is classified as a control investment as of June 30, 2019.

The fair value of our investment in UTP decreased to $28,043 as of June 30, 2019, a discount of $35,170 from its amortized cost basis, compared to a fair value of $56,199 as of June 30, 2018, representing a discount of $7,664 to it amortized cost. The increase to the discount was driven by a decline in financial performance.

Valley Electric Company, Inc.

Prospect owns 100% of the common stock of Valley Holdings I, a consolidated holding company. Valley Holdings I owns 100% of Valley Holdings II, a consolidated holding company. Valley Holdings II owns 94.99% of Valley Electric, with Valley Electric management owning the remaining 5.01% of the equity. 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. (“Valley”), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the United States.

Due to increased demand for specialty electrical services and higher project margins, the fair value of our investment in Valley Electric increased to $143,685 as of June 30, 2019, a premium of $73,750 from its amortized cost, compared to a fair value of $50,797 as of June 30, 2018, representing a discount of $13,618 to it amortized cost. The increase to the premium was driven by strong revenue and backlog growth and higher project and operating margins.

Our controlled investments, other than those discussed above, are valued at $85,143 below cost and did not experience significant changes in operating performance or value. This discount is primarily driven by our controlled investments in USES Corp and Freedom Marine, which are valued at a discount to amortized cost of $54,944 and $28,972, respectively. Overall, combined with those portfolio companies discussed above, our controlled investments at June 30, 2019 are valued at $90,118 above their amortized cost.

As of June 30, 2019, we hold four affiliate investments with a total fair value of $76,682, a discount of $100,934 from their combined amortized cost. As of June 30, 2018, we held three affiliate investments with a fair value of $58,436, representing a premium of $2,799 to their combined amortized cost. The increase in discount as of June 30, 2019 is primarily driven by our affiliate investment in USC, which is valued at a discount to amortized cost of $108,225. In June, 2019, USC filed for Chapter 11 bankruptcy and began liquidating its remaining assets. The bankruptcy filing and increase in discount to amortized cost was driven by a significant decline in financial performance resulting from lower demand in the firearms industry. Excluding USC, our affiliate investments are valued at $7,291 above their amortized cost as of June 30, 2019.

With the non-control/non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is generally limited on the high side to each loan's par value, plus any prepayment premium that could be imposed. Many of the debt investments in this category have not experienced a significant change in value, as they were previously valued at or near par value. Non-control/non-affiliate investments did not experience significant changes and are generally performing as expected or better. As of June 30, 2019, our CLO investment portfolio is valued at a $250,980 discount to amortized cost. Excluding these investments, non-control/non-affiliate investments at June 30, 2019 are valued $16,953 below their amortized cost.

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt as of June 30, 2019 consists of: a Revolving Credit Facility availing us of the ability to borrow debt subject to borrowing base determinations; Convertible Notes which we issued in April 2014, April 2017 (with a follow-on issuance in May 2018), and March 2019; Public Notes which we issued in March 2013, December 2015 (and from time to time through our 2024 Notes Follow-on Program), June 2018 (and from time to time through our 2028 Notes Follow-on Program), October 2018, and December 2018 (and from time to time through our 2029 Notes Follow-on Program); and Prospect Capital InterNotes® which we issue from time to time. Our equity capital is comprised entirely of common equity.

The following table shows our outstanding debt as of June 30, 2019.

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value	Fair Value (1)	Effective Interest Rate
Revolving Credit Facility(2)	$ 167,000	$ 8,529	$ 167,000 (3)	$ 167,000	1ML+2.20% (6)
2020 Notes	224,114	1,012	223,102	226,933 (4)	5.38% (7)
2022 Notes	328,500	6,681	321,819	330,964 (4)	5.71% (7)
2025 Notes	201,250	6,174	195,076	207,847 (4)	6.63% (7)
Convertible Notes	753,864		739,997	765,744	
6.375% 2024 Notes	100,000	1,020	98,980	106,747 (4)	5.29% (7)
2023 Notes	320,000	3,270	316,730	340,314 (4)	6.09% (7)
2024 Notes	234,443	4,746	229,697	239,788 (4)	6.74% (7)
2028 Notes	70,761	2,303	68,458	73,025 (4)	6.72% (7)
2029 Notes	69,170	2,487	66,683	71,245 (4)	7.38% (7)
Public Notes	794,374		780,548	831,119	
Prospect Capital InterNotes®	707,699	12,349	695,350	741,227 (5)	6.16% (8)
Total	$ 2,422,937		$ 2,382,895	$ 2,505,090	

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2019.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2019 is $1,132,500.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See *Critical Accounting Policies and Estimates* for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the rate presented is a combined effective interest rate of the 2024 Notes and 2024 Notes Follow-on Program.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$ 167,000	$ —	$ —	$ 167,000	$ —
Convertible Notes	753,864	224,114	—	328,500	201,250
Public Notes	794,374	—	—	654,443	139,931
Prospect Capital InterNotes®	707,699	4,402	188,037	189,795	325,465
Total Contractual Obligations	$ 2,422,937	$ 228,516	$ 188,037	$ 1,339,738	$ 666,646

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2018.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$ 37,000	$ —	$ 37,000	$ —	$ —
Convertible Notes	822,147	101,647	392,000	328,500	—
Public Notes	727,817	—	153,536	320,000	254,281
Prospect Capital InterNotes®	760,924	—	276,484	246,525	237,915
Total Contractual Obligations	$ 2,347,888	$ 101,647	$ 859,020	$ 895,025	$ 492,196

Historically, we have funded a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock, subscription rights, and warrants and units to purchase such securities in an amount up to $5,000,000 less issuances to date. As of June 30, 2019, we can issue up to $4,527,430 of additional debt and equity securities in the public market under this shelf registration. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Each of our Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Unsecured Notes") are our general, unsecured obligations and rank equal in right of payment with all of our existing and future unsecured indebtedness and will be senior in right of payment to any of our subordinated indebtedness that may be issued in the future. The Unsecured Notes are effectively subordinated to our existing secured indebtedness, such as our credit facility, and future secured indebtedness to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of any of our subsidiaries.

Revolving Credit Facility

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the "2014 Facility". The lenders had extended commitments of $885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility were one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit facility (the "2018 Facility" and collectively with the 2014 Facility, the "Revolving Credit Facility"). The lenders have extended commitments of $1,132,500 under the 2018 Facility as of June 30, 2019. The 2018 Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The 2018 Facility matures on March 27, 2024. It includes a revolving period that extends through March 27, 2022, followed by an additional two-year amortization period, with distributions allowed to Prospect after the completion of the revolving period. During such two-year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two-year amortization period, the remaining balance will become due, if required by the lenders.

The 2018 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2018 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2018 Facility. The 2018 Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2019, we were in compliance with the applicable covenants.

Interest on borrowings under the 2018 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn. The 2018 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

For the years ended June 30, 2019, June 30, 2018, and June 30, 2017, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

	Year Ended June 30,		
	2019	**2018**	**2017**
Average stated interest rate	4.55%	3.94%	2.97%
Average outstanding balance	$225,310	$48,628	$22,636

As of June 30, 2019 and June 30, 2018, we had $684,212 and $547,205, respectively, available to us for borrowing under the Revolving Credit Facility, of which $167,000 and $37,000 were outstanding as of June 30, 2019 and June 30, 2018, respectively. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of $1,132,500. As of June 30, 2019, the investments, including cash and money market funds, used as collateral for the Revolving Credit Facility had an aggregate fair value of $1,662,867, which represents 28.9% of our total investments, including cash and money market funds. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and as such, these investments are not available to our general creditors. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred $11,077 of new fees and $1,473 were carried over for continuing participants from the previous facility, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of June 30, 2019, $8,529 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the year ended June 30, 2019, $325 of fees were expensed relating to credit providers in the 2014 Facility who did not commit to the 2018 Facility.

During the years ended June 30, 2019, 2018 and 2017, we recorded $23,097, $13,170 and $12,173, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

Convertible Notes

On February 18, 2011, we issued $172,500 aggregate principal amount of convertible notes that matured on August 15, 2016 (the "2016 Notes"). The 2016 Notes bore interest at a rate of 5.50% per year, payable semi-annually on February 15 and August 15 of each year, beginning August 15, 2011. Total proceeds from the issuance of the 2016 Notes, net of underwriting discounts and offering costs, were $167,325. Between January 30, 2012 and February 2, 2012, we repurchased $5,000 aggregate principal amount of the 2016 Notes at a price of 97.5, including commissions. The transactions resulted in our recognizing $10 of loss in the year ended June 30, 2012. On August 15, 2016, we repaid the outstanding principal amount of the 2016 Notes, plus interest. No gain or loss was realized on the transaction.

On April 16, 2012, we issued $130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the “2017 Notes”). The 2017 Notes bore interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were $126,035. On March 28, 2016, we repurchased $500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a $9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased $78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of $50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

On August 14, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were $193,600. On April 6, 2017, we repurchased $114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a $4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of $85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

On December 21, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were $193,600. On May 30, 2018, we repurchased $98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of $101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

On April 11, 2014, we issued $400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were $387,500. On January 30, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of $332, in the amount of the difference between the reacquisition price and the net carrying amount of the notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended December 31, 2018, we repurchased an additional $13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of $41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional $129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of $2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional $24,588 aggregate principal amount of the 2020 Notes at a weighted average price of $101.10, including commissions. As a result of these transactions, we recorded a net loss of $414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2020 Notes is $224,114. On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 outstanding aggregate principal amount of the 2020 Notes. The tender offer expired at 12:00 midnight on July 26, 2019.

On April 11, 2017, we issued $225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Original 2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were $218,010. On May 18, 2018, we issued an additional $103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Additional 2022 Notes”, and together with the Original 2022 Notes, the “2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were $100,749. Following the issuance of the Additional 2022 Notes and as of June 30, 2019, the outstanding aggregate principal amount of the 2022 Notes is $328,500.

On March 1, 2019, we issued $175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the "2025 Notes"), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional $26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 20l9 and we issued $26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were $198,674. As of June 30, 2019, the outstanding aggregate principal amount of the 2025 Notes is $201,250.

Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes and the 2025 Notes (collectively, the "Convertible Notes") are listed below.

	2020 Notes	2022 Notes	2025 Notes
Initial conversion rate(1)	80.6647	100.2305	110.7420
Initial conversion price	$ 12.40	$ 9.98	$ 9.03
Conversion rate at June 30, 2019(1)(2)	80.6670	100.2305	110.7420
Conversion price at June 30, 2019(2)(3)	$ 12.40	$ 9.98	$ 9.03
Last conversion price calculation date	4/11/2019	4/11/2019	3/1/2019
Dividend threshold amount (per share)(4)	$ 0.110525	$ 0.083330	$ 0.060000

(1) Conversion rates denominated in shares of common stock per $1 principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the notes surrendered for conversion representing accrued and unpaid interest to, but not including, the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Convertible Notes.

No holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Convertible Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Convertible Notes through and including the maturity date.

In connection with the issuance of the Convertible Notes, we recorded a discount of $4,025 and debt issuance costs of $22,585 which are being amortized over the terms of the Convertible Notes. As of June 30, 2019, $3,840 of the original issue discount and $10,027 of the debt issuance costs remain to be amortized and is included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the years ended June 30, 2019, 2018 and 2017, we recorded $44,492, $51,020 and $55,217, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

Public Notes

On March 15, 2013, we issued $250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the "Original 2023 Notes"). The Original 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the Original 2023 Notes, net of underwriting discounts and offering costs, were $243,641. On June 20, 2018, we issued an additional $70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the "Additional 2023 Notes", and together with the Original 2023 Notes, the "2023 Notes"). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were $69,403. Following the issuance of the Additional 2023 Notes, the outstanding aggregate principal amount of our 5.875% Senior Notes due 2023 is $320,000.

On April 7, 2014, we issued $300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the "5.00% 2019 Notes"). Included in the issuance is $45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bore interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were $295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the $300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, $146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a $3,705 loss during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining $153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of $2,874 during the year ended June 30, 2019.

On December 10, 2015, we issued $160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the "2024 Notes"). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were $155,043. On June 16, 2016, we entered into an at-the-market ("ATM") program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to $100,000 in aggregate principal amount of our existing 2024 Notes ("Initial 2024 Notes ATM"). Following the initial 2024 Notes ATM, the aggregate principal amount of the 2024 Notes issued was $199,281 for net proceeds of $193,253, after commissions and offering costs. On July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of the 2024 Notes ("Second 2024 Notes ATM", and together with the Initial 2024 Notes ATM, the "2024 Notes Follow on Program"). The 2024 Notes are listed on the New York Stock Exchange ("NYSE") and trade thereon under the ticker "PBB." During the year ended June 30, 2019, we issued an additional $35,162 aggregate principal amount under the second 2024 Notes ATM, for net proceeds of $34,855, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2024 Notes is $234,443.

On June 7, 2018, we issued $55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the "2028 Notes"). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were $53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2028 Notes ("2028 Notes ATM" or "2028 Notes Follow-on Program"). The 2028 Notes are listed on the NYSE and trade thereon under the ticker "PBY." During the year ended June 30, 2019, we issued an additional $15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of $15,530, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2028 Notes is $70,761.

On October 1, 2018, we issued $100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the "6.375% 2024 Notes"). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were $98,985. As of June 30, 2019, the outstanding aggregate principal amount of the 6.375% 2024 Notes is $100,000.

On December 5, 2018, we issued $50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the "2029 Notes"). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting discounts and offering costs, were $48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T

Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2029 Notes ("2029 Notes ATM" or "2029 Notes Follow-on Program"). The 2029 Notes are listed on the NYSE and trade thereon under the ticker "PBC." During the year ended June 30, 2019, we issued an additional $19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of $18,523, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2029 Notes is $69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the "Public Notes") are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of $4,112 and debt issuance costs of $16,112, which are being amortized over the term of the notes. As of June 30, 2019, $2,519 of the original issue discount and $11,307 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities.*

During the years ended June 30, 2019, 2018 and 2017, we recorded $47,931, $44,269 and $43,898, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

Prospect Capital InterNotes®

On February 16, 2012, we entered into a selling agent agreement (the "Original Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®, which was increased to $1,500,000 in May 2014. We sold approximately $1,454,466 in aggregate principal amount Prospect Capital InterNotes® under the Original Selling Agent Agreement. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes® (the "InterNotes® Offering"). Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement.

These notes are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding. Each series of notes will be issued by a separate trust. These notes bear interest at fixed interest rates and offer a variety of maturities no less than twelve months from the original date of issuance.

During the year ended June 30, 2019, we issued $236,971 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $233,140. These notes were issued with stated interest rates ranging from 5.00% to 6.25% with a weighted average interest rate of 5.67%. These notes will mature between July 15, 2023 and June 15, 2029. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2019.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 119,426	5.00% - 5.75%	5.43%	July 15, 2023 - June 15, 2024
7	54,880	5.25% - 6.00%	5.80%	July 15, 2025 - June 15, 2026
8	385	5.75%	5.75%	July 15, 2026
10	62,280	5.50% - 6.25%	6.02%	July 15, 2028 - June 15, 2029
	$ 236,971			

During the year ended June 30, 2018, we issued $76,297 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $75,159. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2018.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 46,893	4.00% - 5.00%	4.24%	July 15, 2022 - June 15, 2023
7	4,684	4.75% - 5.25%	5.06%	July 15, 2024 - June 15, 2025
8	24,720	4.50% - 5.25%	4.65%	August 15, 2025 - May 15, 2026
	$ 76,297			

During the year ended June 30, 2019, we redeemed, prior to maturity, $279,841 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.91% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2019, we repaid $10,355 aggregate principal amount of Prospect Capital InterNotes® at par in

accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2019 was $2,047. The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 283,450	4.00% – 5.75%	5.10%	January 15, 2021 - June 15, 2024
5.5	1,399	4.25%	4.25%	July 15, 2020
6.5	34,745	5.10% – 5.25%	5.24%	January 15, 2022 - May 15, 2022
7.0	83,731	4.00% – 6.00%	5.56%	January 15, 2020 - June 15, 2026
7.5	1,996	5.75%	5.75%	February 15, 2021
8.0	24,500	4.50% – 5.75%	4.67%	August 15, 2025 - July 15, 2026
10	99,529	5.50% – 7.00%	6.09%	March 15, 2022 - June 15, 2029
12.0	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,077	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	19,306	4.13% – 6.25%	5.58%	December 15, 2030 - August 15, 2031
20	3,887	5.75%-6.00%	5.90%	November 15, 2032 - October 15, 2033
25	31,855	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	103,246	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	$ 707,699			

During the year ended June 30, 2018, we redeemed $269,375 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.89% in order to replace debt with shorter maturity dates. During the year ended June 30, 2018, we repaid $6,899 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2018 was $1,506.

The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2018.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 228,835	4.00% – 5.50%	4.92%	July 15, 2020 - June 15, 2023
5.2	4,440	4.63%	4.63%	August 15, 2020 - September 15, 2020
5.3	2,636	4.63%	4.63%	September 15, 2020
5.5	86,097	4.25% – 4.75%	4.61%	May 15, 2020 - November 15, 2020
6	2,182	4.88%	4.88%	April 15, 2021 - May 15, 2021
6.5	38,832	5.10% – 5.25%	5.23%	December 15, 2021 - May 15, 2022
7	147,349	4.00% – 5.75%	5.05%	January 15, 2020 - June 15, 2025
7.5	1,996	5.75%	5.75%	February 15, 2021
8	24,720	4.50% – 5.25%	4.65%	August 15, 2025 - May 15, 2026
10	37,424	5.34% – 7.00%	6.19%	March 15, 2022 - December 15, 2025
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,163	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	20,677	4.13% – 6.25%	5.55%	December 15, 2030 - August 15, 2031
20	4,120	5.75% – 6.00%	5.89%	November 15, 2032 - October 15, 2033
25	33,139	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	108,336	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	$ 760,924			

In connection with the issuance of Prospect Capital InterNotes®, we incurred $26,752 of fees which are being amortized over the term of the notes, of which $12,349 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of June 30, 2019.

During the years ended June 30, 2019, 2018 and 2017, we recorded $41,711, $46,580 and $53,560, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Net Asset Value

During the year ended June 30, 2019, our net asset value decreased by $100,772 or $0.34 per share. The decrease was attributable to an increase in net realized and change in unrealized losses of $168,372, or $0.46 per weighted average share, coupled with a decrease of $0.01 per weighted average share as a result of reinvestment of our dividends on behalf of our stockholders at current market prices. This decrease was partially offset by net investment income of $312,859 exceeding dividends of $263,624 resulting in a net increase of $0.13 per weighted average share for the year ended June 30, 2019. The following table shows the calculation of net asset value per share as of June 30, 2019 and June 30, 2018.

	June 30, 2019	June 30, 2018
Net assets	$ 3,306,275	$ 3,407,047
Shares of common stock issued and outstanding	367,131,025	364,409,938
Net asset value per share	$ 9.01	$ 9.35

Results of Operations

Operating results for the years ended June 30, 2019, 2018 and 2017 were as follows:

	Years ended June 30,		
	2019	2018	2017
Investment Income	$ 703,767	$ 657,845	$ 701,046
Operating Expenses	390,908	370,995	394,964
Net Investment Income	312,859	286,850	306,082
Net Realized Gains (Losses)	14,684	(18,464)	(96,306)
Net Change in Unrealized (Losses) Gains from Investments	(174,569)	39,071	50,141
Net Realized Losses on Extinguishment of Debt	(8,487)	(7,594)	(7,011)
Net Increase in Net Assets Resulting from Operations	$ 144,487	$ 299,863	$ 252,906

While we seek to maximize gains and minimize losses, our investments in portfolio companies can expose our capital to risks greater than those we may anticipate. These companies typically do not issue securities rated investment grade, and have limited resources, limited operating history, and concentrated product lines or customers. These are generally private companies with limited operating information available and are likely to depend on a small core of management talents. Changes in any of these factors can have a significant impact on the value of the portfolio company.

Investment Income

We generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own, and fees generated from the structuring of new deals. Our investments, if in the form of debt securities, will typically have a term of one to ten years and bear interest at a fixed or floating rate. To the extent achievable, we will seek to collateralize our investments by obtaining security interests in our portfolio companies' assets. We also may acquire minority or majority equity interests in our portfolio companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including prepayment penalties and possibly consulting fees. Any such fees generated in connection with our investments are recognized as earned.

Investment income, which consists of interest income, including accretion of loan origination fees and prepayment penalty fees, dividend income and other income, including settlement of net profits interests, overriding royalty interests and structuring fees, was $703,767, $657,845 and $701,046 for the years ended June 30, 2019, 2018 and 2017, respectively. Investment income increased from June 30, 2018 compared to June 30, 2019 primarily due to increases in interest income, which is attributable to an increase in cash-on-cash yields on our CLO investment portfolio due to a number of recent resets across the portfolio as well as an increase in

LIBOR above our floors amongst our interest-bearing investments, and dividends received from our investments in NPRC and Valley Electric. Investment income decreased from June 30, 2017 compared to June 30, 2018 primarily due to reduced returns from our structured credit investments due to lower future expected cash flows and decreases in interest income due to less interest earning assets outstanding.

The following table describes the various components of investment income and the related levels of debt investments:

	Year Ended June 30,		
	2019	2018	2017
Interest income	$ 624,116	$ 607,012	$ 668,717
Dividend income	36,029	13,046	5,679
Other income	43,622	37,787	26,650
Total investment income	$ 703,767	$ 657,845	$ 701,046
Average debt principal of performing interest bearing investments[1]	$ 5,516,876	$ 5,474,563	$ 5,706,090
Weighted average interest rate earned on performing interest bearing investments[1]	11.31%	11.09%	11.72%
Average debt principal of all interest bearing investments[2]	$ 6,065,492	$ 5,792,662	$ 5,977,050
Weighted average interest rate earned on all interest bearing investments[2]	10.29%	10.48%	11.19%

[1] Excludes equity investments and non-accrual loans.
[2] Excludes equity investments.

Average interest income producing assets increased from $5,474,563 for the year ended June 30, 2018 to $5,516,876 for the year ended June 30, 2019. The increase is primarily due to growth of the CLO investment portfolio as well as an increase in net acquisitions, year over year, both of which offset the impact of additional non-accrual investments on the interest earning asset base, from June 30, 2018 to June 30, 2019. The average interest earned on interest bearing performing assets increased from 11.09% for the year ended June 30, 2018 to 11.31% for the year ended June 30, 2019. The increase is primarily due to an increase in cash-on cash yields on our CLO investment portfolio due to a number of resets across the portfolio as well as an increase in LIBOR above our floors amongst our interest-bearing investments, both of which offset the income foregone from additional non-accrual assets. Average interest income producing assets decreased from $5,706,090 for the year ended June 30, 2017 to $5,474,563 for the year ended June 30, 2018. The average interest earned on interest bearing performing assets decreased from 11.72% for the year ended June 30, 2017 to 11.09% for the year ended June 30, 2018. The decrease is primarily due to reduced returns from our structured credit investments, an increase in foregone interest due to non-accrual investments and lower levels of performing investments.

Investment income is also generated from dividends and other income, which is less predictable than interest income. Dividend income increased $22,983 for the year ended June 30, 2019 as compared to the year ended June 30, 2018. The increase in dividend income was primarily attributable to $21,000 dividends received from our investment in NPRC, which were generated from taxable earnings and profits in connection with the gain on the sales of NPRC's Amberly, City West, Matthews Reserve, Atlantic Beach and Vinings Corner properties as compared to $11,279 dividends received from our investment in NPRC which were generated from taxable earnings and profits in connection with the gain on the sales of NPRC's St. Marin and Central Park properties during the year ended June 30, 2018. In addition, we received $12,962 from our investment in Valley Electric during the year ended June 30, 2019, for which no comparable dividend was received during the year ended June 30, 2018.

Dividend income increased $7,367 for the year ended June 30, 2018 as compared to the year ended June 30, 2017. The $7,367 increase in is primarily attributable to $11,279 dividends received from our investment in NPRC as discussed above. No such dividend was received from NPRC during the year ended June 30, 2017. This increase was partially offset by a $3,312 dividend from our investment in NAC, and other less individually significant dividends from our portfolio, received during the year ended June 30, 2017, for which no comparable dividend was received in the year ended June 30, 2018.

Other income is comprised of structuring fees, royalty interests, and settlement of net profits interests. Other income increased $5,835 for the year ended June 30, 2019 as compared to the year ended June 30, 2018. The $5,835 increase was primarily attributable to $12,521 in residual profits interests and $6,304 in royalty income received from our investment in NPRC during the year ended June 30, 2019 as compared to $4,976 in residual profits interests and $1,554 in royalty income received from our investment in NPRC during the year ended June 30, 2018. We received a $12,711 structuring fee from our investment in NPRC for services rendered in connection with the restructuring of our senior secured term loan during the year ended June 30, 2019 as compared to a $1,812 structuring fee during the year ended June 30, 2018. We received a $3,233 structuring fee from our investment in Pacific World for

services rendered in connection with amending its revolving credit facility and a $3,065 structuring fee related to our investment in Broder Bros., Co. during the year ended June 30, 2018. The increase in income from other sources was partially offset by a $2,644 advisory fee received from our investment in First Tower Finance related to an acquisition and $1,222 of service fees received for a liquidation fee agreement related to our investment in Wolf during the year ended June 30, 2018. In comparison, we received a $1,301 advisory fee during the year ended June 30, 2019 for services rendered in connection with the sale of CCPI. The remaining difference was primarily attributable to a $10,237 decrease in structuring, amendment and advisory fees for the year ended June 30, 2019 as compared to the year ended June 30, 2018.

Other income increased $11,137 for the year ended June 30, 2018 as compared to the year ended June 30, 2017. The increase is primarily due to a $4,011 increase in advisory fee income primarily attributable to a $2,644 advisory fee received from our investment in First Tower related to an acquisition and $1,222 of service fees received for a liquidation fee agreement related to our investment in Wolf. In addition, we received a $3,233 structuring fee from our investment in Pacific World for services rendered in connection with amending its revolving credit facility. The increase in other income is also attributable to an additional $651 increase in structuring fees and by a $1,669 increase in amendment fee income, which are generated from new originations as well as from follow-on investments and amendments to existing portfolio companies for the year ended June 30, 2018 as compared to the year ended June 30, 2017.

Operating Expenses

Our primary operating expenses consist of investment advisory fees (base management and income incentive fees), borrowing costs, legal and professional fees and other operating and overhead-related expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate the Investment Adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions.

The following table describes the various components of our operating expenses:

	Years ended June 30,		
	2019	**2018**	**2017**
Base management fee	$ 121,833	$ 118,046	$ 122,874
Income incentive fee	78,215	71,713	76,520
Interest and credit facility expenses	157,231	155,039	164,848
Allocation of overhead from Prospect Administration	14,837	10,031	13,246
Audit, compliance and tax related fees	5,014	5,539	5,088
Directors' fees	457	450	454
Other general and administrative expenses	13,321	10,177	11,934
Total Operating Expenses	$ 390,908	$ 370,995	$ 394,964

Total gross base management fee was $121,943, $118,768 and $124,077 for the years ended June 30, 2019, 2018 and 2017, respectively. Increases and decreases in total gross base management fees are directly related to corresponding increases and decreases in average total assets. Included in the gross base management fee for the year ended June 30, 2019 is a $2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred $64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser has entered into a servicing agreement with certain institutions who purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. We received payments of $110, $722 and $1,203 from these institutions for the years ended June 30, 2019, 2018 and 2017, respectively, on behalf of the Investment Adviser, for providing such services under the servicing agreement. We were given a credit for these payments as a reduction of base management fee payable by us to the Investment Adviser resulting in net base management fees of $121,833, $118,046 and $122,874 for the years ended June 30, 2019, 2018 and 2017, respectively.

For the years ended June 30, 2019, 2018 and 2017, we incurred $78,215, $71,713 and $76,520 of income incentive fees. Increases and decreases in income incentive fees are driven by corresponding movements in pre-incentive fee net investment income, which was $391,074, $358,563 and $382,602 for the years ended June 30, 2019, 2018 and 2017, respectively. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

During the years ended June 30, 2019, 2018 and 2017, we incurred $157,231, $155,039 and $164,848, respectively, of interest expenses related to our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® (collectively, our "Notes"). These expenses are related directly to the leveraging capacity put into place for each of those periods and the levels of indebtedness actually undertaken in those periods.

The table below describes the various expenses of our Notes and the related indicators of leveraging capacity and indebtedness during these years.

	Year Ended June 30,		
	2019	2018	2017
Interest on borrowings	$ 135,800	$ 134,270	$ 142,819
Amortization of deferred financing costs	10,837	12,063	13,013
Accretion of discount on Public Notes	667	226	269
Facility commitment fees	9,927	8,480	8,747
Total interest and credit facility expenses	$ 157,231	$ 155,039	$ 164,848
Average principal debt outstanding	$ 2,511,764	$ 2,535,681	$ 2,683,254
Weighted average stated interest rate on borrowings(1)	5.41%	5.30%	5.32%
Weighted average interest rate on borrowings(2)	6.26%	6.11%	6.14%

(1) Includes only the stated interest expense.
(2) Includes the stated interest expense, amortization of deferred financing costs, accretion of discount on Public Notes and commitment fees on the undrawn portion of our Revolving Credit Facility.

Interest expense is relatively stable on a dollars basis for the year ended June 30, 2019 as compared to the year ended June 30, 2018. The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) increased from 5.30% for the year ended June 30, 2018 to 5.41% for the year ended June 30, 2019 primarily due to issuances of Public Notes at higher rates, partially offset by repurchases of our Convertible Notes and increased utilization of our Revolving Credit Facility, which bears a lower rate than our remaining debt.

The weighted average stated interest rate on borrowings (excluding amortization, accretion and undrawn facility fees) decreased from 5.32% for the year ended June 30, 2017 to 5.30% for the year ended June 30, 2018. This decrease is primarily due to the repurchases and maturities of our Convertible Notes and Prospect Capital InterNotes® which bear higher rates than the remaining debt and increased utilization of our Revolving Credit Facility.

The allocation of gross overhead expense from Prospect Administration was $15,444, $20,715 and $22,882 for the years ended June 30, 2019, 2018 and 2017, respectively. Prospect Administration received estimated payments of $607, $10,684 and $8,760 directly from our portfolio companies, insurance carrier and certain funds managed by the Investment Adviser for legal, tax and portfolio level accounting services during the years ended June 30, 2019, 2018 and 2017, respectively. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration's charges for its administrative services would have increased by these amounts. During the year ended June 30, 2017, other operating expenses in the amount of $876 incurred by us, which were attributable to CCPI Inc. ("CCPI"), have been reimbursed by CCPI and are reflected as an offset to our overhead allocation. No such reimbursements or expenses occurred during the years ended June 30, 2019 or June 30, 2018. Net overhead during the years ended June 30, 2019, 2018 and 2017 totaled $14,837, $10,031 and $13,246, respectively.

Total operating expenses, excluding investment advisory fees, interest and credit facility expenses, and allocation of overhead from Prospect Administration ("Other Operating Expenses") were $18,792, $16,166 and $17,476 for the years ended June 30, 2019, 2018 and 2017, respectively. The increase of $2,626 during the year ended June 30, 2019 is primarily attributable to a modest increase in general and administrative expense. The decrease of $1,310 during the year ended June 30, 2018 is primarily attributable to a modest decline in general and administrative expense.

Net Investment Income

Net investment income represents the difference between investment income and operating expenses. Net investment income was $312,859, $286,850 and $306,082 for the years ended June 30, 2019, 2018, and 2017, respectively. The increase of $26,009 during the year ended June 30, 2019 compared to the year ended June 30, 2018 was primarily due to an increases of $22,983, $17,104 and $5,835 in dividend income, interest income and other income, respectively. The year over year increase was partially offset by a $19,913 increase in operating expenses, which was primarily attributable to a $10,289 increase in advisory fees.

The decrease of $19,232 during the year ended June 30, 2018 compared to the year ended June 30, 2017 was primarily the result of a $61,705 decline in interest income. The decline in interest income was partially offset by increases of $11,137 and $7,367 in other income and dividend income, respectively. The decline was further offset by a $23,969 decrease in operating expenses, which were primarily attributable to decreases of $9,635 and $9,809 in advisory fees and interest and credit facility expenses, respectively.

Refer to above *Investment Income* and *Operating Expenses* discussions for further detail.

Net Realized Gains (Losses)

During the years ended June 30, 2019, 2018 and 2017, we recognized net realized gains (losses) on investments of $14,684, $18,464 and $96,306, respectively. The net realized gain during the year ended June 30, 2019 was due to gains on investments coupled with lower levels of realized losses from investments in the current year. Net realized gains primarily resulted from the recognition of a $12,105 realized gain related to the sale of CCPI. In addition, we recognized $2,204 of escrow proceeds related to the sale of Gulf Coast. During the year ended June 30, 2019, we repurchased $153,536 aggregate principal amount of the 5.0% 2019 Notes, $167,886 aggregate principal amount of the 2020 Notes and redeemed $290,196 aggregate principal amount of Prospect Capital InterNotes® (including amounts repaid in accordance with the Survivor’s Option). As a result of these transactions, we recognized net realized losses on debt extinguishment of $(8,487) in the year ended June 30, 2019.

The net realized loss during the year ended June 30, 2018 was primarily related to the write-down of Nixon, Inc. upon restructuring, resulting in a realized loss of $14,197. We also recognized a net realized loss upon the repayment of our investment in Primesport, Inc. (“Primesport”), for which we agreed to a payment less than the par amount and realized a loss of $3,019. Additionally, we recognized realized losses of $2,495 from our call of our investment in Apidos IX CLO. During the year ended June 30, 2018, we repurchased $98,353 aggregate principal amount of the 2019 Notes, repurchased $146,464 aggregate principal amount of the 5.00% 2019 Notes, and redeemed $269,375 aggregate principal amount of Prospect Capital InterNotes® (including amounts repaid in accordance with the Survivor’s Option). As a result of these transactions, we recognized net realized losses on debt extinguishment of $7,594 in the year ended June 30, 2018.

The net realized loss during the year ended June 30, 2017 was primarily due to the sale of Gulfco assets for which we recognized a total realized loss of $66,103, of which $53,063 had been previously recorded as an unrealized loss as of June 30, 2016. Additionally, in conjunction with the restructuring of our investment in Ark-La-Tex, we wrote-down the Term Loan B to its cost basis and realized a loss of $19,818, of which $23,239 had been previously recorded as an unrealized loss as of June 30, 2016. Additionally, during the year ended June 30, 2017, four of our CLO investments were redeemed and we recorded a total loss of $17,242 to write down the amortized cost basis to its fair value. During the year ended June 30, 2017, we repurchased $78,766 aggregate principal amount of the 2017 Notes, repurchased $114,581 aggregate principal amount of the 2018 Notes, and redeemed $58,377 aggregate principal amount of Prospect Capital InterNotes® (including amounts repaid in accordance with the Survivor’s Option). As a result of these transactions, we recognized net realized losses on debt extinguishment of $7,011 in the year ended June 30, 2017.

Net Change in Unrealized Gains (Losses)

The following table reflects net change in unrealized gains (losses) for our portfolio for the for the years ended June 30, 2019, 2018 and 2017:

	Years ended June 30,		
	2019	2018	2017
Control investments	$ 5,105	$ 55,670	$ 86,817
Affiliate investments	(35,449)	25,671	553
Non-control/non-affiliate investments	(144,225)	(42,270)	(37,229)
Net change in unrealized (losses) gains	$ (174,569)	$ 39,071	$ 50,141

The following table reflects net change in unrealized gains (losses) on investments for the year ended June 30, 2019:

	Net Change in Unrealized Gains (Losses)	
Valley Electric Company, Inc.	$	87,367
First Tower Finance Company LLC		46,681
NMMB, Inc.		10,948
National Property REIT Corp.		7,087
Edmentum Ultimate Holdings, LLC		5,006
CCPI Inc.		(6,058)
InterDent, Inc.		(8,918)
Credit Central Loan Company, LLC		(10,341)
MITY, Inc.		(16,851)
CP Energy Services Inc.		(18,729)
Universal Turbine Parts, LLC		(27,506)
Other, net		(31,004)
United Sporting Companies, Inc.		(39,940)
Pacific World Corporation		(61,987)
Subordinated Structured Notes		(110,324)
Net change in unrealized (losses)	$	(174,569)

The following table reflects net change in unrealized gains (losses) on investments for year ended June 30, 2018:

	Net Change in Unrealized Gains (Losses)	
First Tower Finance Company LLC	$	62,805
Arctic Energy Services, LLC		43,506
National Property REIT Corp.		30,981
PrimeSport, Inc.		23,741
Spartan Energy Services, LLC		18,686
Valley Electric Company, Inc.		16,131
Nixon, Inc.		14,197
Echelon Aviation LLC		10,960
Targus Cayman HoldCo Limited		10,674
Credit Central Loan Company, LLC		10,002
Other, net		6,362
CCPI Inc.		(6,814)
Nationwide Loan Company LLC		(7,462)
Universal Turbine Parts, LLC		(7,664)
United Sporting Companies, Inc.		(10,663)
Freedom Marine Solutions, LLC		(11,939)
Edmentum Ultimate Holdings, LLC		(12,293)
InterDent, Inc.		(13,812)
CP Energy Services Inc.		(14,931)
MITY, Inc.		(17,618)
Pacific World Corporation		(33,339)
Subordinated Structured Notes		(72,439)
Net change in unrealized gains	$	39,071

The following table reflects net change in unrealized gains (losses) on investments for the year ended June 30, 2017:

	Net Change in Unrealized Gains (Losses)
National Property REIT Corp.	$ 80,451
SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)	55,003
Ark-La-Tex Wireline Services, LLC	32,548
NMMB, Inc.	10,918
CURO Group Holdlings Corp. (f/k/a Speedy Cash Holdings Corp.)	6,919
MITY, Inc.	6,463
Other, net	3,852
Subordinated Structured Notes	3,550
Pacific World Corporation	(9,419)
Nixon, Inc.	(11,776)
Arctic Energy Services, LLC	(20,970)
PrimeSport, Inc.	(23,741)
USES Corp.	(30,214)
United Sporting Companies, Inc.	(53,443)
Net change in gains	$ 50,141

Financial Condition, Liquidity and Capital Resources

For the years ended June 30, 2019, 2018 and 2017, our operating activities provided $223,838, $369,106 and $376,201 of cash, respectively. There were no investing activities for the years ended June 30, 2019, 2018 and 2017. Financing activities used $200,498, $603,431 and $375,916 of cash during the years ended June 30, 2019, 2018 and 2017, respectively, which included dividend payments of $245,096, $255,911 and $333,623, respectively.

Our primary uses of funds have been to continue to invest in portfolio companies, through both debt and equity investments, repay outstanding borrowings and to make cash distributions to holders of our common stock.

Our primary sources of funds have historically been issuances of debt and equity. More recently, we have and may continue to fund a portion of our cash needs through repayments and opportunistic sales of our existing investment portfolio. We may also securitize a portion of our investments in unsecured or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to expand our portfolio. During the year ended June 30, 2019, we borrowed $1,178,154 and we made repayments totaling $1,048,154 under the Revolving Credit Facility. As of June 30, 2019, we had, net of unamortized discount and debt issuance costs, $739,997 outstanding on the Convertible Notes, $780,548 outstanding on the Public Notes, $695,350 outstanding on the Prospect Capital InterNotes®, and $167,000 outstanding on the Revolving Credit Facility. (See “Capitalization” above.)

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2019 and June 30, 2018, we had $23,375 and $29,675, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of June 30, 2019 and June 30, 2018.

We have guaranteed $2,571 in standby letters of credit issued through a financial intermediary and $1,682 of equipment lease obligations on behalf of InterDent, Inc. (“InterDent”) as of June 30, 2019. Under these arrangements, we would be required to make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of June 30, 2019, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

Our shareholders’ equity accounts as of June 30, 2019, June 30, 2018 and June 30, 2017 reflect cumulative shares issued, net of shares repurchased, if any, as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters, our dividend reinvestment plan and in connection with the acquisition of certain controlled portfolio companies. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

We did not repurchase any shares of our common stock for the years ended June 30, 2019, 2018, and 2017.

On October 31, 2018, our registration statement on Form N-2 (File No. 333-227124) was declared effective by the SEC. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $5,000,000 in securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities. As of June 30, 2019, we have the ability to issue up to $4,527,430 in securities under the registration statement.

Off-Balance Sheet Arrangements

As of June 30, 2019, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

Recent Developments

On July 2, 2019, Agamatrix, Inc. fully repaid the $33,673 Senior Secured Term Loan receivable to us at par.

On July 2, 2019, SCS Merger Sub, Inc. fully repaid the $20,000 Second Lien Term Loan receivable to us at par.

On July 15, 2019 we redeemed $41,031 of our Prospect Capital InterNotes® at par maturing between January 15, 2020 and January 15, 2022, with a weighted average rate of 5.14%. On August 15, 2019, we redeemed an additional $48,712 of our Prospect Capital InterNotes® at par maturing between February 15, 2021 and February 15, 2022, with a weighted average rate of 5.30%.

On July 16, 2019, we sold $16,000, or 8.39%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co.

During the period from July 19, 2019 through July 22, 2019, Mobile Posse, Inc. fully repaid the $20,500 First Lien Term Loan receivable to us at par.

On July 22, 2019, we received a partial repayment of $22,000 of our Senior Secured Term Loan B outstanding with NPRC and its wholly-owned subsidiaries.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 aggregate principal amount outstanding of our 4.75% Senior Convertible Notes due 2020 (the “June Tender Offer”). The June Tender Offer expired at 12:00 midnight, New York City time, on July 27, 2019 (one minute after 11:59 p.m., New York City time, on July 26, 2019). On July 29, 2019, we announced the expiration and final results of the June Tender Offer. As of the expiration of the June Tender Offer, $32,948 aggregate principal amount of the Notes, representing approximately 14.70% of the outstanding Notes, were validly tendered and not validly withdrawn pursuant to the Tender Offer.

On July 30, 2019, Turning Point Brands, Inc. fully repaid the $14,500 Second Lien Term Loan receivable to us at par.

We have provided notice to call on August 9, 2019, with settlement on September 15, 2019, $54,237 of our Prospect Capital InterNotes® at par maturing between March 15, 2021 and March 15, 2022, with a weighted average rate of 5.33%.

On August 12, 2019, Janus International Group, LLC. fully repaid the $20,000 Second Lien Term Loan receivable to us at par.

On August 12, 2019, we commenced a tender offer to purchase for cash up to $60,000 aggregate principal amount of our 4.75% Senior Convertible Notes due 2020 (the “August Tender Offer”), of which $191,166 aggregate principal amount is outstanding following the June Tender Offer. The August Tender Offer will expire at 12:00 midnight, New York City time, on September 10, 2019 (one minute after 11:59 p.m., New York City time, on September 9, 2019), or any other date and time to which the Company extends such Tender Offer (such date and time, as it may be extended, the “Expiration Date”).

On August 21, 2019, we made a new $10,000 first lien term loan investment in Global Tel*Link Corporation. On August 22, 2019, we made a $10,720 second lien term loan follow-on investment in Global Tel*Link Corporation.

During the period from July 1, 2019 through August 27, 2019, we issued $75,230 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $73,902.

On August 27, 2019, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.06 per share for September 2019 to holders of record on September 30, 2019 with a payment date of October 24, 2019.

- $0.06 per share for October 2019 to holders of record on October 31, 2019 with a payment date of November 20, 2019.

Critical Accounting Policies and Estimates

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-K, ASC 946, *Financial Services—Investment Companies* ("ASC 946"), and Articles 3, 6 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 year ended June 30, 2019.

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 June 30, 2019 and June 30, 2018, our qualifying assets as a percentage of total assets, stood at 73.85% 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 SME lending initiative, we invest primarily in marketplace loans through marketplace lending facilitators. 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 facilitators 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 facilitators' 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 facilitator, 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.

4. 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 in the accompanying *Consolidated Financial Statements* for further discussion of our financial liabilities that are measured using another measurement attribute.

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 in the accompanying *Consolidated Financial Statements* 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 June 30, 2019, approximately 2.9% 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 Subordinated Secured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) 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 in the accompanying *Consolidated Financial Statements* 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 gain to stockholders; 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 June 30, 2019, we do not expect to have any excise tax due for the 2019 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 June 30, 2019, 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, 2016 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 the 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 2024, 2028, and 2029 Notes Follow-on Programs. 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 in the accompanying *Consolidated Financial Statements* for further discussion).

We may record registration expenses related to shelf filings as prepaid expenses. These expenses consist principally of 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 June 30, 2019 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 accretable 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. 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. 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. 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. We have adopted the amendments and have retrospectively applied the presentation amendments to the prior period statements presented.

Prior to adoption and in accordance with previous SEC rules, we presented distributable earnings (loss) on the *Consolidated Statements of Assets and Liabilities*, as three components: 1) accumulated overdistributed net investment income; 2) accumulated net unrealized gain (loss) on investments; and 3) accumulated net realized gain (loss) on investments. We also presented distributions from earnings on the *Consolidated Statements of Changes in Net Assets* as distributions from net investment income. In accordance with the SEC Release, distributable earnings and distributions from distributable earnings are shown in total on the *Consolidated Statements of Assets and Liabilities* and *Consolidated Statements of Changes in Net Assets*, respectively.

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 year ended June 30, 2019, we received $21,000 of such dividends from National Property REIT Corp. ("NPRC") related to the gain on the sale of real estate properties.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates and equity price risk. Interest rate sensitivity refers to the change in our earnings that may result from changes in the level of interest rates impacting some of the loans in our portfolio which have floating interest rates. Additionally, because we fund a portion of our investments with borrowings, our net investment income is affected by the difference between the rate at which we invest and the rate at which we borrow. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. See "Risk Factors—Risks Relating to Our Business—Changes in interest rates may affect our cost of capital and net investment income."

Our debt investments may be based on floating rates or fixed rates. For our floating rate loans the rates are determined from the LIBOR, EURO Interbank Offer Rate, the Federal Funds Rate or the Prime Rate. The floating interest rate loans may be subject to a LIBOR floor. Our loans typically have durations of one to three months after which they reset to current market interest rates. As of June 30, 2019, 87.4% of the interest earning investments in our portfolio, at fair value, bore interest at floating rates.

We also have a revolving credit facility and certain Prospect Capital InterNotes® issuances that are based on floating LIBOR rates. Interest on borrowings under the revolving credit facility is one-month LIBOR plus 220 basis points with no minimum LIBOR floor and there is $167,000 outstanding as of June 30, 2019. Interest on five Prospect Capital InterNotes® is three-month LIBOR plus a range of 300 to 350 basis points with no minimum LIBOR floor. The Convertible Notes, Public Notes and remaining Prospect Capital InterNotes® bear interest at fixed rates.

The following table shows the approximate annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for floating rate instruments, excluding our investments in Subordinated Structured Notes) to our loan portfolio and outstanding debt as of June 30, 2019, assuming no changes in our investment and borrowing structure:

(in thousands) Basis Point Change	Interest Income	Interest Expense	Net Investment Income	Net Investment Income (1)
Up 300 basis points	$ 89,459	$ 48	$ 89,411	$ 71,529
Up 200 basis points	57,420	32	57,388	45,910
Up 100 basis points	25,382	16	25,366	20,293
Down 100 basis points	(23,972)	(42)	(23,930)	(19,144)
Down 200 basis points	(32,460)	(42)	(32,418)	(25,934)
Down 300 basis points	(34,238)	(42)	(34,196)	(27,357)

(1) Includes the impact of income incentive fees. See Note 13 in the accompanying *Consolidated Financial Statements* for more information on income incentive fees.

As of June 30, 2019, one and three month LIBOR was 2.40% and 2.32% respectively.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the year ended June 30, 2019, we did not engage in hedging activities.

Item 8. Financial Statements

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Prospect Capital Corporation
New York, New York

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of assets and liabilities of Prospect Capital Corporation and subsidiaries (the "Company"), including the consolidated schedules of investments, as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes, including the financial highlights for each of the five years in the period ended June 30, 2019 (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2019 and 2018, and the results of its operations, the changes in its net assets, and its cash flows for each of the three years in the period ended June 30, 2019, and its financial highlights for each of the five years in the period ended June 30, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated August 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our procedures included confirmation of securities owned as of June 30, 2019 and 2018 by correspondence with the custodians, brokers and portfolio companies, or by other appropriate auditing procedures where replies were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of Investments

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated investments at fair value were $5,654 million at June 30, 2019. Investments were valued in accordance with ASC 820*, Fair Value Measurement* (“ASC 820”), which defines the fair value of investments as the price received 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. The Company’s investment portfolio is primarily comprised of privately held equity and debt instruments, all of which have been determined to be level 3 investments. Per ASC 820, level 3 investments utilize inputs that are unobservable and significant to the entire fair value measurement. The fair value of investments in equity and debt instruments is determined on a quarterly basis by the Board of Directors based on input from third-party valuation firms, management and the Audit Committee. The third-party valuation firms prepare independent valuations with a range of values for each investment based on their independent assessments.

We identified the valuation of investments as a critical audit matter. The principal considerations for our determination are: (i) the number of illiquid investment types in which the Company invests, including portfolio companies, collateralized loan obligations (“CLO”), real estate, and peer to peer loans, (ii) the use of various complex models to value these investments, and (iii) the use of significant unobservable inputs and assumptions in the valuation models. Auditing these complex models and management’s assumptions involved a high degree of auditor judgment and specialized skills and knowledge needed.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of management’s fair value estimates of investments by assessing management’s and the third-party valuation firms' models and assumptions used for each investment type, testing the accuracy and relevance of significant underlying data, and recalculating the fair value estimates for accuracy. Significant underlying data tested included audited and interim financial statements from portfolio companies containing revenue and earnings before interest, taxes, depreciation, and amortization (“EBITDA”) amounts, EBITDA adjustments, contracted cash flows based on loan terms, budgets, collateral detail, property net operating income, and relevant peer to peer loan details.

- Utilizing BDO valuation specialists to assist in evaluating: (i) the appropriateness of valuation models, such as the market valuation or income approach, including discounted cash flow models or net asset value (“NAV”) analysis, (ii) whether assumptions used, including revenue or EBITDA multiples, discount rates, capitalization rates, projected loss rates and market yields for the different types of investments, were reasonable, and (iii) in performing independent fair value calculations for CLOs and peer to peer loans.

- Testing the reasonableness of fair values determined by management against recent or subsequent transactions, where applicable.

CLO Interest Income Recognition

The Company’s interest income derived from CLOs listed as structured credit securities was $140 million for the year ended June 30, 2019. As described in Note 2 to the consolidated financial statements, interest income from investments in the “equity” class of securities of CLO funds is recorded based upon an estimation of an effective yield to expected maturity utilizing assumed cash flows. For each CLO security, the estimate of future cash flow is generated using third-party cash flow models, modeled with the terms of the CLO and its structure, and assumptions such as default rate, prepayment rate, recovery rate, and reinvestment spread. The estimated future cash flows are used to estimate the effective yield that is applied to determine CLO interest income. Management of the Company monitors the expected cash inflows from the Company’s CLO equity investments, including the expected residual payments. The effective yield is determined and updated quarterly.

We identified CLO interest income recognition as a critical audit matter. The principal considerations for our determination are the high degree of subjectivity and complexity in auditing management’s judgments relating to the various assumptions used in the future cash flow models, which are then used to allocate interest income to the “equity” class of the CLO.

The primary procedures we performed to address this critical audit matter included:

- Utilizing BDO valuation specialists to assist in evaluating the reasonableness and appropriateness of management's significant assumptions used to estimate projected future cash flows from CLOs such as assumptions related to default rate, prepayment rate, recovery rate, and reinvestment spread.

- Testing CLO interest income through: (i) observation of management's regeneration of future cash flows using their third-party cash flow engine, (ii) recalculation of management's accretable yield and resulting income from respective cash flow runs, and (iii) testing management's assumptions by recalculating and independently corroborating management provided inputs, including call dates, CLO manager specific default rates, and recovery rates to external sources and confirmations received directly from the underlying collateral managers.

- Evaluating the reasonableness of CLO projected cash flows against actual cash collections, where applicable. Evaluating significant variances, if any, to determine whether the methodology and assumptions utilized were appropriate.

/s/ BDO USA, LLP

BDO USA, LLP

We have served as the Company's auditor since 2005.

New York, New York
August 27, 2019

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

	June 30, 2019	June 30, 2018
Assets		
Investments at fair value:		
Control investments (amortized cost of $2,385,806 and $2,300,526, respectively)	$ 2,475,924	$ 2,404,326
Affiliate investments (amortized cost of $177,616 and $55,637, respectively)	76,682	58,436
Non-control/non-affiliate investments (amortized cost of $3,368,880 and $3,475,295, respectively)	3,100,947	3,264,517
Total investments at fair value (amortized cost of $5,932,302 and $5,831,458, respectively)	5,653,553	5,727,279
Cash	107,098	83,758
Receivables for:		
Interest, net	26,504	19,783
Other	3,326	1,867
Due from broker	—	3,029
Prepaid expenses	1,053	984
Due from Affiliate	—	88
Deferred financing costs on Revolving Credit Facility (Note 4)	8,529	2,032
Total Assets	5,800,063	5,838,820
Liabilities		
Revolving Credit Facility (Notes 4 and 8)	167,000	37,000
Convertible Notes (less unamortized discount and debt issuance costs of $13,867 and $13,074, respectively) (Notes 5 and 8)	739,997	809,073
Prospect Capital InterNotes® (less unamortized debt issuance costs of $12,349 and $11,998, respectively) (Notes 7 and 8)	695,350	748,926
Public Notes (less unamortized discount and debt issuance costs of $13,826 and $11,007, respectively) (Notes 6 and 8)	780,548	716,810
Due to Prospect Capital Management (Note 13)	46,525	49,045
Interest payable	34,104	33,741
Dividends payable	22,028	21,865
Due to broker	—	6,159
Accrued expenses	5,414	5,426
Due to Prospect Administration (Note 13)	1,885	2,212
Other liabilities	937	1,516
Total Liabilities	2,493,788	2,431,773
Commitments and Contingencies (Note 3)		
Net Assets	$ 3,306,275	$ 3,407,047
Components of Net Assets		
Common stock, par value $0.001 per share (1,000,000,000 common shares authorized; 367,131,025 and 364,409,938 issued and outstanding, respectively) (Note 9)	$ 367	$ 364
Paid-in capital in excess of par (Note 9)	4,039,872	4,021,541
Total distributable earnings (loss)	(733,964)	(614,858)
Net Assets	$ 3,306,275	$ 3,407,047
Net Asset Value Per Share (Note 16)	$ 9.01	$ 9.35

See notes to consolidated financial statements.

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

	Year Ended June 30,		
	2019	**2018**	**2017**
Investment Income			
Interest income:			
Control investments	$ 211,212	$ 195,487	$ 177,496
Affiliate investments	943	553	297
Non-control/non-affiliate investments	271,907	285,473	342,696
Structured credit securities	140,054	125,499	148,228
Total interest income	624,116	607,012	668,717
Dividend income:			
Control investments	34,127	11,279	5,250
Affiliate investments	659	—	—
Non-control/non-affiliate investments	1,243	1,767	429
Total dividend income	36,029	13,046	5,679
Other income:			
Control investments	36,011	15,080	11,470
Non-control/non-affiliate investments	7,611	22,707	15,180
Total other income (Note 10)	43,622	37,787	26,650
Total Investment Income	703,767	657,845	701,046
Operating Expenses			
Base management fee (Note 13)	121,833	118,046	122,874
Income incentive fee (Note 13)	78,215	71,713	76,520
Interest and credit facility expenses	157,231	155,039	164,848
Allocation of overhead from Prospect Administration (Note 13)	14,837	10,031	13,246
Audit, compliance and tax related fees	5,014	5,539	5,088
Directors' fees	457	450	454
Excise tax	—	—	(1,100)
Other general and administrative expenses	13,321	10,177	13,034
Total Operating Expenses	390,908	370,995	394,964
Net Investment Income	312,859	286,850	306,082
Net Realized and Change in Unrealized Gains (Losses) from Investments			
Net realized gains (losses)			
Control investments	14,309	13	(65,915)
Affiliate investments	—	(13,351)	137
Non-control/non-affiliate investments	375	(5,126)	(30,528)
Net realized gains (losses)	14,684	(18,464)	(96,306)
Net change in unrealized (losses) gains			
Control investments	5,105	55,670	86,817
Affiliate investments	(35,449)	25,671	553
Non-control/non-affiliate investments	(144,225)	(42,270)	(37,229)
Net change in unrealized (losses) gains	(174,569)	39,071	50,141
Net Realized and Change in Unrealized (Losses) Gains from Investments	(159,885)	20,607	(46,165)
Net realized losses on extinguishment of debt	(8,487)	(7,594)	(7,011)
Net Increase in Net Assets Resulting from Operations	$ 144,487	$ 299,863	$ 252,906
Net increase in net assets resulting from operations per share	$ 0.39	$ 0.83	$ 0.70
Dividends declared per share	$ (0.72)	$ (0.77)	$ (1.00)

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(in thousands, except share data)

	Common Stock				
	Shares	Par	Paid-in capital in excess of par	Distributable earnings (loss)	Total Net Assets
Balance as of June 30, 2016	357,107,231	$ 357	$ 3,967,397	$ (531,837)	$ 3,435,917
Net Increase in Net Assets Resulting from Operations:					
Net investment income				306,082	306,082
Net realized losses				(103,317)	(103,317)
Net change in net unrealized gains				50,141	50,141
Distributions to Shareholders:					—
Distributions from earnings				(358,987)	(358,987)
Value of shares issued through reinvestment of dividends	2,969,702	3	25,113		25,116
Tax reclassifications of net assets (Note 12)			(1,193)	1,193	—
Total increase (decrease) for the year ended June 30, 2017	2,969,702	3	23,920	(104,888)	(80,965)
Balance as of June 30, 2017	360,076,933	$ 360	$ 3,991,317	$ (636,725)	$ 3,354,952
Net Increase in Net Assets Resulting from Operations:					
Net investment income				286,850	286,850
Net realized losses				(26,058)	(26,058)
Net change in net unrealized gains				39,071	39,071
Distributions to Shareholders:					—
Distributions from earnings				(277,224)	(277,224)
Value of shares issued through reinvestment of dividends	4,333,005	4	29,452		29,456
Tax reclassifications of net assets (Note 12)			772	(772)	—
Total increase for the year ended June 30, 2018	4,333,005	4	30,224	21,867	52,095
Balance as of June 30, 2018	364,409,938	$ 364	$ 4,021,541	$ (614,858)	$ 3,407,047
Net Increase in Net Assets Resulting from Operations:					
Net investment income				312,859	312,859
Net realized gains				6,197	6,197
Net change in net unrealized losses				(174,569)	(174,569)
Distributions to Shareholders:					—
Distributions from earnings				(263,624)	(263,624)
Value of shares issued through reinvestment of dividends	2,721,087	3	18,362		18,365
Tax reclassifications of net assets (Note 12)			(31)	31	—
Total increase (decrease) for the year ended June 30, 2019	2,721,087	3	18,331	(119,106)	(100,772)
Balance as of June 30, 2019	367,131,025	$ 367	$ 4,039,872	$ (733,964)	$ 3,306,275

See notes to consolidated financial statements.

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

	Year Ended June 30,		
	2019	2018	2017
Operating Activities			
Net increase in net assets resulting from operations	$ 144,487	$ 299,863	$ 252,906
Net realized losses on extinguishment of debt	8,487	7,594	7,011
Net realized losses (gains) on investments	(14,684)	18,464	96,306
Net change in unrealized losses (gains) on investments	174,569	(39,071)	(50,141)
Amortization of discounts, net	(9,595)	31,005	88,827
Accretion of discount on Public Notes (Note 6)	667	226	269
Amortization of deferred financing costs	10,837	12,063	13,013
Payment-in-kind interest	(43,635)	(9,404)	(17,808)
Structuring fees	(4,240)	(13,959)	(12,929)
Change in operating assets and liabilities:			
Payments for purchases of investments	(656,668)	(1,707,294)	(1,458,733)
Proceeds from sale of investments and collection of investment principal	627,978	1,831,286	1,413,882
(Decrease) increase in due to broker	(6,159)	(44,212)	49,414
(Decrease) increase in due to Prospect Capital Management	(2,520)	796	(5,900)
Decrease (increase) in due from broker	3,029	(3,029)	—
(Increase) decrease in interest receivable, net	(6,721)	(10,224)	2,568
Increase (decrease) in interest payable	363	(4,889)	(2,174)
(Decrease) increase in accrued expenses	(12)	1,046	2,121
(Decrease) in other liabilities	(578)	(581)	(1,536)
(Increase) in other receivables	(1,459)	(943)	(756)
Decrease (increase) in due from affiliate	88	(74)	(14)
(Increase) decrease in prepaid expenses	(69)	141	(270)
(Decrease) increase in due to Prospect Administration	(327)	302	145
Net Cash Provided by Operating Activities	223,838	369,106	376,201
Financing Activities			
Borrowings under Revolving Credit Facility (Note 4)	1,178,154	810,000	635,000
Principal payments under Revolving Credit Facility (Note 4)	(1,048,154)	(773,000)	(635,000)
Issuances of Public Notes, net of original issue discount (Note 6)	220,092	125,000	37,466
Repurchase of Public Notes (Note 6)	(153,536)	(146,464)	—
Redemptions of Convertible Notes (Note 5)	(271,258)	(234,506)	(366,433)
Issuance of Convertible Notes (Note 5)	201,250	103,500	225,000
Issuances of Prospect Capital InterNotes® (Note 7)	236,971	76,297	138,882
Redemptions of Prospect Capital InterNotes®, net (Note 7)	(290,196)	(295,867)	(67,196)
Financing costs paid	(28,725)	(12,480)	(10,012)
Dividends paid	(245,096)	(255,911)	(333,623)
Net Cash Used in Financing Activities	(200,498)	(603,431)	(375,916)
Net Increase (Decrease) in Cash	23,340	(234,325)	285
Cash at beginning of year	83,758	318,083	317,798
Cash at End of year	$ 107,098	$ 83,758	$ 318,083
Supplemental Disclosures			
Cash paid for interest	$ 145,364	$ 147,639	$ 153,740
Non-Cash Financing Activities			
Value of shares issued through reinvestment of dividends	$ 18,365	$ 29,456	$ 25,116
Cost basis of investments written off as worthless	$ 371	$ 20,316	$ 86,605

See notes to consolidated financial statements.

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

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(47)							
CP Energy Services Inc.(20)	Energy Equipment & Services	Senior Secured Term Loan (13.60% (LIBOR + 11.00% with 1.00% LIBOR floor), due 12/29/2022)(11)	12/29/2017	$ 35,048	$ 35,048	$ 35,048	1.1%
		Senior Secured Term Loan A to Spartan Energy Services, LLC (10.44% (LIBOR + 8.00% with 1.00% LIBOR floor), due 12/2/2019)(13)	10/20/2014	13,156	13,156	13,156	0.4%
		Senior Secured Term Loan B to Spartan Energy Services, LLC (16.44% PIK (LIBOR + 14.00% with 1.00% LIBOR floor), due 12/2/2019)(13)(46)	10/20/2014	21,243	21,243	21,243	0.6%
		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	6,259	0.2%
					213,875	**138,931**	**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	55,899	52,579	55,899	1.7%
		Class A Units (10,640,642 units)(14)(16)	6/24/2014		13,731	15,518	0.5%
		Net Revenues Interest (25% of Net Revenues)(14)(16)	1/28/2015		—	—	—%
					66,310	**71,417**	**2.2%**
Echelon Transportation, LLC	Aerospace & Defense	Senior Secured Term Loan (12.25% (LIBOR + 9.75% with 2.00% LIBOR floor) plus 2.25% PIK, due 3/31/2022)(13)(46)	3/31/2014	36,778	36,778	36,778	1.1%
		Senior Secured Term Loan (11.50% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 1.00% PIK, due 12/7/2024)(13)(46)	12/9/2016	18,063	18,063	18,063	0.5%
		Membership Interest (100%)(16)	3/31/2014		22,738	34,860	1.1%
					77,579	**89,701**	**2.7%**
First Tower Finance Company LLC(23)	Consumer Finance	Subordinated Term Loan to First Tower, LLC (10.00% plus 10.50% PIK, due 6/24/2024)(14)(46)	6/24/2014	277,411	277,411	277,411	8.4%
		Class A Units (95,709,910 units)(14)(16)	6/24/2014		81,146	216,625	6.6%
					358,557	**494,036**	**15.0%**
Freedom Marine Solutions, LLC(24)	Energy Equipment & Services	Membership Interest (100%)(16)	10/1/2009		43,892	14,920	0.5%
					43,892	**14,920**	**0.5%**
InterDent, Inc. (52)	Health Care Providers & Services	Senior Secured Term Loan A/B (2.66% (LIBOR + 0.25% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/1/2018	14,000	14,000	14,000	0.4%
		Senior Secured Term Loan A (7.91% (LIBOR + 5.50% with 0.75% LIBOR floor), due 9/5/2020)(13)	8/3/2012	77,994	77,994	77,994	2.4%
		Senior Secured Term Loan B (16.00% PIK, due 9/5/2020)(46)	8/3/2012	116,111	116,111	116,111	3.5%
		Senior Secured Term Loan C (18.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	3/22/2018	40,873	35,766	16,771	0.5%
		Senior Secured Term Loan D (1.00% PIK, in non-accrual status effective 10/1/2018, due 9/5/2020)	9/19/2018	5,039	5,001	—	—%
		Common Stock (99,900 shares)(16)	5/3/2019		1	—	—%
					248,873	**224,876**	**6.8%**

See notes to consolidated financial statements.

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
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 6/30/2020)(3)(11)(46)	6/23/2014	29,586	29,586	20,652	0.6%
		Subordinated Unsecured Note to Broda Enterprises ULC (10.00%, due 1/1/2028)(14)	9/19/2013	5,635	6,915	—	—%
		Common Stock (42,053 shares)(16)	9/19/2013		6,849	—	—%
					69,600	**46,902**	**1.4%**
National Property REIT Corp. (26)	Equity Real Estate Investment Trusts (REITs) / Online Lending	Senior Secured Term Loan A (6.50% (LIBOR + 3.50% with 3.00% LIBOR floor) plus 5.00% PIK, due 12/31/2023)(11)(46)	12/31/2018	433,553	433,553	433,553	13.1%
		Senior Secured Term Loan B (5.00% (LIBOR + 2.00% with 3.00% LIBOR floor) plus 5.50% PIK, due 12/31/2023)(11)(46)	12/31/2018	172,000	172,000	172,000	5.2%
		Residual Profit Interest (25% of Residual Profit)	12/31/2018		—	96,609	2.9%
		Common Stock (3,110,101 shares)	12/31/2018		163836	302,303	9.2%
					769,389	**1,004,465**	**30.4%**
Nationwide Loan Company LLC(27)	Consumer Finance	Senior Subordinated Term Loan to Nationwide Acceptance LLC (10.00% plus 10.00% PIK, due 6/18/2020)(14)(46)	6/18/2014	18,616	18,616	18,616	0.6%
		Class A Units (32,456,159 units)(14)	1/31/2013		21,962	14,359	0.4%
					40,578	**32,975**	**1.0%**
NMMB, Inc.(28)	Media	Senior Secured Note (14.00%, due 5/6/2021)(3)	5/6/2011	3,114	3,114	3,114	0.1%
		Series A Preferred Stock (7,200 shares)(16)	12/12/2013		7,200	11,788	0.3%
		Series B Preferred Stock (5,669 shares)(16)	12/12/2013		5,669	9,281	0.3%
					15,983	**24,183**	**0.7%**
Pacific World Corporation(40)	Personal Products	Revolving Line of Credit – $26,000 Commitment (9.66% (LIBOR + 7.25% with 1.00% LIBOR floor), due 9/26/2020)(13)(15)	9/26/2014	20,825	20,469	20,825	0.6%
		Senior Secured Term Loan A (7.66% PIK (LIBOR + 5.25% with 1.00% LIBOR floor), in non-accrual status effective 10/24/2018, due 9/26/2020)(13)	12/31/2014	101,186	96,000	91,602	2.8%
		Senior Secured Term Loan B (11.66% 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	110,116	96,500	—	—%
		Convertible Preferred Equity (166,666 shares)(16)	6/15/2018		25,000	—	—%
		Common Stock (6,778,414 shares)(16)	9/29/2017		—	—	—%
					237,969	**112,427**	**3.4%**
R-V Industries, Inc.	Machinery	Senior Subordinated Note (11.32% (LIBOR + 9.00% with 1.00% LIBOR floor), due 3/31/2022)(3)(11)	6/12/2013	28,622	28,622	28,622	0.9%
		Common Stock (745,107 shares)(16)	6/26/2007		6,866	5,002	0.1%
					35,488	**33,624**	**1.0%**

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

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
LEVEL 3 PORTFOLIO INVESTMENTS							
Control Investments (greater than 25.00% voting control)(47)							
Universal Turbine Parts, LLC(54)	Trading Companies & Distributors	Delayed Draw Term Loan – $5,000 Commitment (10.25% (LIBOR + 7.75% with 2.50% LIBOR floor), due 9/30/2020)(13)(15)	2/28/2019	$ —	$ —	$ —	—%
		Senior Secured Term Loan A (8.36% (LIBOR + 5.75% with 1.00% LIBOR floor), due 7/22/2021)(11)	7/22/2016	30,713	30,713	28,043	0.8%
		Senior Secured Term Loan B (14.36% PIK (LIBOR + 11.75% with 1.00% LIBOR floor), in non-accrual status effective 7/1/2018, due 7/22/2021)(11)	7/22/2016	36,144	32,500	—	—%
		Common Stock (10,000 units)(16)	12/10/2018		—	—	—%
					63,213	**28,043**	**0.8%**
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	44,134	35,101	15,725	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	55,955	35,568	—	—%
		Common Stock (268,962 shares)(16)	6/15/2016		—	—	—%
					70,669	**15,725**	**0.5%**
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	33,301	33,301	33,301	1.0%
		Consolidated Revenue Interest (2.0%)(38)	6/22/2018		—	3,032	0.1%
		Common Stock (50,000 shares)	12/31/2012		26,204	96,922	2.9%
					69,935	**143,685**	**4.3%**
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		3,896	—	—%
		Net Profits Interest (8% of Equity Distributions)(4)(16)	4/15/2013		—	14	—%
					3,896	**14**	**—%**
				Total Control Investments (Level 3)	**$ 2,385,806**	**$ 2,475,924**	**74.9%**

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(53)	June 30, 2019			
				Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
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. – $7,834 Commitment (5.00% PIK, due 12/9/2021)(15)(46)	6/9/2015	$ 8,159	$ 8,159	$ 8,159	0.2%
		Unsecured Senior PIK Note (8.50% PIK, due 12/9/2021)(46)	6/9/2015	8,189	8,189	8,189	0.2%
		Unsecured Junior PIK Note (10.00% PIK, in non-accrual status effective 1/1/2017, due 12/9/2021)	6/9/2015	38,936	23,829	24,869	0.8%
		Class A Units (370,964 units)(16)	6/9/2015		6,577	—	—%
					46,754	**41,217**	**1.2%**
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)	5/24/2011		3,771	16,599	0.5%
					3,771	**16,599**	**0.5%**
United Sporting Companies, Inc.(18)	Distributors	Second Lien Term Loan (13.40% (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	168,052	127,091	18,866	0.6%
		Common Stock (218,941 shares)(16)	5/2/2017		—	—	—%
					127,091	**18,866**	**0.6%**
				Total Affiliate Investments (Level 3)	**$ 177,616**	**$ 76,682**	**2.3%**

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(53)	June 30, 2019 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)							
8TH Avenue Food & Provisions, Inc.	Food Products	Second Lien Term Loan (10.17% (LIBOR + 7.75%), due 10/1/2026)(3)(8)(13)	10/10/2018	$ 25,000	$ 24,829	$ 24,829	0.8%
					24,829	**24,829**	**0.8%**
ACE Cash Express, Inc.	Consumer Finance	Senior Secured Note (12.00%, due 12/15/2022)(8)(14)	12/15/2017	23,000	22,333	20,555	0.6%
					22,333	**20,555**	**0.6%**
AgaMatrix, Inc.	Health Care Equipment & Supplies	Senior Secured Term Loan (11.33% (LIBOR + 9.00% with 1.25% LIBOR floor), due 9/29/2022)(3)(11)	9/29/2017	33,673	33,673	34,010	1.0%
					33,673	**34,010**	**1.0%**
AmeriLife Group, LLC	Insurance	Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 6/11/2027(8)(13)	6/24/2019	10,000	10,000	10,000	0.3%
					10,000	**10,000**	**0.3%**
Apidos CLO IX	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 7/15/2023)(5)(14)(17)	7/11/2012	23,525	21	26	—%
					21	**26**	**—%**
Apidos CLO XI	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.96%, due 10/17/2028)(5)(14)	1/17/2013	40,500	33,572	27,982	0.8%
					33,572	**27,982**	**0.8%**
Apidos CLO XII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.45%, due 4/15/2031)(5)(14)	4/18/2013	52,203	36,307	29,123	0.9%
					36,307	**29,123**	**0.9%**
Apidos CLO XV	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.77%, due 4/21/2031)(5)(14)	10/16/2013	48,515	37,777	29,018	0.9%
					37,777	**29,018**	**0.9%**
Apidos CLO XXII	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.95%, due 10/20/2027)(5)(6)(14)	10/14/2015	31,350	28,691	24,948	0.8%
					28,691	**24,948**	**0.8%**
Ark-La-Tex Wireline Services, LLC	Energy Equipment & Services	Escrow Receivable	4/8/2014		—	—	—%
					—	**—**	**—%**
Atlantis Health Care Group (Puerto Rico), Inc.	Health Care Providers & Services	Revolving Line of Credit – $6,000 Commitment (11.34% (LIBOR + 8.75% with 2.00% LIBOR floor), due 2/21/2020)(11)(15)	2/21/2013	4,000	4,000	3,955	0.1%
		Senior Term Loan (11.34% (LIBOR + 8.75% with 2.00% LIBOR floor), due 2/21/2020)(3)(11)	2/21/2013	74,327	74,327	73,495	2.2%
					78,327	**77,450**	**2.3%**
Barings CLO 2018-III	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.58%, due 7/20/2029)(5)(6)(14)	6/14/2018	83,098	51,040	39,031	1.2%
					51,040	**39,031**	**1.2%**
Broder Bros., Co.	Textiles, Apparel & Luxury Goods	Senior Secured Note (10.83% (LIBOR + 8.50% with 1.25% LIBOR floor), due 12/02/2022)(3)(11)	12/4/2017	190,678	190,678	189,725	5.7%
					190,678	**189,725**	**5.7%**
Brookside Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 8.36%, due 1/17/2028)(5)(14)	5/23/2013	36,300	18,560	13,611	0.4%
					18,560	**13,611**	**0.4%**
California Street CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.96%, due 10/16/2028)(5)(14)	5/8/2012	58,915	41,808	34,672	1.0%
					41,808	**34,672**	**1.0%**

See notes to consolidated financial statements.

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 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)							
Candle-Lite Company, LLC	Household Products	Senior Secured Term Loan A (8.03% (LIBOR + 5.50% with 1.25% LIBOR floor), due 1/23/2023)(3)(11)	1/23/2018	$ 12,188	$ 12,188	$ 12,188	0.4%
		Senior Secured Term Loan B (12.03% (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%
					24,688	**24,688**	**0.8%**
Capstone Logistics Acquisition, Inc.	Commercial Services & Supplies	Second Lien Term Loan (10.65% (LIBOR + 8.25% with 1.00% LIBOR floor), due 10/7/2022)(3)(8)(13)	10/7/2014	98,982	98,705	98,982	3.0%
					98,705	**98,982**	**3.0%**
Carlyle C17 CLO Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 20.73%, due 4/30/2031)(5)(14)	5/10/2018	24,870	14,748	12,920	0.4%
					14,748	**12,920**	**0.4%**
Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 21.84%, due 7/15/2030)(5)(6)(14)	6/29/2018	25,534	17,282	18,293	0.6%
					17,282	**18,293**	**0.6%**
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.47%, due 10/20/2029)(5)(6)(14)	9/13/2016	32,200	33,812	27,918	0.8%
					33,812	**27,918**	**0.8%**
CCPI Inc.(19)	Electronic Equipment, Instruments & Components	Escrow Receivable	2/28/2019	—	—	2,239	0.1%
					—	**2,239**	**0.1%**
CCS-CMGC Holdings, Inc.	Health Care Providers & Services	First Lien Term Loan (7.90% (LIBOR + 5.50%), due 10/1/2025)(3)(8)(13)	5/23/2019	4,987	4,865	4,865	0.2%
		Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 10/1/2026)(3)(8)(13)	10/12/2018	35,000	34,362	34,362	1.0%
					39,227	**39,227**	**1.2%**
Cent CLO 21 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.77%, due 7/27/2030)(5)(6)(14)	6/18/2014	49,552	38,392	29,335	0.9%
					38,392	**29,335**	**0.9%**
Cent CLO 21 Limited	Structured Finance	Rated Secured Structured Note - Class E (11.23% (LIBOR + 8.65%), due 7/27/2030)(6)(11)(14)(37)	7/27/2018	10,591	9,997	10,569	0.3%
					9,997	**10,569**	**0.3%**
Centerfield Media Holding Company(35)	IT Services	Senior Secured Term Loan A (9.60% (LIBOR + 7.00% with 2.00% LIBOR floor), due 1/17/2022)(3)(11)	1/17/2017	73,474	73,474	73,474	2.2%
		Senior Secured Term Loan B (15.10% (LIBOR + 12.50% with 2.00% LIBOR floor), due 1/17/2022)(11)	1/17/2017	78,100	78,100	78,100	2.4%
					151,574	**151,574**	**4.6%**
CIFC Funding 2013-III-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.98%, due 4/24/2031)(5)(14)	4/5/2018	44,100	29,748	25,748	0.8%
					29,748	**25,748**	**0.8%**
CIFC Funding 2013-IV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.76%, due 4/28/2031)(5)(6)(14)	11/14/2013	45,500	32,654	28,569	0.9%
					32,654	**28,569**	**0.9%**

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019			
				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-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.92%, due 10/17/2030)(5)(6)(14)	9/3/2014	$ 44,467	$ 30,860	$ 24,709	0.7%
					30,860	**24,709**	**0.7%**
CIFC Funding 2014-V, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.09% (LIBOR + 8.50%), due 10/17/2031)(6)(11)(14)(37)	9/27/2018	10,250	9,958	10,248	0.3%
					9,958	**10,248**	**0.3%**
CIFC Funding 2016-I, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.63%, due 10/21/2028)(5)(6)(14)	12/21/2016	34,000	31,333	29,989	0.9%
					31,333	**29,989**	**0.9%**
Cinedigm DC Holdings, LLC	Entertainment	Senior Secured Term Loan (11.53% (LIBOR + 9.00% with 2.00% LIBOR floor) plus 2.50% PIK, due 3/31/2021)(11)(46)	2/28/2013	16,178	16,128	16,178	0.5%
					16,128	**16,178**	**0.5%**
Class Valuation, LLC (f/k/a Class Appraisal, LLC)	Real Estate Management & Development	Revolving Line of Credit – $1,500 Commitment (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/12/2020)(11)(15)	3/12/2018	—	—	—	—%
		Senior Secured Term Loan (10.58% (LIBOR + 8.25% with 1.50% LIBOR floor), due 3/10/2023)(3)(11)	3/12/2018	38,852	38,852	38,852	1.2%
					38,852	**38,852**	**1.2%**
Columbia Cent CLO 27 Limited	Structured Finance	Rated Secured Structured Note - Class E (10.87% (LIBOR + 8.29%), due 10/25/2028)(11)(14)(37)	10/25/2018	7,450	7,235	7,436	0.2%
					7,235	**7,436**	**0.2%**
Columbia Cent CLO 27 Limited	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.18%, due 10/25/2028)(5)(14)	1/15/2014	40,275	22,206	23,808	0.7%
					22,206	**23,808**	**0.7%**
Coverall North America, Inc.	Commercial Services & Supplies	Senior Secured Term Loan A (8.60% (LIBOR + 6.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	8,475	8,475	8,475	0.3%
		Senior Secured Term Loan B (13.60% (LIBOR + 11.00% with 1.00% LIBOR floor), due 11/02/2020)(3)(11)	11/2/2015	23,375	23,375	23,375	0.7%
					31,850	**31,850**	**1.0%**
CP VI Bella Midco	IT Services	Second Lien Term Loan (9.15% (LIBOR + 6.75%), due 12/29/2025)(3)(8)(13)	12/28/2017	15,750	15,703	15,703	0.5%
					15,703	**15,703**	**0.5%**
Digital Room, LLC	Commercial Services & Supplies	First Lien Term Loan (7.40% (LIBOR + 5.00%), due 5/21/2026)(3)(8)(13)	5/29/2019	10,000	9,852	10,000	0.3%
		Second Lien Term Loan (11.40% (LIBOR + 9.00%), due 5/21/2027)(3)(8)(13)	5/30/2019	70,000	70,000	70,000	2.1%
					79,852	**80,000**	**2.4%**
Dunn Paper, Inc.	Paper & Forest Products	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 8/26/2023)(3)(8)(13)	10/7/2016	11,500	11,361	11,500	0.3%
					11,361	**11,500**	**0.3%**
Dynatrace, LLC	Software	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 8/23/2026)(3)(8)(13)	8/31/2018	2,735	2,729	2,735	0.1%
					2,729	**2,735**	**0.1%**
Easy Gardener Products, Inc.	Household Durables	Senior Secured Term Loan (12.60% (LIBOR + 10.00% with 0.25% LIBOR floor), due 09/30/2020)(3)(11)	10/2/2015	15,888	15,888	10,252	0.3%
					15,888	**10,252**	**0.3%**

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 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)							
Engine Group, Inc.(7)	Media	Senior Secured Term Loan (7.33% (LIBOR + 5.00% with 1.00% LIBOR floor), due 9/15/2022)(8)(11)	9/25/2017	$ 4,334	$ 4,334	$ 3,921	0.1%
		Second Lien Term Loan (11.33% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/15/2023)(3)(8)(11)	9/25/2017	35,000	35,000	30,580	0.9%
					39,334	**34,501**	**1.0%**
EXC Holdings III Corp	Technology Hardware, Storage & Peripherals	Second Lien Term Loan (10.10% (LIBOR + 7.50% with 1.00% LIBOR floor), due 12/01/2025)(3)(8)(11)	12/5/2017	12,500	12,400	12,400	0.4%
					12,400	**12,400**	**0.4%**
Galaxy XV CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.11%, due 10/15/2030)(5)(14)	3/14/2013	50,525	36,037	28,398	0.9%
					36,037	**28,398**	**0.9%**
Galaxy XXVII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 9.63%, due 5/16/2031)(5)(14)	4/17/2018	24,575	16,644	12,275	0.4%
					16,644	**12,275**	**0.4%**
Galaxy XXVIII CLO, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.08% (LIBOR + 8.48%), due 7/15/2031)(6)(11)(14)(37)	7/16/2018	6,658	6,188	6,648	0.2%
					6,188	**6,648**	**0.2%**
Galaxy XXVIII CLO, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.33%, due 7/15/2031)(5)(6)(14)	6/27/2014	39,905	29,850	19,976	0.6%
					29,850	**19,976**	**0.6%**
Global Tel*Link Corporation	Diversified Telecommunication Services	Second Lien Term Loan (10.65% (LIBOR + 8.25%), due 11/29/2026)(3)(8)(13)	12/4/2018	26,750	26,311	26,311	0.8%
					26,311	**26,311**	**0.8%**
GlobalTranz Enterprises, Inc.	Air Freight & Logistics	Second Lien Term Loan (10.64% (LIBOR + 8.25%), due 5/15/2027)(3)(8)(13)	5/15/2019	12,500	12,500	12,233	0.4%
					12,500	**12,233**	**0.4%**
H.I.G. ECI Merger Sub, Inc.	IT Services	Senior Secured Term Loan A (8.10% (LIBOR + 5.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	44,240	44,240	44,240	1.3%
		Senior Secured Term Loan B (13.10% (LIBOR + 10.50% with 1.50% LIBOR floor), due 5/31/2023)(3)(11)	5/31/2018	29,900	29,900	28,843	0.9%
					74,140	**73,083**	**2.2%**
Halcyon Loan Advisors Funding 2012-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 8/15/2023)(5)(14)(17)	8/21/2012	23,188	3,786	—	—%
					3,786	**—**	**—%**
Halcyon Loan Advisors Funding 2013-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/15/2025)(5)(14)(17)	3/28/2013	40,400	19,984	5,563	0.2%
					19,984	**5,563**	**0.2%**
Halcyon Loan Advisors Funding 2014-1 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/18/2026)(5)(14)(17)	3/6/2014	24,500	11,822	4,243	0.1%
					11,822	**4,243**	**0.1%**

See notes to consolidated financial statements.

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 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)							
Halcyon Loan Advisors Funding 2014-2 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 4/28/2025)(5)(6)(14)(17)	4/28/2014	$ 41,164	$ 21,322	$ 3,921	0.1%
					21,322	**3,921**	**0.1%**
Halcyon Loan Advisors Funding 2015-3 Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.87%, due 10/18/2027)(5)(6)(14)	9/3/2015	39,598	32,784	27,783	0.8%
					32,784	**27,783**	**0.8%**
HALYARD MD OPCO, LLC	Media	Revolving Line of Credit – $2,000 Commitment (10.33% (LIBOR + 8.00%), due 2/6/2020)(11)(15)	8/6/2018	—	—	—	—%
		First Lien Term Loan (10.33% (LIBOR + 8.00% with 2.00% LIBOR floor), due 8/6/2023)(3)(11)	8/6/2018	11,550	11,550	11,550	0.3%
					11,550	**11,550**	**0.3%**
HarbourView CLO VII-R, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 19.31%, due 7/18/2031)(5)(6)(14)	6/10/2015	19,025	13,507	12,690	0.4%
					13,507	**12,690**	**0.4%**
Help/Systems Holdings, Inc.	Software	Second Lien Term Loan (10.08% (LIBOR + 7.75%), due 3/27/2026)(3)(8)(11)	4/17/2018	12,499	12,457	12,457	0.4%
					12,457	**12,457**	**0.4%**
Inpatient Care Management Company, LLC	Health Care Providers & Services	Senior Secured Term Loan (10.60% (LIBOR + 8.00% with 1.00% LIBOR floor), due 6/8/2021)(3)(11)	6/8/2016	19,313	19,313	19,000	0.6%
					19,313	**19,000**	**0.6%**
Janus International Group, LLC	Building Products	Second Lien Term Loan (10.15% (LIBOR + 7.75% with 1.00% LIBOR floor), due 2/12/2026)(3)(8)(13)	2/22/2018	20,000	19,842	19,842	0.6%
					19,842	**19,842**	**0.6%**
JD Power and Associates	Capital Markets	Second Lien Term Loan (10.90% (LIBOR + 8.50% with 1.00% LIBOR floor), due 9/7/2024)(3)(8)(13)	9/16/2016	25,222	25,084	25,222	0.8%
					25,084	**25,222**	**0.8%**
Jefferson Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.08%, due 10/20/2031)(5)(6)(14)	7/28/2015	23,594	18,306	12,172	0.4%
					18,306	**12,172**	**0.4%**
K&N Parent, Inc.	Auto Components	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/21/2024)(3)(8)(13)	10/20/2016	25,887	25,450	25,450	0.8%
					25,450	**25,450**	**0.8%**
Keystone Acquisition Corp. (36)	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.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 14.10%, due 7/21/2031)(5)(14)	7/11/2013	49,934	27,938	20,663	0.6%
					27,938	**20,663**	**0.6%**
Madison Park Funding IX, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 8/15/2022)(5)(14)(17)	7/18/2012	43,110	1,949	1,109	—%
					1,949	**1,109**	**—%**
Maverick Healthcare Equity, LLC	Health Care Providers & Services	Preferred Units (10.00%, 1,250,000 units)(16)	10/31/2007		—	—	—%
		Class A Common Units (1,250,000 units)(16)	10/31/2007		—	—	—%
					—	**—**	**—%**

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(53)	June 30, 2019			
				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)							
MedMark Services, Inc.(51)	Health Care Providers & Services	Second Lien Term Loan (10.77% (LIBOR + 8.25% with 1.00% LIBOR floor), due 3/1/2025)(3)(8)(13)	3/16/2018	$ 7,000	$ 6,943	$ 6,943	0.2%
					6,943	**6,943**	**0.2%**
Mobile Posse, Inc.	Media	First Lien Term Loan (10.83% (LIBOR + 8.50% with 2.00% LIBOR floor), due 4/3/2023)(3)(11)	4/3/2018	20,500	20,500	20,500	0.6%
					20,500	**20,500**	**0.6%**
Mountain View CLO 2013-I Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.70%, due 10/15/2030)(5)(14)	5/1/2013	43,650	29,166	20,919	0.6%
					29,166	**20,919**	**0.6%**
Mountain View CLO IX Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 18.79%, due 7/15/2031)(5)(6)(14)	6/25/2015	47,830	29,152	31,107	0.9%
					29,152	**31,107**	**0.9%**
MRP Holdco, Inc.	Professional Services	Senior Secured Term Loan A (7.41% (LIBOR + 5.00% with 1.50% LIBOR floor), due 4/17/2024)(3)(13)	4/17/2018	53,963	53,963	53,963	1.6%
		Senior Secured Term Loan B (11.41% (LIBOR + 9.00% with 1.50% LIBOR floor), due 4/17/2024)(13)	4/17/2018	55,000	55,000	55,000	1.7%
					108,963	**108,963**	**3.3%**
Octagon Investment Partners XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.68%, due 7/19/2030)(5)(6)(14)	2/20/2013	42,064	33,148	26,239	0.8%
					33,148	**26,239**	**0.8%**
Octagon Investment Partners 18-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.97%, due 4/16/2031)(5)(6)(14)	8/17/2015	46,016	27,307	24,629	0.7%
					27,307	**24,629**	**0.7%**
Pearl Intermediate Parent LLC	Health Care Providers & Services	Second Lien Term Loan (8.65% (LIBOR + 6.25%), due 2/15/2026)(3)(8)(13)	2/28/2018	5,000	4,979	4,979	0.2%
					4,979	**4,979**	**0.2%**
PeopleConnect Intermediate, LLC	Interactive Media & Services	Revolving Line of Credit – $1,000 Commitment (12.10% (LIBOR + 9.50% with 1.00% LIBOR floor), due 7/1/2020)(11)(15)	7/1/2015	500	500	500	—%
		Senior Secured Term Loan A (9.10% (LIBOR + 6.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	17,741	17,741	17,741	0.5%
		Senior Secured Term Loan B (15.10% (LIBOR + 12.50% with 1.00% LIBOR floor), due 7/1/2020)(3)(11)	7/1/2015	19,620	19,620	19,620	0.6%
					37,861	**37,861**	**1.1%**
PG Dental Holdings New Jersey, LLC	Health Care Providers & Services	Delayed Draw Term Loan – $5,000 Commitment (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024)(11)(15)	5/31/2019	—	—	—	—%
		Senior Secured Term Loan (10.00% (LIBOR + 7.25% with 2.75% LIBOR floor), due 5/31/2024)(3)(11)	5/31/2019	22,760	22,760	22,760	0.7%
					22,760	**22,760**	**0.7%**
PGX Holdings, Inc.	Diversified Consumer Services	Second Lien Term Loan (11.41% (LIBOR + 9.00% with 1.00% LIBOR floor), due 9/29/2021)(3)(13)	9/29/2014	100,091	100,091	100,091	3.0%
					100,091	**100,091**	**3.0%**
PlayPower, Inc.	Leisure Products	First Lien Term Loan (7.90% (LIBOR + 5.50%), due 5/10/2026)(3)(8)(13)	5/16/2019	6,500	6,436	6,436	0.2%
					6,436	**6,436**	**0.2%**

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(53)	June 30, 2019			
				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)							
Research Now Group, Inc. & Survey Sampling International LLC	Professional Services	First Lien Term Loan (8.08% (LIBOR + 5.50% with 1.00% LIBOR floor), due 12/20/2024)(3)(8)(13)	1/5/2018	$ 9,850	$ 9,440	$ 9,850	0.3%
		Second Lien Term Loan (12.08% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(3)(8)(13)	1/5/2018	50,000	47,176	49,850	1.5%
					56,616	**59,700**	**1.8%**
RGIS Services, LLC	Commercial Services & Supplies	Senior Secured Term Loan (10.08% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	4,407	4,237	3,659	0.1%
		Senior Secured Term Loan (10.02% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(11)	4/20/2017	5,021	4,828	4,169	0.1%
		Senior Secured Term Loan (9.90% (LIBOR + 7.50% with 1.00% LIBOR floor), due 3/31/2023)(3)(8)(13)	4/20/2017	10,136	9,746	8,416	0.3%
					18,811	**16,244**	**0.5%**
RME Group Holding Company	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	28,396	28,396	28,302	0.8%
		Senior Secured Term Loan B (13.33% (LIBOR + 11.00% with 1.00% LIBOR floor), due 5/4/2022)(3)(11)	5/4/2017	22,599	22,599	22,431	0.7%
					50,995	**50,733**	**1.5%**
Rocket Software, Inc.	Software	Second Lien Term Loan (10.65% (LIBOR + 8.25%), due 11/27/2026)(3)(8)(13)	12/7/2018	50,000	49,537	49,537	1.5%
					49,537	**49,537**	**1.5%**
Romark WM-R Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.39%, due 4/20/2031)(5)(6)(14)	5/15/2014	27,725	22,708	16,046	0.5%
					22,708	**16,046**	**0.5%**
Rosa Mexicano	Hotels, Restaurants & Leisure	Revolving Line of Credit – $1,000 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	27,252	27,252	27,252	0.8%
					27,252	**27,252**	**0.8%**
SCS Merger Sub, Inc.	IT Services	Second Lien Term Loan (11.90% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/30/2023)(3)(8)(13)	11/6/2015	20,000	19,679	20,000	0.6%
					19,679	**20,000**	**0.6%**
Securus Technologies Holdings, Inc.	Communications Equipment	Second Lien Term Loan (10.58% (LIBOR + 8.25% with 1.00% LIBOR floor), due 11/01/2025)(3)(8)(11)	11/3/2017	50,662	50,503	48,760	1.5%
					50,503	**48,760**	**1.5%**
SEOTownCenter, Inc.	IT Services	Senior Secured Term Loan A (9.83% (LIBOR + 7.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	26,000	26,000	26,000	0.8%
		Senior Secured Term Loan B (14.83% (LIBOR + 12.50% with 2.00% LIBOR floor), due 4/07/2023)(3)(11)	4/10/2018	19,000	19,000	19,000	0.6%
					45,000	**45,000**	**1.4%**

See notes to consolidated financial statements.

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019 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)							
SESAC Holdco II LLC	Entertainment	Second Lien Term Loan (9.65% (LIBOR + 7.25% with 1.00% LIBOR floor), due 2/23/2025)(3)(8)(13)	3/2/2017	$ 8,000	$ 7,955	$ 7,955	0.2%
					7,955	**7,955**	**0.2%**
SMG US Midco	Hotels, Restaurants & Leisure	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 1/23/2026)(3)(8)(13)	1/23/2018	7,500	7,485	7,485	0.2%
					7,485	**7,485**	**0.2%**
Sorenson Communications, LLC	Diversified Telecommunication Services	First Lien Term Loan (8.83% (LIBOR + 6.50%), due 4/29/2024(3)(11)	5/8/2019	10,000	9,923	9,923	0.3%
					9,923	**9,923**	**0.3%**
Spectrum Holdings III Corp	Health Care Equipment & Supplies	Second Lien Term Loan (9.40% (LIBOR + 7.00% with 1.00% LIBOR floor), due 1/31/2026)(3)(8)(13)	1/31/2018	7,500	7,469	7,144	0.2%
					7,469	**7,144**	**0.2%**
Strategic Materials	Household Durables	Second Lien Term Loan (10.33% (LIBOR + 7.75% with 1.00% LIBOR floor), due 11/1/2025)(3)(8)(11)	11/1/2017	7,000	6,945	5,523	0.2%
					6,945	**5,523**	**0.2%**
Stryker Energy, LLC	Energy Equipment & Services	Overriding Royalty Interests(43)	12/4/2006		—	—	—%
					—	**—**	**—%**
Sudbury Mill CLO Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 1/17/2026)(5)(14)(17)	12/5/2013	28,200	15,225	6,834	0.2%
					15,225	**6,834**	**0.2%**
Symphony CLO XIV Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 7/14/2026)(5)(6)(14)(17)	5/29/2014	49,250	31,246	18,847	0.6%
					31,246	**18,847**	**0.6%**
Symphony CLO XV, Ltd.	Structured Finance	Rated Secured Structured Note - Class F (11.28% (LIBOR + 8.68%), due 1/17/2032)(11)(14)(37)	12/24/2018	12,000	11,396	11,950	0.4%
					11,396	**11,950**	**0.4%**
Symphony CLO XV, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 11.98%, due 1/17/2032)(5)(14)	11/17/2014	63,831	44,076	22,965	0.7%
					44,076	**22,965**	**0.7%**
TGP HOLDINGS III LLC	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	2,965	2,965	0.1%
					2,965	**2,965**	**0.1%**
TouchTunes Interactive Networks, Inc.	Entertainment	Second Lien Term Loan (10.68% (LIBOR + 8.25% with 1.00% LIBOR floor), due 5/29/2022)(3)(8)(13)	5/29/2015	12,194	12,138	12,194	0.4%
					12,138	**12,194**	**0.4%**
Town & Country Holdings, Inc.	Distributors	First Lien Term Loan (10.83% (LIBOR + 8.50% with 1.50% LIBOR floor), due 1/26/2023)(3)(11)	1/26/2018	172,815	172,815	171,271	5.2%
					172,815	**171,271**	**5.2%**
Transplace Holdings, Inc.	Transportation Infrastructure	Second Lien Term Loan (11.15% (LIBOR + 8.75% with 1.00% LIBOR floor), due 10/6/2025)(3)(8)(13)	10/5/2017	28,104	27,578	28,104	0.9%
					27,578	**28,104**	**0.9%**

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

Portfolio Company	Industry	Investments(1)(44)	Acquisition Date(53)	June 30, 2019			
				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)							
Turning Point Brands, Inc.(42)	Tobacco	Second Lien Term Loan (9.40% (LIBOR + 7.00%), due 3/7/2024)(3)(8)(13)	2/17/2017	$ 14,500	$ 14,419	$ 14,500	0.4%
					14,419	**14,500**	**0.4%**
Universal Fiber Systems, LLC	Textiles, Apparel & Luxury Goods	Second Lien Term Loan (11.91% (LIBOR + 9.50% with 1.00% LIBOR floor), due 10/02/2022)(3)(8)(13)	10/2/2015	37,000	36,657	36,657	1.1%
					36,657	**36,657**	**1.1%**
USG Intermediate, LLC	Leisure Products	Revolving Line of Credit – $2,000 Commitment (11.66% (LIBOR + 9.25% with 1.00% LIBOR floor), due 8/24/2019)(13)(15)	4/15/2015	800	800	800	—%
		Senior Secured Term Loan A (9.16% (LIBOR + 6.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	6,387	6,387	6,387	0.2%
		Senior Secured Term Loan B (14.16% (LIBOR + 11.75% with 1.00% LIBOR floor), due 8/24/2022)(3)(13)	4/15/2015	19,245	19,245	19,245	0.6%
		Equity(16)	4/15/2015		1	—	—%
					26,433	**26,432**	**0.8%**
UTZ Quality Foods, LLC	Food Products	Second Lien Term Loan (9.65% (LIBOR + 7.25%), due 11/21/2025)(3)(8)(13)	11/21/2017	10,000	9,900	9,900	0.3%
					9,900	**9,900**	**0.3%**
VC GB Holdings, Inc.	Household Durables	Subordinated Secured Term Loan (10.40% (LIBOR + 8.00% with 1.00% LIBOR floor), due 2/28/2025)(3)(8)(13)	2/28/2017	3,720	3,493	3,720	0.1%
					3,493	**3,720**	**0.1%**
Venio LLC	Professional Services	Second Lien Term Loan (4.00% plus 10.10% PIK (LIBOR + 7.50% with 2.50% LIBOR floor), due 2/19/2020)(11)(46)	2/19/2014	24,382	22,519	21,515	0.7%
					22,519	**21,515**	**0.7%**
Voya CLO 2012-2, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	8/28/2012	38,070	450	516	—%
					450	**516**	**—%**
Voya CLO 2012-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	10/18/2012	46,632	—	516	—%
					—	**516**	**—%**
Voya CLO 2012-4, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 10.37%, due 10/16/2028)(5)(14)	11/29/2012	40,613	31,046	27,193	0.8%
					31,046	**27,193**	**0.8%**
Voya CLO 2014-1, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 13.21%, due 4/18/2031)(5)(6)(14)	3/13/2014	40,773	29,978	22,515	0.7%
					29,978	**22,515**	**0.7%**
Voya CLO 2016-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.29%, due 10/20/2031)(5)(6)(14)	10/27/2016	28,100	27,265	21,003	0.6%
					27,265	**21,003**	**0.6%**
Voya CLO 2017-3, Ltd.	Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.44%, due 7/20/2030)(5)(6)(14)	7/12/2017	44,885	50,244	42,872	1.3%
					50,244	**42,872**	**1.3%**

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(53)	June 30, 2019 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)							
VT Topco, Inc.	Commercial Services & Supplies	Second Lien Term Loan (9.33% (LIBOR + 7.00%), due 8/17/2026)(3)(8)(11)	8/23/2018	$ 7,000	$ 6,969	$ 6,969	0.2%
					6,969	**6,969**	**0.2%**
Wink Holdco, Inc.	Insurance	Second Lien Term Loan (9.16% (LIBOR + 6.75% with 1.00% LIBOR floor), due 12/1/2025)(3)(8)(13)	12/1/2017	3,000	2,988	2,988	0.1%
					2,988	**2,988**	**0.1%**
		Total Non-Control/Non-Affiliate Investments (Level 3)			**$ 3,368,880**	**$ 3,100,947**	**93.8%**
		Total Portfolio Investments (Level 3)			**$ 5,932,302**	**$ 5,653,553**	**171.0%**

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 Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
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%, 790 shares)(16)	10/30/2015		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%**
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%**
InterDent, Inc.(52)	California / Health Care Providers & Services	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%
		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	131,558	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%**

See notes to consolidated financial statements.

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018 Principal Value	Amortized Cost	Fair Value(2)	% of Net Assets
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%
					39,372	**33,853**	**1.0%**
NMMB, Inc.(28)	New York / Media	Senior Secured Note (14.00%, due 5/6/2021)(3)	5/6/2011	3,714	3,714	3,714	0.1%
		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%**
Pacific World Corporation(40)	California / Personal Products	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%
		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%**
R-V Industries, Inc.	Pennsylvania / Machinery	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%
		Common Stock (745,107 shares)(16)	6/26/2007		6,866	3,264	0.1%
					35,488	**31,886**	**0.9%**

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	Amortized Cost	Fair Value(2)	% of Net Assets
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		—	—	—%
					67,169	**16,319**	**0.5%**
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		—	—	—%
		Common Stock (50,000 shares)(16)	12/31/2012		26,204	12,586	0.4%
					64,415	**50,797**	**1.5%**
Wolf Energy, LLC(32)	Kansas / Energy Equipment & Services	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	—%
					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)							
Edmentum Ultimate Holdings, LLC(22)	Minnesota / Diversified Consumer Services	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%
		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 Cayman HoldCo Limited(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%**

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Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018 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)							
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 Structured Note (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 Structured Note (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 Structured Note (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 Structured Note (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 Structured Note (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**	**—%**
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%**

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Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018 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)							
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 Structured Note (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 Structured Note (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	Subordinated Structured Note (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)	1/23/2018	12,438	12,438	12,438	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%
					24,938	**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	101,030	100,669	100,136	2.9%
					100,669	**100,136**	**2.9%**
Carlyle Global Market Strategies CLO 2014-4-R, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 20.73%, due 7/15/2030)(5)(6)(14)	6/29/2018	25,534	17,832	18,807	0.6%
					17,832	**18,807**	**0.6%**
Carlyle Global Market Strategies CLO 2016-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 18.00%, due 10/20/2029)(5)(6)(14)	9/13/2016	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 Structured Note (Residual Interest, current yield 18.34%, due 4/30/2031)(5)(14)	5/10/2018	24,870	15,140	15,196	0.4%
					15,140	**15,196**	**0.4%**
Cent CLO 20 Limited	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 15.40%, due 1/25/2026)(5)(14)	1/15/2014	40,275	31,692	28,269	0.8%
					31,692	**28,269**	**0.8%**
Cent CLO 21 Limited	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 17.56%, due 7/27/2026)(5)(6)(14)	6/18/2014	48,528	36,311	33,703	1.0%
					36,311	**33,703**	**1.0%**

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Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018			
				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)							
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 Structured Note (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 Structured Note (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	Subordinated Structured Note (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	Subordinated Structured Note (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), due 3/12/2020)(11)(15)	3/12/2018	—	—	—	—%
		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	1.2%
					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	0.6%
		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	0.7%
					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	0.1%
					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%**

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Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018 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)							
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%**
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 Structured Note (Residual Interest, current yield 12.42%, due 10/15/2030)(5)(14)	3/14/2013	50,525	34,853	30,457	0.9%
					34,853	**30,457**	**0.9%**
Galaxy XXVII CLO, Ltd. (f/k/a Galaxy XVI CLO, Ltd.)	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual 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 / Structured Finance	Subordinated Structured Note (Residual 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 / Structured Finance	Rated Secured Structured Note - Class F (LIBOR + 8.48%, due 7/15/2031)(6)(11)(14)(37)	7/16/2018	6,658	6,159	6,159	0.2%
					6,159	**6,159**	**0.2%**

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				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)							
H.I.G. ECI Merger Sub, Inc.	Massachusetts / IT Services	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	$ —	$ —	$ —	—%
		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%**
Halcyon Loan Advisors Funding 2012-1 Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (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 Structured Note (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 Structured Note (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 Structured Note (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 Structured Note (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 Structured Note (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%
					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%**

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Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018			
				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)							
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 Structured Note (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%**
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	Subordinated Structured Note (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 Structured Note (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 Structured Note (Residual Interest, current yield 13.66%, due 10/15/2030)(5)(14)	5/1/2013	43,650	28,357	23,267	0.7%
					28,357	**23,267**	**0.7%**
Mountain View CLO IX Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (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%**

See notes to consolidated financial statements.

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018			
				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)							
Octagon Investment Partners XV, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (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	Subordinated Structured Note (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%**
PeopleConnect Intermediate, LLC (f/k/a Intelius, Inc.)	Washington / Internet Software & Services	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	500	—%
		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	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	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	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	12,000	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	12,335	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	11,000	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	9,608	0.3%
		Second Lien Term Loan (11.82% (LIBOR + 9.50% with 1.00% LIBOR floor), due 12/20/2025)(8)(11)	1/5/2018	50,000	46,738	47,382	1.4%
					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	15,173	15,113	14,339	0.4%
					15,113	**14,339**	**0.4%**

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			
				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)							
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	$ 35,146	$ 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	24,349	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	49,219	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 Structured Note (Residual Interest, current yield 12.41%, due 4/20/2031)(5)(6)(14)	5/15/2014	27,724	21,494	17,961	0.5%
					21,494	**17,961**	**0.5%**
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	29,813	0.9%
					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	20,000	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	40,000	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	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	17,000	0.5%
					42,000	**42,000**	**1.2%**
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	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	30	17	—%
					30	**17**	**—%**
SMG US Midco	Pennsylvania / Hotels, Restaurants & Leisure	Second Lien Term Loan (9.09% (LIBOR + 7.00%, due 1/23/2026)(8)(13)	1/23/2018	7,500	7,482	7,482	0.2%
					7,482	**7,482**	**0.2%**

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 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)							
Spartan Energy Services, LLC	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	$ 13,156	$ 12,528	$ 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	18,237	16,838	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	7,500	7,464	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	7,000	6,936	6,936	0.2%
					6,936	**6,936**	**0.2%**
Stryker Energy, LLC	Louisiana / Energy Equipment & Services	Overriding Royalty Interests (43)	12/4/2006		—	—	—%
					—	**—**	**—%**
Sudbury Mill CLO Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (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 Structured Note (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 Structured Note (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%**

See notes to consolidated financial statements.

Portfolio Company	Locale / Industry	Investments(1)(45)	Acquisition Date(53)	June 30, 2018 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)							
United Sporting Companies, Inc.(18)	South Carolina / Distributors	Second Lien Term Loan (13.09% (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)(46)	9/28/2012	$ 149,126	$ 127,091	$ 58,806	1.7%
		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%**
USG Intermediate, LLC	Texas / Leisure Products	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%
		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	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	8/28/2012	38,070	450	595	—%
					450	**595**	**—%**
Voya CLO 2012-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 0.00%, due 10/15/2022)(5)(14)(17)	10/18/2012	46,632	—	585	—%
					—	**585**	**—%**
Voya CLO 2012-4, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 11.96%, due 10/16/2028)(5)(14)	11/29/2012	40,613	30,893	28,264	0.8%
					30,893	**28,264**	**0.8%**
Voya CLO 2014-1, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 16.47%, due 4/18/2031)(5)(6)(14)	3/13/2014	40,773	28,205	26,931	0.8%
					28,205	**26,931**	**0.8%**

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 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)							
Voya CLO 2016-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.68%, due 10/18/2027)(5)(6)(14)	10/27/2016	$ 28,100	$ 27,180	$ 22,912	0.7%
					27,180	**22,912**	**0.7%**
Voya CLO 2017-3, Ltd.	Cayman Islands / Structured Finance	Subordinated Structured Note (Residual Interest, current yield 12.26%, due 7/20/2030)(5)(6)(14)	7/12/2017	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 12/1/2025)(8)(13)	12/1/2017	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.

Endnote Explanations as of June 30, 2019 and June 30, 2018

(1) 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.

(2) Fair value is determined by or under the direction of our Board of Directors. As of June 30, 2019 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.

(3) 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 June 30, 2019 and June 30, 2018 were $1,636,067 and $1,307,955, respectively, representing 28.9% and 22.8% of our total investments, respectively.

(4) 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.

(5) This investment is in the equity class of the collateralized loan obligation ("CLO") security, which is referred to as "Subordinated Structured Note," or "SSN". The SSN 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.

(6) Co-investment with another fund managed by an affiliate of our investment adviser, Prospect Capital Management L.P. See Note 13 for further discussion.

(7) Engine Group. Inc., Clearstream TV, Inc., and ORC International, Inc., are joint borrowers on the senior secured and the second lien term loans.

(8) Syndicated investment which was originated by a financial institution and broadly distributed.

(9) Autodata, Inc. and Autodata Solutions, Inc. are joint borrowers.

(10) The interest rate on these investments is subject to the base rate of 6-Month LIBOR, which was 2.20% and 2.50% at June 30, 2019 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on June 30, 2019 and June 30, 2018.

(11) The interest rate on these investments is subject to the base rate of 3-Month LIBOR, which was 2.32% and 2.34% at June 30, 2019 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on June 30, 2019 and June 30, 2018.

(12) The interest rate on these investments is subject to the base rate of 2-Month LIBOR, which was 2.33% and 2.17% at June 30, 2019 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on June 30, 2019 and June 30, 2018.

(13) The interest rate on these investments is subject to the base rate of 1-Month LIBOR, which was 2.40% and 2.09% at June 30, 2019 and June 30, 2018, respectively. The current base rate for each investment may be different from the reference rate on June 30, 2019 and June 30, 2018.

(14) 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 June 30, 2019 and June 30, 2018, our qualifying assets as a percentage of total assets, stood at 73.85% and 73.20%, respectively. We monitor the status of these assets on an ongoing basis.

(15) Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2019 and June 30, 2018, we had $23,375 and $29,675, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(16) Represents non-income producing security that has not paid a dividend in the year preceding the reporting date.

(17) 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 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. If an investment has been impaired upon being called, any future distributions will be recorded as a return of capital. To the extent that the impaired cost basis of the SSN is fully recovered, any future distributions will be recorded as realized gains.

(18) 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 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 of 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 beginning the period ended September 30, 2018. In June, 2019, USC filed for Chapter 11 bankruptcy and began liquidating its remaining assets.

(19) CCPI Holdings Inc., a consolidated entity in which we own 100% of the common stock, held 94.59% of CCPI Inc. ("CCPI"), the operating company, as of June 30, 2018. On March 1, 2019, we sold our 94.59% common equity interest in CCPI, Inc. for $18,865 in net proceeds. Concurrently, CCPI Inc. fully repaid the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of $12,105 on the sale of our equity position in CCPI, Inc. In connection with the sale, there is $2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.

(20) 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 June 30, 2019 and June 30, 2018. CP Energy owns 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 April 6, 2018, Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Energy Holdings, Inc. ("Spartan Holdings"), which owns 100% of Spartan Energy Services, LLC ("Spartan"), a portfolio company of Prospect with $34,399 in senior secured term loans (the "Spartan Term Loans") due to us as of June 30, 2019. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrower and guarantor to Prospect for the Spartan Term Loans (See Note 14).

(21) Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a consolidated entity in which we own 100% of the membership interests, owns 98.41% of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC ("Credit Central")) as of June 30, 2019 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.

(22) 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 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 from 37.1% to the current 11.51%, and the investment was transferred from control to affiliate investment classification during the year ended June 30, 2018.

(23) First Tower Holdings of Delaware LLC, a consolidated entity in which we own 100% of the membership 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 June 30, 2019 and June 30, 2018. We report First Tower Finance as a separate controlled company.

(24) Energy Solutions Holdings Inc., a consolidated entity in which we own 100% of the equity, owns 100% of 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.

(25) As of June 30, 2018, 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"). Effective March 13, 2019, MITY Delaware's equity ownership of MITY increased to 100%. 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.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

As of June 30, 2018, MITY Delaware has a subordinated unsecured note issued and outstanding to Broda Canada (the "Broda Note") that is denominated in Canadian Dollars ("CAD"). In December 2018, MITY Delaware assigned the Broda Note to Prospect. As of June 30, 2019 and June 30, 2018, the principal balance of this note was CAD 7,371. In accordance with ASC 830, *Foreign Currency 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 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to its shareholder.

(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 period from July 1, 2018 to December 27, 2018, we received partial repayments of $21,181 for our loans previously outstanding with NPRC and its wholly-owned subsidiaries and $15,000 as a return of capital on our equity investment. Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note ("New TLA") in the aggregate principal amount of $433,553 and a New Term Loan B Secured Note ("New TLB") in the aggregate principal amount of $205,000. Under the new agreement, our profit interest is revised to an amount equal to 25% of NPRC's quarterly residual profit. NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of $140,351 were returned to us as a return of capital, reducing our equity investment in NPRC. We received structuring fees of $12,771 as a result of the amendment.

(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 June 30, 2019 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 94.10% and 91.52% of the fully diluted equity of NMMB, Inc. ("NMMB") as of June 30, 2019 and June 30, 2018, respectively. 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. On June 28, 2017, Gulf Coast was renamed to SB Forging Company II, Inc. In June 2018, SB Forging Company II, Inc. received escrow proceeds of $2,050 related to the sale. The escrow proceeds and $154 of excess cash held at SB Forging Company II, Inc. were subsequently distributed and in connection with the liquidation of our investment, we recorded a realized gain of $2,204 in our *Consolidated Statement of Operations* during the year ended June 30, 2019.

(30) Prospect owns 99.96% of the equity of USES Corp. as of June 30, 2019 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.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(33) Prospect owns 9.67% and 16.04% of the equity in Targus Cayman HoldCo Limited ("Targus"), the parent company of Targus International LLC ("Targus International") as of June 30, 2019 and June 30, 2018, respectively. On September 25, 2017, Prospect exchanged $1,600 of Senior Secured Term Loan A and $4,799 of Senior Secured Term Loan B investments in Targus International into 6,120,658 of common shares of Targus, and recorded a realized gain of $846, as a result of this transaction.

(34) We own 99.9999% of AGC/PEP, LLC ("AGC/PEP") as of June 30, 2018. 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 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. On December 7, 2018, AGC/PEP sold all 131 shares back to AGC. As a result of the transaction, Prospect recorded a realized gain of $24 in our *Consolidated Statement of Operations* during the year ended June 30, 2019.

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

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

(37) This investment is in the debt class of the CLO security, which is referred to as "Rated Secured Structured Note", or "RSSN". At June 30, 2018, the all-in interest rate of the Galaxy XXVIII CLO, Ltd. RSSN was not yet determined, as the investment was unsettled.

(38) The consolidated revenue interest is equal to the lesser of (i) 2.0% of consolidated revenue for the twelve-month 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).

(39) As of June 30, 2019 and June 30, 2018, Prospect owns 8.57% of the equity in Encinitas Watches Holdco, 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.

(40) On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder 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 beginning the year ended June 30, 2018.

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

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

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

(44) The following shows the composition of our investment portfolio at cost by control designation, investment type, and by industry as of June 30, 2019:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Control Investments							
Aerospace & Defense	$ 54,841	$ —	$ —	$ —	$ —	$ 22,738	$ 77,579
Commercial Services & Supplies	126,505	—	—	—	6,915	6,849	140,269
Construction & Engineering	43,731	—	—	—	—	26,204	69,935
Consumer Finance	—	348,606	—	—	—	116,839	465,445
Energy Equipment & Services	69,447	—	—	—	—	192,216	261,663
Equity Real Estate Investment Trusts (REITs)	433,553	—	—	—	—	62,887	496,440

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

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Health Care Providers & Services	$ 248,872	$ —	$ —	$ —	$ —	$ 1	$ 248,873
Machinery	—	28,622	—	—	—	6,866	35,488
Media	3,114	—	—	—	—	12,869	15,983
Online Lending	172,000	—	—	—	—	100,949	272,949
Personal Products	212,969	—	—	—	—	25,000	237,969
Trading Companies & Distributors	63,213	—	—	—	—	—	63,213
Total Control Investments	$ 1,428,245	$ 377,228	$ —	$ —	$ 6,915	$ 573,418	$ 2,385,806
Affiliate Investments							
Distributors	$ —	$ 127,091	$ —	$ —	$ —	$ —	$ 127,091
Diversified Consumer Services	—	8,159	—	—	32,018	6,577	46,754
Textiles, Apparel & Luxury Goods	—	—	—	—	—	3,771	3,771
Total Affiliate Investments	$ —	$ 135,250	$ —	$ —	$ 32,018	$ 10,348	$ 177,616
Non-Control/Non-Affiliate Investments							
Air Freight & Logistics	$ —	$ 12,500	$ —	$ —	$ —	$ —	$ 12,500
Auto Components	—	25,450	—	—	—	—	25,450
Building Products	—	19,842	—	—	—	—	19,842
Capital Markets	—	25,084	—	—	—	—	25,084
Commercial Services & Supplies	60,513	175,674	—	—	—	—	236,187
Communications Equipment	—	50,503	—	—	—	—	50,503
Consumer Finance	22,333	—	—	—	—	—	22,333
Distributors	172,815	—	—	—	—	—	172,815
Diversified Consumer Services	—	100,091	—	—	—	—	100,091
Diversified Telecommunication Services	9,923	26,311	—	—	—	—	36,234
Entertainment	16,128	20,093	—	—	—	—	36,221
Food Products	—	34,729	—	—	—	—	34,729
Health Care Equipment & Supplies	33,673	7,469	—	—	—	—	41,142
Health Care Providers & Services	125,265	96,284	—	—	—	—	221,549
Hotels, Restaurants & Leisure	27,252	7,485	—	—	—	—	34,737
Household Durables	15,888	13,403	—	—	—	—	29,291
Household Products	24,688	—	—	—	—	—	24,688
Insurance	—	12,988	—	—	—	—	12,988
Interactive Media & Services	37,861	—	—	—	—	—	37,861
IT Services	270,714	35,382	—	—	—	—	306,096
Leisure Products	32,868	—	—	—	—	1	32,869
Media	87,379	35,000	—	—	—	—	122,379
Paper & Forest Products	—	11,361	—	—	—	—	11,361
Professional Services	118,403	69,695	—	—	—	—	188,098
Real Estate Management & Development	38,852	—	—	—	—	—	38,852
Software	—	64,723	—	—	—	—	64,723
Technology Hardware, Storage & Peripherals	—	12,400	—	—	—	—	12,400
Textiles, Apparel & Luxury Goods	190,678	36,657	—	—	—	—	227,335
Tobacco	—	14,419	—	—	—	—	14,419
Transportation Infrastructure	—	27,578	—	—	—	—	27,578
Structured Finance (A)	—	—	44,774	1,103,751	—	—	1,148,525
Total Non-Control/ Non-Affiliate	$ 1,285,233	$ 935,121	$ 44,774	$ 1,103,751	$ —	$ 1	$ 3,368,880
Total Portfolio Investment Cost	$ 2,713,478	$ 1,447,599	$ 44,774	$ 1,103,751	$ 38,933	$ 583,767	$ 5,932,302

See notes to consolidated financial statements.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

The following shows the composition of our investment portfolio at fair value by control designation, investment type, and by industry as of June 30, 2019:

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	% of Net Assets
Control Investments								
Aerospace & Defense	$ 54,841	$ —	$ —	$ —	$ —	$ 34,860	$ 89,701	2.7%
Commercial Services & Supplies	62,627	—	—	—	—	—	62,627	1.9%
Construction & Engineering	43,731		—	—	—	99,954	143,685	4.3%
Consumer Finance	—	351,926	—	—	—	246,502	598,428	18.1%
Energy Equipment & Services	69,447	—	—	—	—	84,418	153,865	4.7%
Equity Real Estate Investment Trusts (REITs)	433,553	—	—	—	—	394,134	827,687	25.0%
Health Care Providers & Services	224,876	—	—	—	—	—	224,876	6.8%
Machinery	—	28,622	—	—	—	5,002	33,624	1.0%
Media	3,114	—	—	—	—	21,069	24,183	0.7%
Online Lending	172,000	—	—	—	—	4,778	176,778	5.3%
Personal Products	112,427	—	—	—	—	—	112,427	3.4%
Trading Companies & Distributors	28,043	—	—	—	—	—	28,043	0.8%
Total Control Investments	$ 1,204,659	$ 380,548	$ —	$ —	$ —	$ 890,717	$ 2,475,924	74.9%
Fair Value % of Net Assets	36.4%	11.5%	—%	—%	—%	26.9%	74.9%	
Affiliate Investments								
Distributors	$ —	$ 18,866	$ —	$ —	$ —	$ —	$ 18,866	0.6%
Diversified Consumer Services	—	8,159	—	—	33,058	—	41,217	1.2%
Textiles, Apparel & Luxury Goods	—	—	—	—	—	16,599	16,599	0.5%
Total Affiliate Investments	$ —	$ 27,025	$ —	$ —	$ 33,058	$ 16,599	$ 76,682	2.3%
Fair Value % of Net Assets	—%	0.8%	—%	—%	1.0%	0.5%	2.3%	
Non-Control/Non-Affiliate Investments								
Air Freight & Logistics	$ —	$ 12,233	$ —	$ —	$ —	$ —	$ 12,233	0.4%
Auto Components	—	25,450	—	—	—	—	25,450	0.8%
Building Products	—	19,842	—	—	—	—	19,842	0.6%
Capital Markets	—	25,222	—	—	—	—	25,222	0.8%
Commercial Services & Supplies	58,094	175,951	—	—	—	—	234,045	7.1%
Communications Equipment	—	48,760	—	—	—	—	48,760	1.5%
Consumer Finance	20,555	—	—	—	—	—	20,555	0.6%
Distributors	171,271	—	—	—	—	—	171,271	5.2%
Diversified Consumer Services	—	100,091	—	—	—	—	100,091	3.0%
Diversified Telecommunication Services	9,923	26,311	—	—	—	—	36,234	1.1%
Electronic Equipment, Instruments & Components	—	—	—	—	—	2,239	2,239	0.1%
Entertainment	16,178	20,149	—	—	—	—	36,327	1.1%
Food Products	—	34,729	—	—	—	—	34,729	1.1%
Health Care Equipment & Supplies	34,010	7,144	—	—	—	—	41,154	1.2%
Health Care Providers & Services	124,075	96,284	—	—	—	—	220,359	6.7%
Hotels, Restaurants & Leisure	27,252	7,485	—	—	—	—	34,737	1.1%
Household Durables	10,252	12,208	—	—	—	—	22,460	0.7%
Household Products	24,688	—	—	—	—	—	24,688	0.7%
Insurance	—	12,988	—	—	—	—	12,988	0.4%
Interactive Media & Services	37,861	—	—	—	—	—	37,861	1.1%
IT Services	269,657	35,703	—	—	—	—	305,360	9.2%
Leisure Products	32,868	—	—	—	—	—	32,868	1.0%
Media	86,704	30,580	—	—	—	—	117,284	3.5%

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	% of Net Assets
Paper & Forest Products	$ —	$ 11,500	$ —	$ —	$ —	$ —	$ 11,500	0.3%
Pharmaceuticals	—	—	—	—	—	—	—	—%
Professional Services	118,813	71,365	—	—	—	—	190,178	5.8%
Real Estate Management & Development	38,852	—	—	—	—	—	38,852	1.2%
Software	—	64,729	—	—	—	—	64,729	2.0%
Technology Hardware, Storage & Peripherals	—	12,400	—	—	—	—	12,400	0.4%
Textiles, Apparel & Luxury Goods	189,725	36,657	—	—	—	—	226,382	6.8%
Tobacco	—	14,500	—	—	—	—	14,500	0.4%
Transportation Infrastructure	—	28,104	—	—	—	—	28,104	0.9%
Structured Finance (A)	—	—	46,851	850,694	—	—	897,545	27.1%
Total Non-Control/ Non-Affiliate	$ 1,270,778	$ 930,385	$ 46,851	$ 850,694	$ —	$ 2,239	$ 3,100,947	93.8%
Fair Value % of Net Assets	38.4%	28.1%	1.4%	25.7%	—%	0.1%	93.8%	
Total Portfolio	$ 2,475,437	$ 1,337,958	$ 46,851	$ 850,694	$ 33,058	$ 909,555	$ 5,653,553	171.0%
Fair Value % of Net Assets	74.9%	40.5%	1.4%	25.7%	1.0%	27.5%	171.0%	

(A) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables 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.

(45)The following 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	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated 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
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

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Cost Total
Consumer Finance	$ 30,570	$ —	$ —	$ —	$ —	$ —	$ 30,570
Distributors	343,659	127,091	—	—	—	—	470,750
Diversified Consumer Services	9,647	118,289	—	—	—	—	127,936
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)	—	—	6,159	1,096,768	—	—	1,102,927
Total Non-Control/ Non-Affiliate	$ 1,419,651	$ 951,434	$ 6,159	$ 1,096,768	$ 30	$ 1,253	$ 3,475,295
Total Portfolio Investment Cost	$ 2,632,843	$ 1,325,862	$ 6,159	$ 1,096,768	$ 38,578	$ 731,248	$ 5,831,458

The following 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	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated 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%
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%

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

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value %of Net Assets
Media	$ 8,614	$ —	$ —	$ —	$ —	$ 10,121	$ 18,735	0.6%
Online Lending	226,180	—	—	—	—	16,881	243,061	7.1%
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 Retail	4,813	35,000	—	—	—	—	39,813	1.2%
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%
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%

See notes to consolidated financial statements.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

Industry	1st Lien Term Loan	2nd Lien Term Loan	Rated Secured Structured Notes	Subordinated Structured Notes	Subordinated Unsecured Debt	Equity (B)	Fair Value Total	Fair Value %of Net Assets
Trading Companies & Distributors	$ 56,199	$ —	$ —	$ —	$ —	$ —	$ 56,199	1.6%
Transportation Infrastructure	—	28,104	—	—	—	—	28,104	0.8%
Structured Finance (A)	—	—	6,159	954,035	—	—	960,194	28.2%
Total Non-Control/ Non-Affiliate	$ 1,413,371	$ 889,572	$ 6,159	$ 954,035	$ 17	$ 1,363	$ 3,264,517	95.8%
Fair Value % of Net Assets	41.5%	26.1%	0.2%	28.0%	—%	—%	95.8%	
Total Portfolio	$ 2,512,078	$ 1,268,359	$ 6,159	$ 954,035	$ 32,962	$ 953,686	$ 5,727,279	168.1%
Fair Value % of Net Assets	73.7%	37.2%	0.2%	28.0%	1.0%	28.0%	168.1%	

(A) Our RSSN and SSN investments do not have industry concentrations and as such have been separated in the tables 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.

(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 June 30, 2019:

Security Name	PIK Rate - Capitalized	PIK Rate - Paid as cash	Maximum Current PIK Rate	
Cinedigm DC Holdings, LLC	—%	2.50%	2.50%	
CP Energy - Spartan Energy Services, LLC Term Loan B	16.44%	—%	16.44%	
Credit Central Loan Company	6.53%	3.47%	10.00%	
Echelon Transportation, LLC	2.25%	—%	2.25%	(A)
Echelon Transportation, LLC	1.00%	—%	1.00%	(A)
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	7.48%	3.02%	10.50%	
Interdent, Inc - Senior Secured Term Loan B	16.00%	—%	16.00%	
MITY, Inc.	10.00%	—%	10.00%	
National Property REIT Corp. - Senior Secured Term Loan A	—%	5.00%	5.00%	
National Property REIT Corp. - Senior Secured Term Loan B	—%	5.50%	5.50%	
Nationwide Loan Company LLC	10.00%	—%	10.00%	
Valley Electric Co. of Mt. Vernon, Inc.	—%	2.50%	2.50%	
Valley Electric Company, Inc.	5.00%	5.00%	10.00%	
Venio LLC	10.10%	—%	10.10%	

(A) Next PIK payment/capitalization date is July 31, 2019.

Endnote Explanations as of June 30, 2019 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, LLC	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 is July 31, 2018.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(47) As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than 25% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2019 with these controlled investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at June 30, 2019	Interest income	Dividend income	Other income	Net realized gains (losses)
CCPI, Inc.	$ 35,756	$ —	$ (27,459)	$ (8,297)	$ —	$ 2,629	$ —	$ 1,301	$ 12,105
CP Energy Services Inc. (C)	123,261	34,184	—	(18,514)	138,931	4,810	—	—	—
Credit Central Loan Company, LLC	76,677	5,081	—	(10,341)	71,417	11,886	—	—	—
Echelon Transportation LLC	82,278	7,742	—	(319)	89,701	7,102	—	—	—
First Tower Finance Company LLC	443,010	6,823	(2,478)	46,681	494,036	56,125	—	—	—
Freedom Marine Solutions, LLC	13,037	300	—	1,583	14,920	—	—	—	—
InterDent, Inc.	197,621	36,173	—	(8,918)	224,876	24,779	—	—	—
MITY, Inc.	58,894	5,143	(284)	(16,851)	46,902	8,149	—	276	—
National Property REIT Corp.	1,054,976	11,583	(69,181)	7,087	1,004,465	75,249	21,000	33,634	—
Nationwide Loan Company LLC	33,853	1,206	—	(2,084)	32,975	3,621	165	—	—
NMMB, Inc.	18,735	—	(5,500)	10,948	24,183	958	—	—	—
Pacific World Corporation	165,020	19,000	(9,606)	(61,987)	112,427	3,762	—	—	—
R-V Industries, Inc.	31,886	—	—	1,738	33,624	3,295	—	—	—
SB Forging Company II, Inc.	2,194	—	—	(2,194)	—	—	—	—	2,204
Universal Turbine Parts, LLC (D)	—	45,129	(488)	(16,598)	28,043	1,970	—	—	—
USES Corp.	16,319	3,500	—	(4,094)	15,725	—	—	—	—
Valley Electric Company, Inc.	50,797	5,521	—	87,367	143,685	6,877	12,962	800	—
Wolf Energy, LLC	12	46	58	(102)	14	—	—	—	—
Total	$ 2,404,326	$ 181,431	$ (114,938)	$ 5,105	$ 2,475,924	$ 211,212	$ 34,127	$ 36,011	$ 14,309

(A) Gross additions include increases in the cost basis of the investments resulting from new portfolio investments, OID accretion and PIK interest, and any transfer of investments.

(B) 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.

(C) In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Holdings, which owns 100% of Spartan, a portfolio company of Prospect. As a result of CP Energy's purchase, and given Prospect's controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Accordingly, Spartan was transferred from non-controlled/non-affiliate investments at $33,313, the fair market value at the beginning of the three month period ended June 30, 2019. Refer to endnote 20.

(D) Investment was transferred from non-controlled/non-affiliate investments at $45,129, the fair market value at the beginning of the three month period ended December 31, 2018. Refer to endnote 54.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(48) As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we own more than 5% of the portfolio company's outstanding voting securities. Transactions during the year ended June 30, 2019 with these affiliated investments were as follows:

Portfolio Company	Fair Value at June 30, 2018	Gross Additions (Cost) (A)	Gross Reductions (Cost) (B)	Net unrealized gains (losses)	Fair Value at June 30, 2019	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC	$ 35,216	$ 8,850	$ (7,855)	$ 5,006	$ 41,217	$ 943	$ —	$ —	$ —
Nixon, Inc.	—	—	—	—	—	—	—	—	—
Targus Cayman HoldCo Limited	23,220	—	(6,106)	(515)	16,599	—	659	—	—
United Sporting Companies, Inc.(C)	—	58,806	—	(39,940)	18,866	—	—	—	—
Total	$ 58,436	$ 67,656	$ (13,961)	$ (35,449)	$ 76,682	$ 943	$ 659	$ —	$ —

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

(B) 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.

(C) 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.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(49) As defined in the 1940 Act, we are deemed to "Control" these portfolio companies because we own more than 25% 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)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at June 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
Arctic Energy Services, LLC(C)	$ 17,370	$ —	$ (60,876)	$ 43,506	$ —	$ —	$ —	$ —	$ —
CCPI Inc.	43,052	—	(482)	(6,814)	35,756	3,704	—	—	—
CP Energy Services Inc.(C)	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(D)	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.(E)	—	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(F)	—	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.	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

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

(B) 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.

(C) 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.

(D) 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.

(E) 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.

(F) 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.

Endnote Explanations as of June 30, 2019 and June 30, 2018 (Continued)

(50) As defined in the 1940 Act, we are deemed to be an "Affiliated company" of these portfolio companies because we 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)(A)	Gross Reductions (Cost)(B)	Net unrealized gains (losses)	Fair Value at June 30, 2018	Interest income	Dividend income	Other income	Net realized gains (losses)
Edmentum Ultimate Holdings, LLC(C)	$ —	$ 34,416	$ —	$ 800	$ 35,216	$ 348	$ —	$ —	$ —
Nixon, Inc.	—	—	(14,197)	14,197	—	—	—	—	(14,197)
Targus Cayman HoldCo Limited	11,429	1,117	—	10,674	23,220	205	—	—	846
Total	$ 11,429	$ 35,533	$ (14,197)	$ 25,671	$ 58,436	$ 553	$ —	$ —	$ (13,351)

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

(B) 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.

(C) 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.

(54) On December 10, 2018, UTP Holdings Group, Inc. ("UTP Holdings") purchased all of the voting stock of Universal Turbine Parts, LLC ("UTP") and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect's investment in UTP is classified as a control investment as of June 30, 2019.

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 a portion of our investments in Rated Secured Structured Notes ("RSSN") and Subordinated Structured Notes ("SSN") (collectively referred to as "collateralized loan obligations" or "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": 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"); MITY Holdings of Delaware Inc.; Nationwide Acceptance Holdings LLC; NMMB Holdings, Inc. ("NMMB Holdings"); NPH Property Holdings, LLC ("NPH"); SB Forging Company, Inc. ("SB Forging"); STI Holding, Inc.; UTP Holdings Group Inc. ("UTP Holdings", f/k/a Harbortouch Holdings of Delaware Inc.); Valley Electric Holdings I, Inc.; Valley Electric Holdings II, Inc.; and Wolf Energy Holdings Inc. ("Wolf Energy Holdings").

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-K, ASC 946, *Financial Services—Investment Companies* ("ASC 946"), and Articles 3, 6 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 year ended June 30, 2019.

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 June 30, 2019 and June 30, 2018, our qualifying assets as a percentage of total assets, stood at 73.85% 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.

4. 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 June 30, 2019, approximately 2.9% 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 Subordinated Secured Notes (typically preferred shares, income notes or subordinated notes of CLO funds) 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 gain to stockholders; 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 June 30, 2019, we do not expect to have any excise tax due for the 2019 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 June 30, 2019, 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, 2016 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”), June 15, 2028 (“2028 Notes Follow-on Program), and June 15, 2029 (“2029 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 June 30, 2019 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 accretable 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. 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. 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. 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. We have adopted the amendments and have retrospectively applied the presentation amendments to the prior period statements presented.

Prior to adoption and in accordance with previous SEC rules, we presented distributable earnings (loss) on the *Consolidated Statements of Assets and Liabilities*, as three components: 1) accumulated overdistributed net investment income; 2) accumulated net unrealized gain (loss) on investments; and 3) accumulated net realized gain (loss) on investments. We also presented distributions from earnings on the *Consolidated Statements of Changes in Net Assets* as distributions from net investment income. In accordance with the SEC Release, distributable earnings and distributions from distributable earnings are shown in total on the *Consolidated Statements of Assets and Liabilities* and *Consolidated Statements of Changes in Net Assets*, respectively.

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 year ended June 30, 2019, we received $21,000 of such dividends from National Property REIT Corp. ("NPRC") related to the gain on the sale of real estate properties.

Note 3. Portfolio Investments

At June 30, 2019, we had investments in 135 long-term portfolio investments, which had an amortized cost of $5,932,302 and a fair value of $5,653,553. 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 $704,543 and $1,730,657 during the years ended June 30, 2019 and June 30, 2018, respectively. Debt repayments and considerations from sales of equity securities of approximately $627,978 and $1,831,286 were received during the years ended June 30, 2019 and June 30, 2018, respectively.

The following table shows the composition of our investment portfolio as of June 30, 2019 and June 30, 2018:

	June 30, 2019		June 30, 2018	
	Cost	Fair Value	Cost	Fair Value
Revolving Line of Credit	$ 33,928	$ 34,239	$ 38,659	$ 38,559
Senior Secured Debt	2,687,709	2,449,357	2,602,018	2,481,353
Subordinated Secured Debt	1,439,440	1,329,799	1,318,028	1,260,525
Subordinated Unsecured Debt	38,933	33,058	38,548	32,945
Small Business Loans	—	—	30	17
Rated Secured Structured Notes	44,774	46,851	6,159	6,159
Subordinated Structured Notes	1,103,751	850,694	1,096,768	954,035
Equity	583,767	909,555	731,248	953,686
Total Investments	$ 5,932,302	$ 5,653,553	$ 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.
- Rated Secured Structured Notes includes our investments in the "debt" class of security of CLO funds.
- Subordinated Structured Notes 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 June 30, 2019:

	Level 1	Level 2	Level 3	Total
Revolving Line of Credit	$ —	$ —	$ 34,239	$ 34,239
Senior Secured Debt	—	—	2,449,357	2,449,357
Subordinated Secured Debt	—	—	1,329,799	1,329,799
Subordinated Unsecured Debt	—	—	33,058	33,058
Small Business Loans	—	—	—	—
Rated Secured Structured Notes	—	—	46,851	46,851
Subordinated Structured Notes	—	—	850,694	850,694
Equity	—	—	909,555	909,555
Total Investments	$ —	$ —	$ 5,653,553	$ 5,653,553

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
Rated Secured Structured Notes	—	—	6,159	6,159
Subordinated Structured Notes	—	—	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 year ended June 30, 2019:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/ Non-Affiliate Investments	Total
Fair value as of June 30, 2018	$ 2,404,326	$ 58,436	$ 3,264,517	$ 5,727,279
Net realized gains (losses) on investments	14,309	—	(811)	13,498
Net change in unrealized gains (losses)	5,105	(35,449)	(144,225)	(174,569)
Net realized and unrealized gains (losses)	19,414	(35,449)	(145,036)	(161,071)
Purchases of portfolio investments	63,780	7,855	589,273	660,908
Payment-in-kind interest	38,171	995	4,469	43,635
Accretion of discounts and premiums, net	1,038	—	8,557	9,595
Repayments and sales of portfolio investments	(129,247)	(13,961)	(483,585)	(626,793)
Transfers within Level 3(1)	78,442	58,806	(137,248)	—
Transfers in (out) of Level 3(1)	—	—	—	—
Fair value as of June 30, 2019	$ 2,475,924	$ 76,682	$ 3,100,947	$ 5,653,553

	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	Rated Secured Structured Notes	Subordinated Structured Notes	Equity	Total
Fair value as of June 30, 2018	$ 38,559	$ 2,481,353	$ 1,260,525	$ 32,945	$ 17	$ 6,159	$ 954,035	$ 953,686	$ 5,727,279
Net realized (losses) gains on investments	—	(819)	—	—	94	—	—	14,223	13,498
Net change in unrealized gains (losses)	410	(117,689)	(52,139)	(272)	13	2,078	(110,322)	103,352	(174,569)
Net realized and unrealized gains (losses)	410	(118,508)	(52,139)	(272)	107	2,078	(110,322)	117,575	(161,071)
Purchases of portfolio investments	16,855	381,170	315,531	—	—	38,526	6,884	(98,058)	660,908
Payment-in-kind interest	326	28,231	14,408	670	—	—	—	—	43,635
Accretion of discounts and premiums	—	2,759	6,651	—	—	88	97	—	9,595
Repayments and sales of portfolio investments	(21,911)	(325,648)	(215,177)	(285)	(124)	—	—	(63,648)	(626,793)
Transfers within Level 3(1)	—	—	—	—	—	—	—	—	—
Transfers in (out) of Level 3(1)	—	—	—	—	—	—	—	—	—
Fair value as of June 30, 2019	$ 34,239	$ 2,449,357	$ 1,329,799	$ 33,058	$ —	$ 46,851	$ 850,694	$ 909,555	$ 5,653,553

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

The following tables show the aggregate changes in the fair value of our Level 3 investments during the year ended June 30, 2018:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/ Non-Affiliate Investments	Total
Fair value as of June 30, 2017	$ 1,911,775	$ 11,429	$ 3,915,101	$ 5,838,305
Net realized (losses) gains on investments	13	(13,351)	(6,036)	(19,374)
Net change in unrealized gains (losses)	55,670	25,671	(42,270)	39,071
Net realized and unrealized gains (losses)	55,683	12,320	(48,306)	19,697
Purchases of portfolio investments	212,531	3,588	1,505,134	1,721,253
Payment-in-kind interest	6,164	583	2,657	9,404
Accretion (amortization) of discounts and premiums, net	2,240	—	(33,245)	(31,005)
Repayments and sales of portfolio investments	(144,405)	(846)	(1,685,124)	(1,830,375)
Transfers within Level 3(1)	360,338	31,362	(391,700)	—
Transfers in (out) of Level 3(1)	—	—	—	—
Fair value as of June 30, 2018	$ 2,404,326	$ 58,436	$ 3,264,517	$ 5,727,279

	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Small Business Loans	Rated Secured Structured Notes	Subordinated Structured Notes	Equity	Total
Fair value as of June 30, 2017	$ 27,409	$ 2,798,796	$ 1,107,040	$ 44,434	$ 7,964	$ —	$ 1,079,712	$ 772,950	$ 5,838,305
Net realized (losses) gains on investments	—	(16,795)	—	13	(357)	—	(2,275)	40	(19,374)
Net change in unrealized (losses) gains	(100)	20,701	(4,524)	(12,103)	456	—	(72,439)	107,080	39,071
Net realized and unrealized (losses) gains	(100)	3,906	(4,524)	(12,090)	99	—	(74,714)	107,120	19,697
Purchases of portfolio investments	19,308	1,138,304	365,845	—	7,552	6,159	48,187	135,898	1,721,253
Payment-in-kind interest	—	5,360	3,429	615	—	—	—	—	9,404
Accretion (amortization) of discounts and premiums	—	3,307	5,756	—	—	—	(40,068)	—	(31,005)
Repayments and sales of portfolio investments	(8,058)	(1,511,024)	(217,021)	(14)	(15,598)	—	(59,082)	(19,578)	(1,830,375)
Transfers within Level 3(1)	—	42,704	—	—	—	—	—	(42,704)	—
Transfers in (out) of Level 3(1)	—	—	—	—	—	—	—	—	—
Fair value as of June 30, 2018	$ 38,559	$ 2,481,353	$ 1,260,525	$ 32,945	$ 17	$ 6,159	$ 954,035	$ 953,686	$ 5,727,279

(1) Transfers are assumed to have occurred at the beginning of the quarter during which the asset was transferred.

The net change in unrealized (losses) gains on the investments that use Level 3 inputs was ($160,491) and $12,075 for investments still held as of June 30, 2019 and June 30, 2018, respectively.

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2019 were as follows:

Asset Category	Fair Value	Primary Valuation Approach or Technique	Unobservable Input		
			Input	**Range**	**Weighted Average**
Senior Secured Debt	$ 1,260,526	Discounted Cash Flow (Yield analysis)	Market yield	5.6% - 19.1%	10.3%
Senior Secured Debt	434,524	Enterprise Value Waterfall (Market approach)	EBITDA multiple	3.0x - 9.5x	7.7x
Senior Secured Debt	128,152	Enterprise Value Waterfall (Market approach)	Revenue multiple	0.5x - 1.3x	1.1x
Senior Secured Debt	54,841	Enterprise Value Waterfall (Discounted cash flow)	Discount rate	7.6% - 10.5%	8.9%
Senior Secured Debt (1)	172,000	Enterprise Value Waterfall	Loss-adjusted discount rate	3.9% - 14.1%	10.6%
Senior Secured Debt (2)	433,553	Enterprise Value Waterfall (NAV Analysis)	Capitalization Rate	3.9% - 7.9%	5.9%
		Discounted Cash Flow	Discount rate	6.5% - 7.5%	7.0%
Subordinated Secured Debt	930,385	Discounted Cash Flow (Yield analysis)	Market yield	6.1% - 26.4%	11.5%
Subordinated Secured Debt	28,622	Enterprise Value Waterfall (Market approach)	EBITDA multiple	8.0x - 9.0x	8.5x
Subordinated Secured Debt	18,866	Liquidation Analysis	N/A	N/A	N/A
Subordinated Secured Debt (3)	351,926	Enterprise Value Waterfall (Market approach)	Book value multiple	0.8x - 3.0x	2.7x
Subordinated Unsecured Debt	33,058	Enterprise Value Waterfall (Market approach)	EBITDA multiple	5.8x - 11.3x	10.8x
Rated Secured Structured Notes	46,851	Discounted Cash Flow	Discount rate (4)	10.7% - 11.1%	10.9%
Subordinated Structured Notes	850,694	Discounted Cash Flow	Discount rate (4)	2.2% - 34.2%	19.8%
Preferred Equity	84,294	Enterprise Value Waterfall (Market approach)	EBITDA multiple	4.0x - 8.5x	7.1x
Common Equity/Interests/Warrants	127,814	Enterprise value waterfall (Market approach)	EBITDA multiple	5.8x - 9.0x	6.5x
Common Equity/Interests/Warrants (1)	4,778	Enterprise value waterfall	Loss-adjusted discount rate	3.9% - 14.1%	10.6%
Common Equity/Interests/Warrants (2)	297,525	Enterprise value waterfall (NAV analysis)	Capitalization rate	3.9% - 7.9%	5.9%
		Discounted cash flow	Discount rate	6.5% - 7.5%	7.0%
Common Equity/Interests/Warrants (5)	246,502	Enterprise value waterfall (Market approach)	Book value multiple	0.8x - 3.0x	2.6x
Common Equity/Interests/Warrants (6)	96,609	Discounted cash flow	Capitalization rate	3.9% - 7.9%	5.9%
Common Equity/Interests/Warrants	34,860	Discounted cash flow	Discount rate	7.1% - 14.6%	8.4%
Common Equity/Interests/Warrants	14,934	Liquidation analysis	N/A	N/A	N/A
Escrow Receivable	2,239	Discounted cash flow	Discount rate	6.1% - 7.2%	6.7%
Total Level 3 Investments	$ 5,653,553				

(1) Represents an investment in a Real Estate Investment subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-12.5%, with a weighted average of 1.3%.

(2) Represents Real Estate Investments. Enterprise Value Waterfall methodology uses both the net asset value analysis and discounted cash flow technique, which are weighted equally (50%).

(3) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.5x and the discount rate ranges from 12.7% to 14.6% with a weighted average of 13.3%.

(4) Represents the implied discount rate based on our internally generated single-cash flow model that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.

(5) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value multiples as noted above. In addition, the valuation of certain consumer finance companies utilizes the enterprise value waterfall technique whereby the significant unobservable input is the earnings multiple and the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies the earnings multiple ranges from 8.8x to 12.5x with a weighted average of 11.8x and the discount rate ranges from 12.7% to 14.6% with a weighted average of 13.3%.

(6) Represents Residual Profit Interests in Real Estate Investments.

The ranges of unobservable inputs used in the fair value measurement of our Level 3 investments as of June 30, 2018 were as follows:

Asset Category	Fair Value	Primary Valuation Approach or Technique	Unobservable Input		
			Input	Range	Weighted Average
Senior Secured Debt	$ 1,409,584	Discounted Cash Flow (Yield analysis)	Market Yield	7.0%-21.2%	11.3%
Senior Secured Debt	361,720	Enterprise Value Waterfall (Market approach)	EBITDA Multiple	4.0x-10.3x	8.3x
Senior Secured Debt	181,339	Enterprise Value Waterfall (Market approach)	Revenue Multiple	0.3x-1.6x	1.4x
Senior Secured Debt	47,099	Enterprise Value Waterfall (Discounted cash flow)	Discount Rate	7.5%-16.1%	10.7%
Senior Secured Debt	787	Liquidation Analysis	N/A	N/A	N/A
Senior Secured Debt (1)	226,180	Enterprise Value Waterfall	Loss-adjusted discount rate	3.0%-14.2%	11.0%
Senior Secured Debt (2)	293,203	Enterprise Value Waterfall (NAV Analysis)	Capitalization Rate	3.3%-8.7%	6.0%
		Discounted Cash Flow	Discount Rate	6.5%-7.5%	7.0%
Subordinated Secured Debt	830,766	Discounted Cash Flow (Yield analysis)	Market Yield	7.6%-22.5%	11.7%
Subordinated Secured Debt	28,622	Enterprise Value Waterfall (Market approach)	EBITDA Multiple	6.5x-7.5x	0.07
Subordinated Secured Debt	58,806	Enterprise Value Waterfall (Market approach)	Revenue Multiple	0.3x-0.4x	0.4x
Subordinated Secured Debt (3)	342,331	Enterprise Value Waterfall (Market approach)	Book Value Multiple	0.8x-3.1x	2.5x
			Earnings Multiple	7.5x-13.0x	11.9x
Subordinated Unsecured Debt	32,945	Enterprise Value Waterfall (Market approach)	EBITDA Multiple	5.8x-11.5x	9.7%
Small Business Loans (4)	17	Discounted Cash Flow	Loss-adjusted Discount Rate	13.0%-24.3%	15.5%
Subordinated Structured Notes	960,194	Discounted Cash Flow	Discount rate (6)	2.33%-24.28%	17.24%
Preferred Equity	73,792	Enterprise Value Waterfall (Market approach)	EBITDA Multiple	4.0x-9.0x	7.9x
Preferred Equity	2,194	Liquidation Analysis	N/A	N/A	N/A
Common Equity/Interests/Warrants	81,753	Enterprise Value Waterfall (Market approach)	EBITDA Multiple	5.0x-9.0x	6.8x
Common Equity/Interests/Warrants (1)	16,881	Enterprise Value Waterfall	Loss-adjusted discount rate	3.0%-14.2%	11.0%
Common Equity/Interests/Warrants (2)	419,224	Enterprise Value Waterfall (NAV analysis)	Capitalization Rate	3.3%-8.7%	6.0%
		Discounted Cash Flow	Discount Rate	6.5%-7.5%	7.0%
Common Equity/Interests/Warrants (3)	209,583	Enterprise Value Waterfall (Market approach)	Book Value Multiple	0.8x-3.1x	2.4x
			Earnings Multiple	7.5x-13.0x	11.9x
Common Equity/Interests/Warrants (5)	99,488	Discounted Cash Flow	Discount Rate	6.5%-7.5%	7.0%
Common Equity/Interests/Warrants	36,805	Discounted Cash Flow	Discount Rate	7.5%-15.5%	8.8%
Common Equity/Interests/Warrants	13,049	Liquidation Analysis	N/A	N/A	N/A
Escrow Receivable	917	Discounted Cash Flow	Discount Rate	7.3%-8.4%	7.9%
Total Level 3 Investments	$ 5,727,279				

(1) Represents an investment in a Real Estate Investment subsidiary. The Enterprise Value analysis includes the fair value of our investments in such indirect subsidiary's consumer loans purchased from online consumer lending platforms, which are valued using a discounted cash flow valuation technique. The key unobservable input to the discounted cash flow analysis is noted above. In addition, the valuation also used projected loss rates as an unobservable input ranging from 0.0%-20.7%, with a weighted average of 4.2%.

(2) Represents our REIT investments. EV waterfall methodology uses both the net asset value analysis and discounted cash flow technique, which are weighted equally (50%).

(3) Represents investments in consumer finance subsidiaries. The enterprise value waterfall methodology utilizes book value and earnings multiples, as noted above. In addition, the valuation of certain consumer finance companies utilizes the discounted cash flow technique whereby the significant unobservable input is the discount rate. For these companies, each valuation technique (book value multiple, earnings multiple, and discount rate) is weighted equally. For these companies the discount rate ranged from 13.5% to 15.5% with a weighted average of 14.2%.

(4) Includes our investments in small business whole loans purchased from OnDeck. Valuation also used projected loss rates as an unobservable input ranging from 0.00%-0.06%, with a weighted average of 0.01%.

(5) Represents net operating income interests in our REIT investments.

(6) Represents the implied discount rate based on our internally generated single-cash flows that is derived from the fair value estimated by the corresponding multi-path cash flow model utilized by the independent valuation firm.

In determining the range of values for debt instruments, except CLOs and debt investments in controlling portfolio companies, management and the independent valuation firm estimated corporate and security credit ratings and identified corresponding yields to maturity for each loan from relevant market data. A discounted cash flow technique was then applied using the appropriate yield to maturity as the discount rate, to determine a range of values. In determining the range of values for debt investments of controlled companies and equity investments, the enterprise value was determined by applying a market approach such as using earnings before income interest, tax, depreciation and amortization ("EBITDA") multiples, net income and/or book value multiples for similar guideline public companies and/or similar recent investment transactions and/or an income approach, such as the discounted cash flow technique. For stressed debt and equity investments, a liquidation analysis was used.

In determining the range of values for our investments in CLOs, the independent valuation firm uses a discounted multi-path cash flow model. The valuations were accomplished through the analysis of the CLO deal structures to identify the risk exposures from the modeling point of view as well as 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 to generate probability-weighted (i.e., multi-path) cash flows for the underlying assets and liabilities. These cash flows are discounted using appropriate market discount rates, and relevant data in the CLO market and 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 corresponding multi-path cash flow model.

Our portfolio consists of residual interests and debt investments in CLOs, which involve a number of significant risks. CLOs are typically very highly levered (10 - 14 times), and therefore the residual interest tranches that we invest in are subject to a higher degree of risk of total loss. In particular, investors in CLO residual interests indirectly bear risks of the underlying loan investments held by such CLOs. We generally have the right to receive payments only from the CLOs, and generally do not have direct rights against the underlying borrowers or the entity that sponsored the CLOs. While the CLOs we target generally enable the investor to acquire interests in a pool of senior loans without the expenses associated with directly holding the same investments, the prices of indices and securities underlying our CLOs will rise or fall. These prices (and, therefore, the prices of the CLOs) will be influenced by the same types of political and economic events that affect issuers of securities and capital markets generally. The failure by a CLO investment in which we invest to satisfy financial covenants, including with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to us. In the event that a CLO fails certain tests, holders of debt senior to us would be entitled to additional payments that would, in turn, reduce the payments we would otherwise be entitled to receive. Separately, we may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting CLO or any other investment we may make. If any of these occur, it could materially and adversely affect our operating results and cash flows.

The interests we have acquired in CLOs are generally thinly traded or have only a limited trading market. CLOs are typically privately offered and sold, even in the secondary market. As a result, investments in CLOs may be characterized as illiquid securities. In addition to the general risks associated with investing in debt securities, CLO residual interests carry additional

risks, including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or default; (iii) our investments in CLO tranches will likely be subordinate to other senior classes of note tranches thereof; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the CLO investment or unexpected investment results. Our net asset value may also decline over time if our principal recovery with respect to CLO residual interests is less than the cost of those investments. Our CLO investments and/or the CLOs' underlying senior secured loans may prepay more quickly than expected, which could have an adverse impact on our value.

An increase in LIBOR would materially increase the CLO's financing costs. Since most of the collateral positions within the CLOs have LIBOR floors, there may not be corresponding increases in investment income (if LIBOR increases but stays below the LIBOR floor rate of such investments) resulting in materially smaller distribution payments to the residual interest investors.

On July 27, 2017, the Financial Conduct Authority ("FCA") announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). Furthermore, in the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. On August 24, 2017, the Federal Reserve Board requested public comment on a proposal by the Federal Reserve Bank of New York, in cooperation with the Office of Financial Research, to produce three new reference rates intended to serve as alternatives to LIBOR. These alternative rates are based on overnight repurchase agreement transactions secured by U.S. Treasury Securities. On December 12, 2017, following consideration of public comments, the Federal Reserve Board concluded that the public would benefit if the Federal Reserve Bank of New York published the three proposed reference rates as alternatives to LIBOR (the "Federal Reserve Board Notice"). The Federal Reserve Bank of New York said that the publication of these alternative rates is targeted to commence by mid-2018.

At this time, it is not possible to predict the effect of the FCA Announcement, the Federal Reserve Board Notice, or other regulatory changes or announcements, any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom, the United States or elsewhere. As such, the potential effect of any such event on our net investment income cannot yet be determined. The CLOs in which the Company is invested generally contemplate a scenario where LIBOR is no longer available by requiring the CLO administrator to calculate a replacement rate primarily through dealer polling on the applicable measurement date. However, there is uncertainty regarding the effectiveness of the dealer polling processes, including the willingness of banks to provide such quotations, which could adversely impact our net investment income. In addition, the effect of a phase out of LIBOR on U.S. senior secured loans, the underlying assets of the CLOs in which we invest, is currently unclear. To the extent that any replacement rate utilized for senior secured loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities which could have an adverse impact on the Company's net investment income and portfolio returns.

We hold more than a 10% interest in certain foreign corporations that are treated as controlled foreign corporations ("CFC") for U.S. federal income tax purposes (including our residual interest tranche investments in CLOs). Therefore, we are treated as receiving a deemed distribution (taxable as ordinary income) each year from such foreign corporations in an amount equal to our pro rata share of the corporation's income for that tax year (including both ordinary earnings and capital gains). We are required to include such deemed distributions from a CFC in our taxable income and we are required to distribute at least 90% of such income to maintain our RIC status, regardless of whether or not the CFC makes an actual distribution during such year.

If we acquire shares in "passive foreign investment companies" ("PFICs") (including residual interest tranche investments in CLOs that are PFICs), we may be subject to federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend to our stockholders. Certain elections may be available to mitigate or eliminate such tax on excess distributions, but such elections (if available) will generally require us to recognize our share of the PFIC's income for each year regardless of whether we receive any distributions from such PFICs. We must nonetheless distribute such income to maintain our status as a RIC.

Legislation enacted in 2010 imposes a withholding tax of 30% on payments of U.S. source interest and dividends paid after December 31, 2013, or gross proceeds from the disposition of an instrument that produces U.S. source interest or dividends paid after December 31, 2016, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, it could reduce the amounts available to distribute to

residual interest and junior debt holders in such CLO vehicle, which could materially and adversely affect our operating results and cash flows.

If we are required to include amounts in income prior to receiving distributions representing such income, we may have to sell some of our investments at times and/or at prices management would not consider advantageous, raise additional debt or equity capital or forgo new investment opportunities for this purpose.

The significant unobservable input used to value our investments based on the yield technique and discounted cash flow technique is the market yield (or applicable discount rate) used to discount the estimated future cash flows expected to be received from the underlying investment, which includes both future principal and interest/dividend payments. Increases or decreases in the market yield (or applicable discount rate) would result in a decrease or increase, respectively, in the fair value measurement. Management and the independent valuation firms consider the following factors when selecting market yields or discount rates: risk of default, rating of the investment and comparable company investments, and call provisions.

The significant unobservable inputs used to value our investments based on the EV analysis may include market multiples of specified financial measures such as EBITDA, net income, or book value of identified guideline public companies, implied valuation multiples from precedent M&A transactions, and/or discount rates applied in a discounted cash flow technique. The independent valuation firm identifies a population of publicly traded companies with similar operations and key attributes to that of the portfolio company. Using valuation and operating metrics of these guideline public companies and/or as implied by relevant precedent transactions, a range of multiples of the latest twelve months EBITDA, or other measure such as net income or book value, is typically calculated. The independent valuation firm utilizes the determined multiples to estimate the portfolio company's EV generally based on the latest twelve months EBITDA of the portfolio company (or other meaningful measure). Increases or decreases in the multiple would result in an increase or decrease, respectively, in EV which would result in an increase or decrease in the fair value measurement of the debt of controlled companies and/or equity investment, as applicable. In certain instances, a discounted cash flow analysis may be considered in estimating EV, in which case, discount rates based on a weighted average cost of capital and application of the capital asset pricing model may be utilized.

The significant unobservable input used to value our private REIT investments based on the net asset value analysis is the capitalization rate applied to the earnings measure of the underlying property. Increases or decreases in the capitalization rate would result in a decrease or increase, respectively, in the fair value measurement.

Changes in market yields, discount rates, capitalization rates or EBITDA multiples, each in isolation, may change the fair value measurement of certain of our investments. Generally, an increase in market yields, discount rates or capitalization rates, or a decrease in EBITDA (or other) multiples may result in a decrease in the fair value measurement of certain of our investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may fluctuate from period to period. Additionally, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that we may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If we were required to liquidate a portfolio investment in a forced or liquidation sale, we could realize significantly less than the value at which we have recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the currently assigned valuations.

During the year ended June 30, 2019, the valuation methodology for Easy Gardner Products, Inc. ("Easy Gardner") changed to remove the WACC and shadow method and incorporated the waterfall approach. As a result of the company's performance, the fair value of our investment in Easy Gardner decreased to $10,252 as of June 30, 2019, a discount of $5,636 from its amortized cost, compared to no unrealized appreciation or depreciation recorded at June 30, 2018.

During the year ended June 30, 2019, the valuation methodology for Research Now Group, Inc. ("Research Now") changed to incorporate Markit quotes and relative value approach. As a result of the company's performance, the fair value of our investment in Research Now increased to $59,700 as of June 30, 2019, a premium of $3,084 from its amortized cost, compared to the $644 unrealized appreciation recorded at June 30, 2018.

During the year ended June 30, 2019, the valuation methodology for Securus Technologies Holdings, Inc. ("Securus") changed to incorporate the shadow method. As a result of the company's performance, the fair value of our investment in Securus decreased to $48,760 as of June 30, 2019, a discount of $1,743 from its amortized cost, compared to the $140 unrealized appreciation recorded at June 30, 2018.

During the year ended June 30, 2019, the valuation methodology for Spectrum Holdings III Corp. ("Spectrum") changed to incorporate relative value approach. As a result of the company's performance, the fair value of our investment in Spectrum decreased to $7,144 as of June 30, 2019, a discount of $325 from its amortized cost, compared to no unrealized appreciation or depreciation recorded at June 30, 2018.

During the year ended June 30, 2019, the valuation methodology for VC GB Holdings, Inc. ("VC GB") changed to remove the market purchase method. As a result of the company's performance, the fair value of our investment in VC GB increased to $3,720 as of June 30, 2019, a premium of $227 from its amortized cost, compared to the $250 unrealized appreciation recorded at June 30, 2018.

During the year ended June 30, 2019, the valuation methodology for Venio LLC ("Venio") changed to incorporate the waterfall approach. The fair value of our investment in Venio increased to $21,515 as of June 30, 2019, a discount of $1,004 from its amortized cost, compared to the $1,935 unrealized appreciation recorded at June 30, 2018. The increase in fair value was driven by a reduction in debt senior to our investment, partially offset by a decline in performance. The change in unrealized depreciation was driven by the increase to the outstanding principal balance and cost basis as a result of capitalized PIK interest.

During the year ended June 30, 2019, the valuation methodology for Wink Holdco, Inc. ("Wink") changed to incorporate the shadow method. There was no unrealized appreciation or depreciation recorded at June 30, 2019 and June 30, 2018, respectively.

During the year ended June 30, 2019, we provided $10,206 of equity financing to NPRC for the acquisition of real estate properties and $1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties.

During the year ended June 30, 2019, we received partial repayments of $54,181 of our loans previously outstanding with NPRC and its wholly-owned subsidiary and $15,000 as a return of capital on our equity investment in NPRC.

The online consumer loan investments held by certain of NPRC's wholly-owned subsidiaries are unsecured obligations of individual borrowers that are issued in amounts ranging from $1 to $50, with fixed terms ranging from 24 to 84 months. As of June 30, 2019, the outstanding investment in online consumer loans by certain of NPRC's wholly-owned subsidiaries was comprised of 26,446 individual loans and residual interest in four securitizations, and had an aggregate fair value of $147,031. The average outstanding individual loan balance is approximately $4 and the loans mature on dates ranging from July 1, 2019 to April 19, 2025 with a weighted-average outstanding term of 22 months as of June 30, 2019. Fixed interest rates range from 4.0% to 36.0% with a weighted-average current interest rate of 23.3%. As of June 30, 2019, our investment in NPRC and its wholly-owned subsidiaries relating to online consumer lending had a fair value of $176,778.

As of June 30, 2019, based on outstanding principal balance, 8.7% of the portfolio was invested in super prime loans (borrowers with a Fair Isaac Corporation ("FICO") score, of 720 or greater), 23.3% of the portfolio in prime loans (borrowers with a FICO score of 660 to 719) and 68.0% of the portfolio in near prime loans (borrowers with a FICO score of 580 to 659).

Loan Type	Outstanding Principal Balance	Fair Value	Weighted Average Interest Rate*
Super Prime	$ 9,466	$ 9,168	12.5%
Prime	25,335	24,181	17.4%
Near Prime	73,947	69,163	26.7%

*Weighted by outstanding principal balance of the online consumer loans.

As of June 30, 2019, our investment in NPRC and its wholly-owned subsidiaries had an amortized cost of $769,389 and a fair value of $1,004,465, including our investment in online consumer lending as discussed above. The fair value of $827,687 related to NPRC's real estate portfolio was comprised of thirty-seven multi-families properties, twelve self-storage units, eight student housing properties and three commercial properties. The following table shows the location, acquisition date, purchase price, and mortgage outstanding due to other parties for each of the properties held by NPRC as of June 30, 2019.

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
1	Filet of Chicken	Forest Park, GA	10/24/2012	$ 7,400	$ —
2	Arlington Park Marietta, LLC	Marietta, GA	5/8/2013	14,850	—
3	NPRC Carroll Resort, LLC	Pembroke Pines, FL	6/24/2013	225,000	172,664
4	Cordova Regency, LLC	Pensacola, FL	11/15/2013	13,750	11,289
5	Crestview at Oakleigh, LLC	Pensacola, FL	11/15/2013	17,500	13,739
6	Inverness Lakes, LLC	Mobile, AL	11/15/2013	29,600	24,512
7	Kings Mill Pensacola, LLC	Pensacola, FL	11/15/2013	20,750	17,416
8	Plantations at Pine Lake, LLC	Tallahassee, FL	11/15/2013	18,000	13,984
9	Verandas at Rocky Ridge, LLC	Birmingham, AL	11/15/2013	15,600	10,127
10	NPH Carroll Bartram Park, LLC	Jacksonville, FL	12/31/2013	38,000	26,652
11	Crestview at Cordova, LLC	Pensacola, FL	1/17/2014	8,500	7,603
12	Taco Bell, OK	Yukon, OK	6/4/2014	1,719	—
13	Taco Bell, MO	Marshall, MO	6/4/2014	1,405	—
14	23 Mile Road Self Storage, LLC	Chesterfield, MI	8/19/2014	5,804	4,350
15	36th Street Self Storage, LLC	Wyoming, MI	8/19/2014	4,800	3,600
16	Ball Avenue Self Storage, LLC	Grand Rapids, MI	8/19/2014	7,281	5,460
17	Ford Road Self Storage, LLC	Westland, MI	8/29/2014	4,642	3,480
18	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	4,458	3,345
19	Ann Arbor Kalamazoo Self Storage, LLC	Ann Arbor, MI	8/29/2014	8,927	6,695
20	Ann Arbor Kalamazoo Self Storage, LLC	Kalamazoo, MI	8/29/2014	2,363	1,775
21	Canterbury Green Apartments Holdings LLC	Fort Wayne, IN	9/29/2014	85,500	86,443
22	Abbie Lakes OH Partners, LLC	Canal Winchester, OH	9/30/2014	12,600	14,226
23	Kengary Way OH Partners, LLC	Reynoldsburg, OH	9/30/2014	11,500	15,920
24	Lakeview Trail OH Partners, LLC	Canal Winchester, OH	9/30/2014	26,500	28,935
25	Lakepoint OH Partners, LLC	Pickerington, OH	9/30/2014	11,000	14,480
26	Sunbury OH Partners, LLC	Columbus, OH	9/30/2014	13,000	15,352
27	Heatherbridge OH Partners, LLC	Blacklick, OH	9/30/2014	18,416	18,328
28	Jefferson Chase OH Partners, LLC	Blacklick, OH	9/30/2014	13,551	19,480
29	Goldenstrand OH Partners, LLC	Hilliard, OH	10/29/2014	7,810	11,880
30	Jolly Road Self Storage, LLC	Okemos, MI	1/16/2015	7,492	5,620
31	Eaton Rapids Road Self Storage, LLC	Lansing West, MI	1/16/2015	1,741	1,305
32	Haggerty Road Self Storage, LLC	Novi, MI	1/16/2015	6,700	5,025
33	Waldon Road Self Storage, LLC	Lake Orion, MI	1/16/2015	6,965	5,225
34	Tyler Road Self Storage, LLC	Ypsilanti, MI	1/16/2015	3,507	2,630
35	SSIL I, LLC	Aurora, IL	11/5/2015	34,500	26,450
36	Vesper Tuscaloosa, LLC	Tuscaloosa, AL	9/28/2016	54,500	43,098
37	Vesper Iowa City, LLC	Iowa City, IA	9/28/2016	32,750	24,825
38	Vesper Corpus Christi, LLC	Corpus Christi, TX	9/28/2016	14,250	10,800
39	Vesper Campus Quarters, LLC	Corpus Christi, TX	9/28/2016	18,350	14,175
40	Vesper College Station, LLC	College Station, TX	9/28/2016	41,500	32,058
41	Vesper Kennesaw, LLC	Kennesaw, GA	9/28/2016	57,900	48,623
42	Vesper Statesboro, LLC	Statesboro, GA	9/28/2016	7,500	7,480
43	Vesper Manhattan KS, LLC	Manhattan, KS	9/28/2016	23,250	15,459
44	JSIP Union Place, LLC	Franklin, MA	12/7/2016	64,750	51,800

No.	Property Name	City	Acquisition Date	Purchase Price	Mortgage Outstanding
45	9220 Old Lantern Way, LLC	Laurel, MD	1/30/2017	187,250	153,580
46	7915 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	95,700	76,560
47	8025 Baymeadows Circle Owner, LLC	Jacksonville, FL	10/31/2017	15,300	12,240
48	23275 Riverside Drive Owner, LLC	Southfield, MI	11/8/2017	52,000	44,044
49	23741 Pond Road Owner, LLC	Southfield, MI	11/8/2017	16,500	14,185
50	150 Steeplechase Way Owner, LLC	Largo, MD	1/10/2018	44,500	36,668
51	Laurel Pointe Holdings, LLC	Forest Park, GA	5/9/2018	33,005	26,400
52	Bradford Ridge Holdings, LLC	Forest Park, GA	5/9/2018	12,500	10,000
53	Olentangy Commons Owner LLC	Columbus, OH	6/1/2018	113,000	92,876
54	Villages of Wildwood Holdings LLC	Fairfield, OH	7/20/2018	46,500	39,525
55	Falling Creek Holdings LLC	Richmond, VA	8/8/2018	25,000	19,335
56	Crown Pointe Passthrough LLC	Danbury, CT	8/30/2018	108,500	89,400
57	Ashwood Ridge Holdings LLC	Jonesboro, GA	9/21/2018	9,600	7,300
58	Lorring Owner LLC	Forestville, MD	10/30/2018	58,521	47,680
59	Hamptons Apartments Owner, LLC	Beachwood, OH	1/9/2019	96,500	79,520
60	5224 Long Road Holdings, LLC	Orlando, FL	6/28/2019	26,500	21,200
				$ 1,966,757	$ 1,616,821

On September 25, 2017, Prospect exchanged $1,600 of Senior Secured Term Loan A and $4,799 of Senior Secured Term Loan B investments in Targus International, LLC into 6,120,658 of common shares of Targus Cayman HoldCo Limited, and recorded a realized gain of $846, as a result of this transaction.

On December 11, 2017, Primesport, Inc. repaid the $53,001 Senior Secured Term Loan A and $71,481 Senior Secured Term Loan B loan receivable to us, for which we agreed to a payment to satisfy the loan less than the par amount and recorded a realized loss of $3,019, as a result of this transaction.

On February 26, 2018, we entered into a debt forgiveness agreement with Nixon, Inc., which terminated the $17,472 Senior Secured Term Loan receivable due to us. We recorded a realized loss of $14,197 as a result of this transaction.

On April 17 and April 18, 2018, we sold 49.71% of the outstanding principal balance of the senior secured term loan investment in RGIS Services, LLC, for a total of $15,000 at 93.5% of par. We realized a $423 loss on the sale.

On December 10, 2018, we received a final distribution from our investment in American Gilsonite Company and recorded a realized gain of $24, as a result of this transaction.

On December 31, 2018, we liquidated our investment in SB Forging Company II. We recorded a realized gain of $2,204 as a result of this transaction.

On February 1, 2019, Maverick Healthcare Equity, LLC was sold. No proceeds were received, resulting in a realized loss of $1,252.

During the period from January 23, 2019 to February 28, 2019, we sold $76,000, or 39.13%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co. We recorded a realized loss of $450 as a result of these transactions.

On March 1, 2019, we sold our 94.59% common equity interest in CCPI, Inc. for $18,865 in net proceeds. Concurrently, CCPI Inc. fully repaid the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B receivable to us. We recorded a realized gain of $12,105 on the sale of our equity position in CCPI, Inc. In connection with the sale we recognized an advisory fee payment of $1,301 recorded as other income. In addition, there is $2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received. During the three months ended June 30, 2019, we received $136 of escrow proceeds, realizing a gain of the same amount.

On March 27, 2019, Ark-La-Tex sold the remainder of its assets for $773. The remainder of our debt investment in Ark-La-Tex was written off and we recorded a realized loss of $371.

During the year ended June 30, 2019, we received $1,009 of escrow proceeds related to Harbortouch, realizing a gain of the same amount.

As of June 30, 2019, $3,294,584 of our loans to portfolio companies, at fair value, bear interest at floating rates and have LIBOR floors ranging from 0.0% to 3.0%. As of June 30, 2019, $598,720 of our loans to portfolio companies, at fair value, bear interest at fixed rates ranging from 5.0% to 20.5%. As of June 30, 2018, $3,323,420 of our loans to portfolio companies, at fair value, bore interest at floating rates and have LIBOR floors ranging from 0.0% to 3.0%. As of June 30, 2018, $489,962 of our loans to portfolio companies, at fair value, bore interest at fixed rates ranging from 5.0% to 20.0%.

At June 30, 2019, six loan investments were on non-accrual status: Edmentum Ultimate Holdings, LLC (“Edmentum”, the Unsecured Junior PIK Note), Interdent (the Senior Secured Term Loan C and the Senior Secured Term Loan D), Pacific World Corporation (the Senior Secured Term Loan A and the Senior Secured Term Loan B), United Sporting Companies, Inc. (“USC”), USES Corp. (“USES”), and UTP (the Senior Secured Term Loan B). At June 30, 2018, five loan investments were on non-accrual status: Ark-La-Tex, Edmentum Ultimate Holdings, LLC Unsecured Junior PIK Note, Pacific World Corporation Senior Secured Term Loan B, USC, and USES. Cost balances of these loans amounted to $487,356 and $315,733 as of June 30, 2019 and June 30, 2018, respectively. The fair value of these loans amounted to $167,833 and $143,719 as of June 30, 2019 and June 30, 2018, respectively. The fair values of these investments represent approximately 2.9% and 2.5% of our total assets at fair value as of June 30, 2019 and June 30, 2018, respectively.

Undrawn committed revolvers and delayed draw term loans to our portfolio companies incur commitment and unused fees ranging from 0.00% to 5.00%. As of June 30, 2019 and June 30, 2018, we had $23,375 and $29,675, respectively, of undrawn revolver and delayed draw term loan commitments to our portfolio companies. The fair value of our undrawn committed revolvers and delayed draw term loans was zero as of June 30, 2019 and June 30, 2018.

We have guaranteed $2,571 in standby letters of credit issued through a financial intermediary and $1,682 of equipment lease obligations on behalf of InterDent, Inc. (“InterDent”) as of June 30, 2019. Under these arrangements, we would be required to make payments to the financial intermediary or equipment lease provider, respectively, if InterDent was to default on their related payment obligations. As of June 30, 2019, we have not recorded a liability on the statement of assets and liabilities for these guarantees as the likelihood of default on the standby letters of credit or equipment lease is deemed to be remote.

Unconsolidated Significant Subsidiaries

Our investments are generally in small and mid-sized companies in a variety of industries. In accordance with Rules 3-09 and 4-08(g) of Regulation S-X, we must determine which of our unconsolidated controlled portfolio companies are considered “significant subsidiaries”, if any. In evaluating these investments, there are three tests utilized to determine if any of our controlled investments are considered significant subsidiaries: the asset test, the income test and the investment test. Rule 3-09 of Regulation S-X requires separate audited financial statements of an unconsolidated subsidiary in an annual report if any of the three tests exceed 20%. Rule 4-08(g) of Regulation S-X requires summarized financial information in an annual report if any of the three tests exceeds 10%.

First Tower Finance Company LLC (“First Tower Finance”) is a significant subsidiary due to income and NPRC is a significant subsidiary due to assets and income for the years ended June 30, 2019, June 30, 2018 and June 30, 2017. We included the audited financial statements of NPRC, and its subsidiaries, for the years ended December 31, 2018 and December 31, 2017 as Exhibit 99.1 and for the years ended December 31, 2017 and December 31, 2016 as Exhibit 99.2. We have also included the audited financial statements of First Tower Finance for the years ended December 31, 2018 and December 31, 2017 as Exhibit 99.3 and audited financial statements for the year ended December 31, 2017 and December 31, 2016 as Exhibit 99.4.

Pacific World and Valley Electric are significant subsidiaries due to income for the year ended June 30, 2019. Arctic Energy Services, LLC (“Arctic”) was significant due to income for the year ended June 30, 2018. USES Corp. was significant due to income for the year ended June 30, 2017. We have included summarized financial statements for these investments below.

The following tables show summarized financial information for Arctic, which was identified as a significant subsidiary due to income during the year ended June 30, 2018. Following the April 2018 transaction with CP Energy (see endnote 49 to our *Consolidated Schedule of Investments)*, Arctic is no longer reported as a separate control entity.

Balance Sheet		**December 31, 2017**
Current assets	$	6,382
Non-current assets		36,478
Current liabilities		2,213
Non-current liabilities		3,040

Summary of Operations		**For the twelve months ended December 31, 2017**
Total revenue	$	23,155
Cost of sales		—
Operating expenses		13,125
Other expenses (including tax expense)		13,054
Net income (loss)	$	(3,024)

The following tables show summarized financial information for Pacific World, which was identified as a significant subsidiary during the during the year ended June 30, 2019:

Balance Sheet(1)		**June 30, 2019**		**June 30, 2018**
Current assets	$	33,381	$	61,204
Non-current assets		66,824		93,020
Current liabilities		42,544		46,002
Non-current liabilities		211,508		195,215

		For the six months ended		**For the years ended December 31,**				
Summary of Operations (1)		**June 30, 2019**		**2018**		**2017**		**2016**
Net sales	$	41,381	$	101,859	$	120,953	$	141,214
Cost of sales		32,373		90,142		77,741		89,377
Selling, general and administrative expenses		20,659		61,984		48,496		50,670
Interest expense		12,386		23,021		19,182		17,370
Other expense (income), net		679		2,913		(2,067)		4,214
Income tax expense (benefit)		178		(1,217)		(3,993)		1,020
Net loss	$	(24,894)	$	(74,984)	$	(18,406)	$	(21,437)

(1) The fiscal year end of the portfolio company is December 31st compared to PSEC’s June 30th fiscal year end. All amounts are unaudited.

The following tables show summarized financial information for Valley Electric, which was identified as a significant subsidiary during the year ended June 30, 2019:

Balance Sheet (1)	**June 30, 2019**	**June 30, 2018**
Current assets	$ 79,981	$ 51,220
Non-current assets	15,004	15,540
Current liabilities	50,994	32,877
Non-current liabilities	16,212	12,777

		For the twelve months ended	
Summary of Operations (1)	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total revenue	$ 255,526	$ 142,711	$ 129,399
Cost of sales	213,797	126,108	115,690
Operating expenses	15,133	10,972	11,160
Other expenses (including tax expense)	8,087	6,445	5,877
Net income (loss)	$ 18,509	$ (814)	$ (3,328)

(1) The fiscal year end of the portfolio company is December 31st compared to PSEC's June 30th fiscal year end. All amounts are unaudited.

The following tables show summarized financial information for USES, which was identified as a significant subsidiary during the year ended June 30, 2017:

Balance Sheet (1)	**May 31, 2019**	**June 30, 2018**
Current assets	$ 19,765	$ 22,088
Non-current assets	27,349	32,614
Current liabilities	21,182	21,502
Non-current liabilities	113,544	81,448

	For the eleven months ended	**For the twelve months ended**	
Summary of Operations (1)	**May 31, 2019**	**June 30, 2018**	**June 30, 2017**
Total revenue	$ 51,265	$ 77,998	$ 65,542
Cost of sales	45,156	64,821	57,848
Operating expenses	14,371	17,509	18,554
Other expenses (including tax expense)	31,029	22,192	10,783
Net income (loss)	$ (39,362)	$ (26,695)	$ (21,669)

(1) The fiscal year end of the portfolio company is December 31st compared to PSEC's June 30th fiscal year end. All amounts are unaudited.

The SEC has requested comments on the proper mechanics of how the calculations related to Rules 3-09 and 4-08(g) of Regulation S-X should be completed. There is currently diversity in practice for the calculations. We expect that the SEC will clarify the calculation methods in the future.

Note 4. Revolving Credit Facility

On August 29, 2014, we renegotiated our previous credit facility and closed an expanded five and a half year revolving credit facility (the "2014 Facility". The lenders had extended commitments of $885,000 under the 2014 Facility as of June 30, 2018. The 2014 Facility included an accordion feature which allowed commitments to be increased up to $1,500,000 in the aggregate. Interest on borrowings under the 2014 Facility were one-month LIBOR plus 225 basis points. Additionally, the lenders charged a fee on the unused portion of the 2014 Facility equal to either 50 basis points if at least 35% of the credit facility was drawn or 100 basis points otherwise.

On August 1, 2018, we renegotiated the 2014 Facility and closed an expanded five and a half year revolving credit facility (the "2018 Facility" and collectively with the 2014 Facility, the "Revolving Credit Facility"). The lenders have extended commitments of $1,132,500 under the 2018 Facility as of June 30, 2019. The 2018 Facility includes an accordion feature which allows commitments to be increased up to $1,500,000 in the aggregate. The 2018 Facility matures on March 27, 2024. It includes a revolving period that extends through March 27, 2022, followed by an additional two-year amortization period, with distributions allowed to Prospect after the completion of the revolving period. During such two-year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two-year amortization period, the remaining balance will become due, if required by the lenders.

The 2018 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2018 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2018 Facility. The 2018 Facility also requires the maintenance of a minimum liquidity requirement. As of June 30, 2019, we were in compliance with the applicable covenants.

Interest on borrowings under the 2018 Facility is one-month LIBOR plus 220 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 50 basis points if more than 60% of the credit facility is drawn, or 100 basis points if more than 35% and an amount less than or equal to 60% of the credit facility is drawn, or 150 basis points if an amount less than or equal to 35% of the credit facility is drawn. The 2018 Facility requires us to pledge assets as collateral in order to borrow under the credit facility.

For the years ended June 30, 2019, June 30, 2018, and June 30, 2017, the average stated interest rate (i.e., rate in effect plus the spread) and average outstanding borrowings for the Revolving Credit Facility were as follows:

	Year Ended June 30,		
	2019	2018	2017
Average stated interest rate	4.55%	3.94%	2.97%
Average outstanding balance	$225,310	$48,628	$22,636

As of June 30, 2019 and June 30, 2018, we had $684,212 and $547,205, respectively, available to us for borrowing under the Revolving Credit Facility, of which $167,000 and $37,000 were outstanding as of June 30, 2019 and June 30, 2018, respectively. As additional eligible investments are transferred to PCF and pledged under the Revolving Credit Facility, PCF will generate additional availability up to the current commitment amount of $1,132,500. As of June 30, 2019, the investments, including cash and money market funds, used as collateral for the Revolving Credit Facility had an aggregate fair value of $1,662,867, which represents 28.9% of our total investments, including cash and money market funds. These assets are held and owned by PCF, a bankruptcy remote special purpose entity, and as such, these investments are not available to our general creditors. The release of any assets from PCF requires the approval of the facility agent.

In connection with the origination and amendments of the Revolving Credit Facility, we incurred $11,077 of new fees and $1,473 were carried over for continuing participants from the previous facility, all of which are being amortized over the term of the facility in accordance with ASC 470-50. As of June 30, 2019, $8,529 remains to be amortized and is reflected as deferred financing costs on the *Consolidated Statements of Assets and Liabilities*. During the year ended June 30, 2019, $325 of fees were expensed relating to credit providers in the 2014 Facility who did not commit to the 2018 Facility.

During the years ended June 30, 2019, 2018 and 2017, we recorded $23,097, $13,170 and $12,173, respectively, of interest costs, unused fees and amortization of financing costs on the Revolving Credit Facility as interest expense.

Note 5. Convertible Notes

On February 18, 2011, we issued $172,500 aggregate principal amount of convertible notes that matured on August 15, 2016 (the "2016 Notes"). The 2016 Notes bore interest at a rate of 5.50% per year, payable semi-annually on February 15 and August 15 of each year, beginning August 15, 2011. Total proceeds from the issuance of the 2016 Notes, net of underwriting discounts and offering costs, were $167,325. Between January 30, 2012 and February 2, 2012, we repurchased $5,000 aggregate principal amount of the 2016 Notes at a price of 97.5, including commissions. The transactions resulted in our recognizing $10 of loss in the year ended June 30, 2012. On August 15, 2016, we repaid the outstanding principal amount of the 2016 Notes, plus interest. No gain or loss was realized on the transaction.

On April 16, 2012, we issued $130,000 aggregate principal amount of convertible notes that matured on October 15, 2017 (the “2017 Notes”). The 2017 Notes bore interest at a rate of 5.375% per year, payable semi-annually on April 15 and October 15 of each year, beginning October 15, 2012. Total proceeds from the issuance of the 2017 Notes, net of underwriting discounts and offering costs, were $126,035. On March 28, 2016, we repurchased $500 aggregate principal amount of the 2017 Notes at a price of 98.25, including commissions. The transaction resulted in our recognizing a $9 gain for the period ended March 31, 2016. On April 6, 2017, we repurchased $78,766 aggregate principal amount of the 2017 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $1,786 loss during the three months ended June 30, 2017. On October 15, 2017, we repaid the outstanding principal amount of $50,734 of the 2017 Notes, plus interest. No gain or loss was realized on the transaction.

On August 14, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on March 15, 2018 (the “2018 Notes”). The 2018 Notes bore interest at a rate of 5.75% per year, payable semi-annually on March 15 and September 15 of each year, beginning March 15, 2013. Total proceeds from the issuance of the 2018 Notes, net of underwriting discounts and offering costs, were $193,600. On April 6, 2017, we repurchased $114,581 aggregate principal amount of the 2018 Notes at a price of 103.5, including commissions. The transaction resulted in our recognizing a $4,700 loss during the three months ended June 30, 2017. On March 15, 2018, we repaid the outstanding principal amount of $85,419 of the 2018 Notes, plus interest. No gain or loss was realized on the transaction.

On December 21, 2012, we issued $200,000 aggregate principal amount of convertible notes that matured on January 15, 2019 (the “2019 Notes”). The 2019 Notes bore interest at a rate of 5.875% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2013. Total proceeds from the issuance of the 2019 Notes, net of underwriting discounts and offering costs, were $193,600. On May 30, 2018, we repurchased $98,353 aggregate principal amount of the 2019 Notes at a price of 102.0, including commissions. The transaction resulted in our recognizing a $2,383 loss during the three months ended June 30, 2018. On January 15, 2019, we repaid the outstanding principal amount of $101,647 of the 2019 Notes, plus interest. No gain or loss was realized on the transaction.

On April 11, 2014, we issued $400,000 aggregate principal amount of convertible notes that mature on April 15, 2020 (the “2020 Notes”), unless previously converted or repurchased in accordance with their terms. The 2020 Notes bear interest at a rate of 4.75% per year, payable semi-annually on April 15 and October 15 each year, beginning October 15, 2014. Total proceeds from the issuance of the 2020 Notes, net of underwriting discounts and offering costs, were $387,500. On January 30, 2015, we repurchased $8,000 aggregate principal amount of the 2020 Notes at a price of 93.0, including commissions. As a result of this transaction, we recorded a gain of $332, in the amount of the difference between the reacquisition price and the net carrying amount of the notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended December 31, 2018, we repurchased an additional $13,500 aggregate principal amount of the 2020 Notes at a price of 99.5, including commissions. As a result of this transaction, we recorded a loss of $41, in the amount of the difference between the reacquisition price and the net carrying amount of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended March 31, 2019, we repurchased an additional $129,798 aggregate principal amount of the 2020 Notes at a weighted average price of 101.4, including commission. As a result of these transactions, we recorded a net loss of $2,787 during the three months ended March 31, 2019, in the amount of the difference between the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. During the three months ended June 30, 2019, we repurchased an additional $24,588 aggregate principal amount of the 2020 Notes at a weighted average price of $101.10, including commissions. As a result of these transactions, we recorded a net loss of $414 during the three months ended June 30, 2019, in the amount of the difference of the reacquisition price and the net carrying amounts of the 2020 Notes, net of the proportionate amount of unamortized debt issuance costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2020 Notes is $224,114. On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 outstanding aggregate principal amount of the 2020 Notes. The tender offer expired at 12:00 midnight on July 26, 2019.

On April 11, 2017, we issued $225,000 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Original 2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Original 2022 Notes bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2017. Total proceeds from the issuance of the 2022 Notes, net of underwriting discounts and offering costs, were $218,010. On May 18, 2018, we issued an additional $103,500 aggregate principal amount of convertible notes that mature on July 15, 2022 (the “Additional 2022 Notes”, and together with the Original 2022 Notes, the “2022 Notes”), unless previously converted or repurchased in accordance with their terms. The Additional 2022 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2022 Notes and bear interest at a rate of 4.95% per year, payable semi-annually on January 15 and July 15 each year, beginning July 15, 2018. Total proceeds from the issuance of the Additional 2022 Notes, net of underwriting discounts and offering costs, were $100,749. Following the issuance of the Additional 2022 Notes and as of June 30, 2019, the outstanding aggregate principal amount of the 2022 Notes is $328,500.

On March 1, 2019, we issued $175,000 aggregate principal amount of senior convertible notes that mature on March 1, 2025 (the "2025 Notes"), unless previously converted or repurchased in accordance with their terms. We granted the underwriters a 13-day over-allotment option to purchase up to an additional $26,250 aggregate principal amount of the 2025 Notes. The underwriters fully exercised the over-allotment option on March 11, 2019 and we issued $26,250 aggregate principal amount of 2025 Notes at settlement on March 13, 2019. The 2025 Notes bear interest at a rate of 6.375% per year, payable semi-annually on March 1 and September 1 each year, beginning September 1, 2019. Total proceeds from the issuance of the 2025 Notes, net of underwriting discounts and offering costs, were $198,674. As of June 30, 2019, the outstanding aggregate principal amount of the 2025 Notes is $201,250.
Certain key terms related to the convertible features for the 2020 Notes, the 2022 Notes and the 2025 Notes (collectively, the "Convertible Notes") are listed below.

	2020 Notes	2022 Notes	2025 Notes
Initial conversion rate(1)	80.6647	100.2305	110.7420
Initial conversion price	$ 12.40	$ 9.98	$ 9.03
Conversion rate at June 30, 2019(1)(2)	80.6670	100.2305	110.7420
Conversion price at June 30, 2019(2)(3)	$ 12.40	$ 9.98	$ 9.03
Last conversion price calculation date	4/11/2019	4/11/2019	3/1/2019
Dividend threshold amount (per share)(4)	$ 0.110525	$ 0.083330	$ 0.060000

(1) Conversion rates denominated in shares of common stock per $1 principal amount of the Convertible Notes converted.

(2) Represents conversion rate and conversion price, as applicable, taking into account certain de minimis adjustments that will be made on the conversion date.

(3) The conversion price will increase only if the current monthly dividends (per share) exceed the dividend threshold amount (per share).

(4) The conversion rate is increased if monthly cash dividends paid to common shares exceed the monthly dividend threshold amount, subject to adjustment. Current dividend rates are at or below the minimum dividend threshold amount for further conversion rate adjustments for all bonds.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the notes surrendered for conversion representing accrued and unpaid interest to, but not including, the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Convertible Notes.

No holder of Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Convertible Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Convertible Notes upon a fundamental change at a price equal to 100% of the principal amount of the Convertible Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Convertible Notes through and including the maturity date.

In connection with the issuance of the Convertible Notes, we recorded a discount of $4,025 and debt issuance costs of $22,585, which are being amortized over the terms of the Convertible Notes. As of June 30, 2019, $3,840 of the original issue discount and $10,027 of the debt issuance costs remain to be amortized and is included as a reduction within Convertible Notes on the *Consolidated Statement of Assets and Liabilities*.

During the years ended June 30, 2019, 2018 and 2017, we recorded $44,492, $51,020 and $55,217, respectively, of interest costs and amortization of financing costs on the Convertible Notes as interest expense.

Note 6. Public Notes

On March 15, 2013, we issued $250,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the "Original 2023 Notes"). The Original 2023 Notes bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2013. Total proceeds from the issuance of the Original 2023 Notes, net of underwriting discounts and offering costs, were $243,641. On June 20, 2018, we issued an additional $70,000 aggregate principal amount of unsecured notes that mature on March 15, 2023 (the "Additional 2023 Notes", and together with the Original 2023 Notes, the "2023 Notes"). The Additional 2023 Notes were a further issuance of, and are fully fungible and rank equally in right of payment with, the Original 2023 Notes and bear interest at a rate of 5.875% per year, payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the Additional 2023 Notes, net of underwriting discounts, were $69,403. Following the issuance of the Additional 2023 Notes, the outstanding aggregate principal amount of our 5.875% Senior Notes due 2023 is $320,000.

On April 7, 2014, we issued $300,000 aggregate principal amount of unsecured notes that mature on July 15, 2019 (the "5.00% 2019 Notes"). Included in the issuance is $45,000 of Prospect Capital InterNotes® that were exchanged for the 5.00% 2019 Notes. The 5.00% 2019 Notes bore interest at a rate of 5.00% per year, payable semi-annually on January 15 and July 15 of each year, beginning July 15, 2014. Total proceeds from the issuance of the 5.00% 2019 Notes, net of underwriting discounts and offering costs, were $295,998. On June 7, 2018, we commenced a tender offer to purchase for cash any and all of the $300,000 aggregate principal amount outstanding of the 5.00% 2019 Notes. On June 20, 2018, $146,464 aggregate principal amount of the 5.00% 2019 Notes, representing 48.8% of the previously outstanding 5.00% 2019 Notes, were validly tendered and accepted. The transaction resulted in our recognizing a $3,705 loss during the three months ended June 30, 2018. On September 26, 2018, we repurchased the remaining $153,536 aggregate principal amount of the 5.00% 2019 Notes at a price of 101.645, including commissions. The transaction resulted in our recognizing a loss of $2,874 during the year ended June 30, 2019.

On December 10, 2015, we issued $160,000 aggregate principal amount of unsecured notes that mature on June 15, 2024 (the "2024 Notes"). The 2024 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15 and December 15 of each year, beginning March 15, 2016. Total proceeds from the issuance of the 2024 Notes, net of underwriting discounts and offering costs, were $155,043. On June 16, 2016, we entered into an at-the-market ("ATM") program with FBR Capital Markets & Co. through which we could sell, by means of ATM offerings, from time to time, up to $100,000 in aggregate principal amount of our existing 2024 Notes ("Initial 2024 Notes ATM"). Following the initial 2024 Notes ATM, the aggregate principal amount of the 2024 Notes issued was $199,281 for net proceeds of $193,253, after commissions and offering costs. On July 2, 2018, we entered into a second ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of the 2024 Notes ("Second 2024 Notes ATM", and together with the Initial 2024 Notes ATM, the "2024 Notes Follow on Program"). The 2024 Notes are listed on the New York Stock Exchange ("NYSE") and trade thereon under the ticker "PBB." During the year ended June 30, 2019, we issued an additional $35,162 aggregate principal amount under the second 2024 Notes ATM, for net proceeds of $34,855, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2024 Notes is $234,443.

On June 7, 2018, we issued $55,000 aggregate principal amount of unsecured notes that mature on June 15, 2028 (the "2028 Notes"). The 2028 Notes bear interest at a rate of 6.25% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning September 15, 2018. Total proceeds from the issuance of the 2028 Notes, net of underwriting discounts and offering costs were $53,119. On July 2, 2018, we entered into an ATM program with B. Riley FBR, Inc. and BB&T Capital Markets, and on August 31, 2018 with Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2028 Notes ("2028 Notes ATM" or "2028 Notes Follow-on Program"). The 2028 Notes are listed on the NYSE and trade thereon under the ticker "PBY." During the year ended June 30, 2019, we issued an additional $15,761 aggregate principal amount under the 2028 Notes ATM, for net proceeds of $15,530, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2028 Notes is $70,761.

On October 1, 2018, we issued $100,000 aggregate principal amount of unsecured notes that mature on January 15, 2024 (the "6.375% 2024 Notes"). The 6.375% 2024 Notes bear interest at a rate of 6.375% per year, payable semi-annually on January 15 and July 15 of each year, beginning January 15, 2019. Total proceeds from the issuance of the 6.375% 2024 Notes, net of underwriting discounts and offering costs, were $98,985. As of June 30, 2019, the outstanding aggregate principal amount of the 6.375% 2024 Notes is $100,000.

On December 5, 2018, we issued $50,000 aggregate principal amount of unsecured notes that mature on June 15, 2029 (the "2029 Notes"). The 2029 Notes bear interest at a rate of 6.875% per year, payable quarterly on March 15, June 15, September 15, and December 15 of each year, beginning March 15, 2019. Total proceeds from the issuance of the 2029 Notes, net of underwriting

discounts and offering costs, were $48,057. On February 9, 2019, we entered into an ATM program with B. Riley FBR, Inc., BB&T Capital Markets, and Comerica Securities, Inc., through which we could sell, by means of ATM offerings, up to $100,000 in aggregate principal amount of our existing 2029 Notes ("2029 Notes ATM" or "2029 Notes Follow-on Program"). The 2029 Notes are listed on the NYSE and trade thereon under the ticker "PBC." During the year ended June 30, 2019, we issued an additional $19,170 aggregate principal amount under the 2029 Notes ATM, for net proceeds of $18,523, after commissions and offering costs. As of June 30, 2019, the outstanding aggregate principal amount of the 2029 Notes is $69,170.

The 2023 Notes, the 2024 Notes, the 2028 Notes, the 6.375% 2024 Notes, and the 2029 Notes (collectively, the "Public Notes") are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding.

In connection with the issuance of the Public Notes we recorded a discount of $4,112 and debt issuance costs of $16,112, which are being amortized over the term of the notes. As of June 30, 2019, $2,519 of the original issue discount and $11,307 of the debt issuance costs remain to be amortized and are included as a reduction within Public Notes on the *Consolidated Statement of Assets and Liabilities.*

During the years ended June 30, 2019, 2018 and 2017, we recorded $47,931, $44,269 and $43,898, respectively, of interest costs and amortization of financing costs on the Public Notes as interest expense.

Note 7. Prospect Capital InterNotes®

On February 16, 2012, we entered into a selling agent agreement (the "Original Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes®, which was increased to $1,500,000 in May 2014. We sold approximately $1,454,466 in aggregate principal amount Prospect Capital InterNotes® under the Original Selling Agent Agreement. On May 10, 2019, the Original Selling Agent Agreement was terminated, and we entered into a new selling agent agreement with Incapital LLC (the "Selling Agent Agreement"), authorizing the issuance and sale from time to time of up to $1,000,000 of Prospect Capital InterNotes® (the "InterNotes® Offering"). Additional agents may be appointed by us from time to time in connection with the InterNotes® Offering and become parties to the Selling Agent Agreement.

These notes are direct unsecured obligations and rank equally with all of our unsecured indebtedness from time to time outstanding. Each series of notes will be issued by a separate trust. These notes bear interest at fixed interest rates and offer a variety of maturities no less than twelve months from the original date of issuance.

During the year ended June 30, 2019, we issued $236,971 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $233,140. These notes were issued with stated interest rates ranging from 5.00% to 6.25% with a weighted average interest rate of 5.67%. These notes will mature between July 15, 2023 and June 15, 2029. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2019.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 119,426	5.00% - 5.75%	5.43%	July 15, 2023 - June 15, 2024
7	54,880	5.25% - 6.00%	5.80%	July 15, 2025 - June 15, 2026
8	385	5.75%	5.75%	July 15, 2026
10	62,280	5.50% - 6.25%	6.02%	July 15, 2028 - June 15, 2029
	$ 236,971			

During the year ended June 30, 2018, we issued $76,297 aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of $75,159. The following table summarizes the Prospect Capital InterNotes® issued during the year ended June 30, 2018.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 46,893	4.00% - 5.00%	4.24%	July 15, 2022 - June 15, 2023
7	4,684	4.75% - 5.25%	5.06%	July 15, 2024 - June 15, 2025
8	24,720	4.50% - 5.25%	4.65%	August 15, 2025 - May 15, 2026
	$ 76,297			

During the year ended June 30, 2019, we redeemed, prior to maturity, $279,841 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.91% in order to replace shorter maturity debt with longer-term debt. During the year ended June 30, 2019, we repaid $10,355 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2019 was $2,047. The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2019.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 283,450	4.00% – 5.75%	5.10%	January 15, 2021 - June 15, 2024
5.5	1,399	4.25%	4.25%	July 15, 2020
6.5	34,745	5.10% – 5.25%	5.24%	January 15, 2022 - May 15, 2022
7	83,731	4.00% – 6.00%	5.56%	January 15, 2020 - June 15, 2026
7.5	1,996	5.75%	5.75%	February 15, 2021
8	24,500	4.50% – 5.75%	4.67%	August 15, 2025 - July 15, 2026
10	99,529	5.50% – 7.00%	6.09%	March 15, 2022 - June 15, 2029
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,077	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	19,306	4.13% – 6.25%	5.58%	December 15, 2030 - August 15, 2031
20	3,887	5.75% – 6.00%	5.90%	November 15, 2032 - October 15, 2033
25	31,855	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	103,246	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	$ 707,699			

During the year ended June 30, 2018, we redeemed $269,375 aggregate principal amount of Prospect Capital InterNotes® at par with a weighted average interest rate of 4.89% in order to replace debt with shorter maturity dates. During the year ended June 30, 2018, we repaid $6,899 aggregate principal amount of Prospect Capital InterNotes® at par in accordance with the Survivor's Option, as defined in the InterNotes® Offering prospectus. As a result of these transactions, we recorded a loss in the amount of the unamortized debt issuance costs. The net loss on the extinguishment of Prospect Capital InterNotes® in the year ended June 30, 2018 was $1,506. The following table summarizes the Prospect Capital InterNotes® outstanding as of June 30, 2018.

Tenor at Origination (in years)	Principal Amount	Interest Rate Range	Weighted Average Interest Rate	Maturity Date Range
5	$ 228,835	4.00% – 5.50%	4.92%	July 15, 2020 - June 15, 2023
5.2	4,440	4.63%	4.63%	August 15, 2020 - September 15, 2020
5.3	2,636	4.63%	4.63%	September 15, 2020
5.5	86,097	4.25% – 4.75%	4.61%	May 15, 2020 - November 15, 2020
6	2,182	4.88%	4.88%	April 15, 2021 - May 15, 2021
6.5	38,832	5.10% – 5.25%	5.23%	December 15, 2021 - May 15, 2022
7	147,349	4.00% – 5.75%	5.05%	January 15, 2020 - June 15, 2025
7.5	1,996	5.75%	5.75%	February 15, 2021
8	24,720	4.50% – 5.25%	4.65%	August 15, 2025 - May 15, 2026
10	37,424	5.34% – 7.00%	6.19%	March 15, 2022 - December 15, 2025
12	2,978	6.00%	6.00%	November 15, 2025 - December 15, 2025
15	17,163	5.25% – 6.00%	5.35%	May 15, 2028 - November 15, 2028
18	20,677	4.13% – 6.25%	5.55%	December 15, 2030 - August 15, 2031
20	4,120	5.75% – 6.00%	5.89%	November 15, 2032 - October 15, 2033
25	33,139	6.25% – 6.50%	6.39%	August 15, 2038 - May 15, 2039
30	108,336	5.50% – 6.75%	6.24%	November 15, 2042 - October 15, 2043
	$ 760,924			

In connection with the issuance of Prospect Capital InterNotes®, we incurred $26,752 of fees which are being amortized over the term of the notes, of which $12,349 remains to be amortized and is included as a reduction within Prospect Capital InterNotes® on the *Consolidated Statement of Assets and Liabilities* as of June 30, 2019.

During the years ended June 30, 2019, 2018 and 2017, we recorded $41,711, $46,580 and $53,560, respectively, of interest costs and amortization of financing costs on the Prospect Capital InterNotes® as interest expense.

Note 8. Fair Value and Maturity of Debt Outstanding

The following table shows our outstanding debt as of June 30, 2019.

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value		Fair Value (1)		Effective Interest Rate	
Revolving Credit Facility(2)	$ 167,000	$ 8,529	$ 167,000	(3)	$ 167,000		1ML+2.20%	(6)
2020 Notes	224,114	1,012	223,102		226,933	(4)	5.38%	(7)
2022 Notes	328,500	6,681	321,819		330,964	(4)	5.71%	(7)
2025 Notes	201,250	6,174	195,076		207,847	(4)	6.63%	(7)
Convertible Notes	753,864		739,997		765,744			
6.375% 2024 Notes	100,000	1,020	98,980		106,747	(4)	5.29%	(7)
2023 Notes	320,000	3,270	316,730		340,314	(4)	6.09%	(7)
2024 Notes	234,443	4,746	229,697		239,788	(4)	6.74%	(7)
2028 Notes	70,761	2,303	68,458		73,025	(4)	6.72%	(7)
2029 Notes	69,170	2,487	66,683		71,245	(4)	7.38%	(7)
Public Notes	794,374		780,548		831,119			
Prospect Capital InterNotes®	707,699	12,349	695,350		741,227	(5)	6.16%	(8)
Total	$ 2,422,937		$ 2,382,895		$ 2,505,090			

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2019.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2019 is $1,132,500.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the 2028 Notes, and the 2029 Notes, the rate presented is a combined effective interest rate of their respective original Note issuances and Note Follow-On Programs.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation, are weighted against the average year-to-date principal balance.

The following table shows our outstanding debt as of June 30, 2018.

	Principal Outstanding	Unamortized Discount & Debt Issuance Costs	Net Carrying Value	Fair Value (1)	Effective Interest Rate
Revolving Credit Facility(2)	$ 37,000	$ 2,032	$ 37,000 (3)	$ 37,000	1ML+2.25% (6)
2019 Notes	101,647	339	101,308	103,562 (4)	6.51% (7)
2020 Notes	392,000	4,270	387,730	392,529 (4)	5.38% (7)
2022 Notes	328,500	8,465	320,035	320,084 (4)	5.69% (7)
Convertible Notes	822,147		809,073	816,175	
5.00% 2019 Notes	153,536	456	153,080	155,483 (4)	5.29% (7)
2023 Notes	320,000	4,120	315,880	328,909 (4)	6.09% (7)
2024 Notes	199,281	4,559	194,722	202,151 (4)	6.74% (7)
2028 Notes	55,000	1,872	53,128	55,220 (4)	6.72% (7)
Public Notes	727,817		716,810	741,763	
Prospect Capital InterNotes®	760,924	11,998	748,926	779,400 (5)	5.76% (8)
Total	$ 2,347,888		$ 2,311,809	$ 2,374,338	

(1) As permitted by ASC 825-10-25, we have not elected to value our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® at fair value. The fair value of these debt obligations are categorized as Level 2 under ASC 820 as of June 30, 2018.

(2) The maximum draw amount of the Revolving Credit facility as of June 30, 2018 is $885,000.

(3) Net Carrying Value excludes deferred financing costs associated with the Revolving Credit Facility. See Note 2 for accounting policy details.

(4) We use available market quotes to estimate the fair value of the Convertible Notes and Public Notes.

(5) The fair value of Prospect Capital InterNotes® is estimated by discounting remaining payments using current Treasury rates plus spread based on observable market inputs.

(6) Represents the rate on drawn down and outstanding balances. Deferred debt issuance costs are amortized on a straight-line method over the stated life of the obligation.

(7) The effective interest rate is equal to the effect of the stated interest, the accretion of original issue discount and amortization of debt issuance costs. For the 2024 Notes, the rate presented is a combined effective interest rate of the 2024 Notes and 2024 Notes Follow-on Program.

(8) For the Prospect Capital InterNotes®, the rate presented is the weighted average effective interest rate. Interest expense and deferred debt issuance costs, which are amortized on a straight-line method over the stated life of the obligation, are weighted against the average year-to-date principal balance.

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2019.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$ 167,000	$ —	$ —	$ 167,000	$ —
Convertible Notes	753,864	224,114	—	328,500	201,250
Public Notes	794,374	—	—	654,443	139,931
Prospect Capital InterNotes®	707,699	4,402	188,037	189,795	325,465
Total Contractual Obligations	$ 2,422,937	$ 228,516	$ 188,037	$ 1,339,738	$ 666,646

The following table shows the contractual maturities of our Revolving Credit Facility, Convertible Notes, Public Notes and Prospect Capital InterNotes® as of June 30, 2018.

	Payments Due by Period				
	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	After 5 Years
Revolving Credit Facility	$ 37,000	$ —	$ 37,000	$ —	$ —
Convertible Notes	822,147	101,647	392,000	328,500	—
Public Notes	727,817	—	153,536	320,000	254,281
Prospect Capital InterNotes®	760,924	—	276,484	246,525	237,915
Total Contractual Obligations	$ 2,347,888	$ 101,647	$ 859,020	$ 895,025	$ 492,196

Note 9. Stock Repurchase Program, Equity Offerings, Offering Expenses, and Distributions

On August 24, 2011, our Board of Directors approved a share repurchase plan (the "Repurchase Program") under which we may repurchase up to $100,000 of our common stock at prices below our net asset value per share. Prior to any repurchase, we are required to notify shareholders of our intention to purchase our common stock. Our last notice was delivered with our annual proxy mailing on September 25, 2018.

We did not repurchase any shares of our common stock under the Repurchase Program for the years ended June 30, 2019, June 30, 2018, and June 30, 2017. As of June 30, 2019, the approximate dollar value of shares that may yet be purchased under the plan is $65,860.

Excluding dividend reinvestments, during the years ended June 30, 2019, June 30, 2018, and June 30, 2017, we did not issue any shares of our common stock.

On October 31, 2018, our registration statement on Form N-2 (File No. 333-227124) was declared effective by the SEC. The registration statement permits us to issue, through one or more transactions, up to an aggregate of $5,000,000 in securities, consisting of common stock, preferred stock, debt securities, subscription rights to purchase our securities, warrants representing rights to purchase our securities or separately tradeable units combining two or more of our securities. As of June 30, 2019, we have the ability to issue up to $4,527,430 in securities under the registration statement.

During the years ended June 30, 2019 and June 30, 2018, we distributed approximately $263,624 and $277,224, respectively, to our stockholders. The following table summarizes our distributions declared and payable for the years ended June 30, 2018 and June 30, 2019.

Declaration Date	Record Date	Payment Date	Amount Per Share	Amount Distributed (in thousands)
5/9/2017	7/31/2017	8/24/2017	$ 0.083330	$ 30,011
5/9/2017	8/31/2017	9/21/2017	0.083330	30,017
8/28/2017	9/29/2017	10/19/2017	0.060000	21,619
8/28/2017	10/31/2017	11/22/2017	0.060000	21,623
11/8/2017	11/30/2017	12/21/2017	0.060000	21,630
11/8/2017	12/29/2017	1/18/2018	0.060000	21,659
11/8/2017	1/31/2018	2/15/2018	0.060000	21,691
2/7/2018	2/28/2018	3/22/2018	0.060000	21,724
2/7/2018	3/30/2018	4/19/2018	0.060000	21,759
2/7/2018	4/30/2018	5/24/2018	0.060000	21,797
5/9/2018	5/31/2018	6/21/2018	0.060000	21,829
5/9/2018	6/29/2018	7/19/2018	0.060000	21,865
		Total declared and payable for the year ended June 30, 2018		$ 277,224
5/9/2018	7/31/2018	8/23/2018	$ 0.060000	$ 21,881
5/9/2018	8/31/2018	9/20/2018	0.060000	21,898
8/28/2018	9/28/2018	10/18/2018	0.060000	21,914
8/28/2018	10/31/2018	11/21/2018	0.060000	21,930
11/6/2018	11/30/2018	12/20/2018	0.060000	21,945
11/6/2018	1/2/2019	1/24/2019	0.060000	21,963
11/6/2018	1/31/2019	2/21/2019	0.060000	22,003
2/6/2019	2/28/2018	3/21/2019	0.060000	22,008
2/6/2019	3/29/2019	4/18/2019	0.060000	22,013
2/6/2019	4/30/2019	5/23/2019	0.060000	22,018
5/8/2019	5/31/2019	6/20/2019	0.060000	22,023
5/8/2019	6/28/2019	7/18/2019	0.060000	22,028
		Total declared and payable for the year ended June 30, 2019		$ 263,624

Dividends and distributions to common stockholders are recorded on the ex-dividend date. As such, the table above includes distributions with record dates during years ended June 30, 2019 and June 30, 2018. It does not include distributions previously declared to stockholders of record on any future dates, as those amounts are not yet determinable. The following dividends were previously declared and will be recorded and payable subsequent to June 30, 2019:

- $0.06 per share for July 2019 to holders of record on July 31, 2019 with a payment date of August 22, 2019.
- $0.06 per share for August 2019 to holders of record on August 30, 2019 with a payment date of September 19, 2019.

During the years ended June 30, 2019 and June 30, 2018, we issued 2,721,087 and 4,333,005 shares of our common stock, respectively, in connection with the dividend reinvestment plan.

On February 9, 2016, we amended our dividend reinvestment plan that provided for reinvestment of our dividends or distributions on behalf of our stockholders, unless a stockholder elects to receive cash, to add the ability of stockholders to purchase additional shares by making optional cash investments. Under the revised dividend reinvestment and direct stock repurchase plan, stockholders may elect to purchase additional shares through our transfer agent in the open market or in negotiated transactions.

During the year ended June 30, 2019, Prospect officers purchased 3,738,621 shares of our stock, or 1.02% of total outstanding shares as of June 30, 2019, both through the open market transactions and shares issued in connection with our dividend reinvestment plan.

As of June 30, 2019, we have reserved 73,291,156 shares of our common stock for issuance upon conversion of the Convertible Notes (see Note 5).

Note 10. Other Income

Other income consists of structuring fees, overriding royalty interests, revenue receipts related to net profit interests, deal deposits, administrative agent fees, and other miscellaneous and sundry cash receipts. The following table shows income from such sources during the years ended June 30, 2019, 2018 and 2017.

	Year Ended June 30,		
	2019	2018	2017
Structuring, advisory and amendment fees (refer to Note 3)	$ 23,552	$ 29,658	$ 20,419
Royalty and Net Revenue interests	19,494	7,652	5,547
Administrative agent fees	576	477	684
Total Other Income	$ 43,622	$ 37,787	$ 26,650

Note 11. Net Increase in Net Assets per Share

The following information sets forth the computation of net increase in net assets resulting from operations per share during the years ended June 30, 2019, 2018, and 2017.

	Year Ended June 30,		
	2019	2018	2017
Net increase in net assets resulting from operations	$ 144,487	$ 299,863	$ 252,906
Weighted average common shares outstanding	365,984,541	361,456,075	358,841,714
Net increase in net assets resulting from operations per share	$ 0.39	$ 0.83	$ 0.70

Note 12. Income Taxes

While our fiscal year end for financial reporting purposes is June 30 of each year, our tax year end is August 31 of each year. The information presented in this footnote is based on our tax year end for each period presented, unless otherwise specified.

For income tax purposes, dividends paid and distributions made to shareholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of dividends paid to shareholders during the tax years ended August 31, 2018, 2017 and 2016 were as follows:

	Tax Year Ended August 31,		
	2018	2017	2016
Ordinary income	$ 269,095	$ 359,215	$ 355,985
Capital gain	—	—	—
Return of capital	—	—	—
Total dividends paid to shareholders	$ 269,095	$ 359,215	$ 355,985

We generate certain types of income that may be exempt from U.S. withholding tax when distributed to non-U.S. shareholders. Under IRC Section 871(k), a RIC is permitted to designate distributions of qualified interest income and short-term capital gains as exempt from U.S. withholding tax when paid to non-U.S. shareholders with proper documentation. For the 2019 calendar year, 44.07% of our distributions as of June 30, 2019 qualified as interest related dividends which are exempt from U.S. withholding tax applicable to non-U.S. shareholders.

For the tax year ending August 31, 2019, the tax character of dividends paid to shareholders through June 30, 2019 is expected to be ordinary income. Because of the difference between our fiscal and tax year ends, the final determination of the tax character of dividends will not be made until we file our tax return for the tax year ending August 31, 2019.

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or losses, as unrealized gains or losses are generally not included in taxable income until they are realized. The following reconciles the net increase in net assets resulting from operations to taxable income for the tax years ended August 31, 2018, 2017 and 2016:

	Tax Year Ended August 31,		
	2018	**2017**	**2016**
Net increase in net assets resulting from operations	$ 389,732	$ 254,904	$ 262,831
Net realized loss on investments	26,762	100,765	22,666
Net unrealized (gains) losses on investments	(105,599)	(61,939)	73,181
Other temporary book-to-tax differences	(42,583)	(32,117)	(56,036)
Permanent differences	31	(772)	2,489
Taxable income before deductions for distributions	$ 268,343	$ 260,841	$ 305,131

Capital losses in excess of capital gains earned in a tax year may generally be carried forward and used to offset capital gains, subject to certain limitations. As of August 31, 2018, we had capital loss carryforwards of approximately $280,386 available for use in later tax years. The unused balance each year will be carried forward and utilized as gains are realized, subject to limitations. While our ability to utilize losses in the future depends upon a variety of factors that cannot be known in advance, some of the Company's capital loss carryforwards may become permanently unavailable due to limitations by the Code.

For the tax year ended August 31, 2018, we had no cumulative taxable income in excess of cumulative distributions.

As of June 30, 2019, the cost basis of investments for tax purposes was $5,905,269 resulting in an estimated net unrealized loss of $251,716. As of June 30, 2019, the gross unrealized gains and losses were $595,002 and $846,718, respectively. As of June 30, 2018, the cost basis of investments for tax purposes was $5,871,043 resulting in an estimated net unrealized loss of $143,764. As of June 30, 2018, the gross unrealized gains and losses were $476,197 and $619,961, respectively. Due to the difference between our fiscal year end and tax year end, the cost basis of our investments for tax purposes as of June 30, 2019 and June 30, 2018 was calculated based on the book cost of investments as of June 30, 2019 and June 30, 2018, respectively, with cumulative book-to-tax adjustments for investments through August 31, 2018 and 2017, respectively.

In general, we may make certain adjustments to the classification of net assets as a result of permanent book-to-tax differences, which may include merger-related items, differences in the book and tax basis of certain assets and liabilities, and nondeductible federal excise taxes, among other items. During the tax year ended August 31, 2018, we decreased overdistributed net investment income by $31 and decreased capital in excess of par value by $31. During the tax year ended August 31, 2017, we increased overdistributed net investment income by $772, and increased capital in excess of par value by $772. Due to the difference between our fiscal and tax year end, the reclassifications for the taxable year ended August 31, 2018 is being recorded in the fiscal year ending June 30, 2019 and the reclassifications for the taxable year ended August 31, 2017 were recorded in the fiscal year ended June 30, 2018.

Note 13. Related Party Agreements and Transactions

Investment Advisory Agreement

We have entered into an investment advisory and management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, the Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies), and (iii) closes and monitors investments we make.

The Investment Adviser's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our total assets. For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The total gross base management fee incurred to the favor of the Investment Adviser was $121,943, $118,768 and $124,077 during the years ended June 30, 2019, 2018, and 2017, respectively. Included in the gross base management fee for the year ended June 30, 2019 is a $2,757 adjustment for fees earned in prior periods that were neither expensed nor paid to the Investment Adviser, for which we incurred $64 in accrued interest on those past due amounts. The interest on the amount owed to the Investment Adviser was calculated using the average of 1-month LIBOR rates from September 2010 through the date of payment. The Investment Adviser has entered into a servicing agreement with certain institutions that purchased loans with us, where we serve as the agent and collect a servicing fee on behalf of the Investment Adviser. During the years ended June 30, 2019, 2018 and 2017, we received payments of $110, $722 and $1,203, respectively, from these institutions, on behalf of the Investment Adviser, for providing such services under the servicing agreement. We were given a credit for these payments, which reduced the base management fees to $121,833, $118,046 and $122,874 for the years ended June 30, 2019, 2018, and 2017, respectively.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital gains or losses. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a “hurdle rate” of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- No incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;
- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and
- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an “investment” is defined as the total of all rights and claims which may be asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate amortized cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate amortized cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

The total income incentive fee incurred was $78,215, $71,713 and $76,520 during the years ended June 30, 2019, 2018 and 2017, respectively. No capital gains incentive fee was incurred during the years ended June 30, 2019, 2018 and 2017.

Administration Agreement

We have also entered into an administration agreement (the “Administration Agreement”) with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our Chief Financial Officer and Chief Compliance Officer and her staff, including the internal legal staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance (see *Managerial Assistance* section below). The Administration Agreement may be terminated by either party without penalty upon 60 days’ written notice to the other party. Prospect Administration is a wholly-owned subsidiary of the Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys’ fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration’s services under the Administration Agreement or otherwise as administrator for us. Our payments to Prospect Administration are reviewed quarterly by our Board of Directors.

The allocation of gross overhead expense from Prospect Administration was $15,444, $20,715 and $22,882 for the years ended June 30, 2019, 2018 and 2017, respectively. Prospect Administration received estimated payments of $607, $10,684 and $8,760 directly from our portfolio companies, insurance carrier and certain funds managed by the Investment Adviser for legal, tax and portfolio level accounting services during the years ended June 30, 2019, 2018 and 2017, respectively. We were given a credit for these payments as a reduction of the administrative services cost payable by us to Prospect Administration. Had Prospect Administration not received these payments, Prospect Administration’s charges for its administrative services would have increased by these amounts. During the year ended June 30, 2017, other operating expenses in the amount of $876 incurred by us, which were attributable to CCPI Inc. (“CCPI”), have been reimbursed by CCPI and are reflected as an offset to our overhead allocation. No such reimbursements or expenses occurred during the years ended June 30, 2019 or June 30, 2018. Net overhead during the years ended June 30, 2019, 2018 and 2017 totaled $14,837, $10,031 and $13,246, respectively.

Managerial Assistance

As a BDC, we are obligated under the 1940 Act to make available to certain of our portfolio companies significant managerial assistance. “Making available significant managerial assistance” refers to any arrangement whereby we provide significant guidance and counsel concerning the management, operations, or business objectives and policies of a portfolio company. We are also deemed to be providing managerial assistance to all portfolio companies that we control, either by ourselves or in conjunction with others. The nature and extent of significant managerial assistance provided by us to controlled and non-controlled portfolio companies will vary according to the particular needs of each portfolio company. Examples of such activities include (i) advice on recruiting, hiring, management and termination of employees, officers and directors, succession planning and other human resource matters; (ii) advice on capital raising, capital budgeting, and capital expenditures; (iii) advice on advertising, marketing, and sales; (iv) advice on fulfillment, operations, and execution; (v) advice on managing relationships with unions and other personnel organizations, financing sources, vendors, customers, lessors, lessees, lawyers, accountants, regulators and other important counterparties; (vi) evaluating acquisition and divestiture opportunities, plant expansions and closings, and market expansions; (vii) participating in audit committee, nominating committee, board and management meetings; (viii) consulting with and advising board members and officers of portfolio companies (on overall strategy and other matters); and (ix) providing other organizational, operational, managerial and financial guidance.

Prospect Administration, when performing a managerial assistance agreement executed with each portfolio company to which we provide managerial assistance, arranges for the provision of such managerial assistance on our behalf. When doing so, Prospect Administration utilizes personnel of our Investment Adviser. We, on behalf of Prospect Administration, invoice portfolio companies

receiving and paying for managerial assistance, and we remit to Prospect Administration its cost of providing such services, including the charges deemed appropriate by our Investment Adviser for providing such managerial assistance. No income is recognized by Prospect.

During the years ended June 30, 2019, 2018 and 2017, we received payments of $8,359, $6,343 and $6,923, respectively, from our portfolio companies for managerial assistance and subsequently remitted these amounts to Prospect Administration.

Co-Investments

On February 10, 2014, we received an exemptive order from the SEC (the "Order") that gave us the ability to negotiate terms other than price and quantity of co-investment transactions with other funds managed by the Investment Adviser or certain affiliates, including Priority Income Fund, Inc. and TP Flexible Income Fund, Inc., subject to the conditions included therein. On March 31, 2019 Pathway Capital Opportunity Fund, Inc., a fund previously managed by the Investment Adviser, merged with Triton Pacific Investment Corporation, Inc. to form TP Flexible Income Fund, Inc., which is managed by an affiliate of our Investment Adviser.

Under the terms of the relief permitting us to co-invest with other funds managed by our Investment Adviser or its affiliates, a "required majority" (as defined in Section 57(o) of the 1940 Act) of our independent directors must make certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned and (2) the transaction is consistent with the interests of our stockholders and is consistent with our investment objective and strategies. In certain situations where co-investment with one or more funds managed by the Investment Adviser or its affiliates is not covered by the Order, such as when there is an opportunity to invest in different securities of the same issuer, the personnel of the Investment Adviser or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. Moreover, except in certain circumstances, when relying on the Order, we will be unable to invest in any issuer in which one or more funds managed by the Investment Adviser or its affiliates has previously invested.

As of June 30, 2019, we had co-investments with Priority Income Fund, Inc. in the following CLO funds: Apidos CLO XXII, Barings CLO Ltd. 2018-III, Carlyle Global Market Strategies CLO 2016-3, Ltd., Cent CLO 21 Limited, Cent CLO 21 Limited Class E, CIFC Funding 2013-IV, Ltd., CIFC Funding 2014-IV-R, Ltd., CIFC Funding 2014-V, Ltd. Class F, CIFC Funding 2016-I, Ltd., Galaxy XXVIII CLO, Ltd., Galaxy XXVIII CLO, Ltd. Class F, Halcyon Loan Advisors Funding 2014-2 Ltd., Halcyon Loan Advisors Funding 2015-3 Ltd., HarbourView CLO VII-R, Ltd., Jefferson Mill CLO Ltd., Mountain View CLO IX Ltd., Octagon Investment Partners XV, Ltd., Octagon Investment Partners 18-R Ltd., Romark WM-R Ltd., Symphony CLO XIV Ltd., Voya IM CLO 2014-1 Ltd., Voya CLO 2016-3, Ltd. and Voya CLO 2017-3, Ltd.; however HarbourView CLO VII-R, Ltd.,Octagon Investment Partners XV, Ltd. and Octagon Investment Partners 18-R Ltd. are not considered co-investments pursuant to the Order as they were purchased on the secondary market.

As of June 30, 2019, we had a co-investment with TP Flexible Income Fund, Inc. in Carlyle Global Market Strategies CLO 2014-4-R, Ltd. and Octagon Investment Partners XV, Ltd.; however, these investments are not considered a co-investment pursuant to the Order as it was purchased on the secondary market.

We reimburse CLO investment valuation services fees initially incurred by Priority Income Fund, Inc. During the years ended June 30, 2019, 2018 and 2017, we recognized expenses that were reimbursed for valuation services of $205, $207 and $117, respectively. Conversely, Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. reimburse us for software fees, expenses which were initially incurred by Prospect. As of June 30, 2019, June 30, 2018 and June 30, 2017, we accrued a receivable from Priority Income Fund, Inc. and TP Flexible Income Fund, Inc. for software fees of $0, $88 and $14, respectively, that will be reimbursed to us.

Note 14. Transactions with Controlled Companies

The descriptions below detail the transactions which we have entered into with each of our controlled companies. Certain of the controlled entities discussed below were consolidated effective July 1, 2014 (see Note 1). As such, transactions with these Consolidated Holding Companies are presented on a consolidated basis.

Arctic Energy Services, LLC

Prospect owned 100% of the equity of Arctic Oilfield Equipment USA, Inc. ("Arctic Equipment"), a Consolidated Holding Company. Arctic Equipment owns 70% of the equity of Arctic Energy Services, LLC ("Arctic Energy"), with Ailport Holdings, LLC ("Ailport") (100% owned and controlled by Arctic Energy management) owning the remaining 30% of the equity of Arctic Energy. Arctic Energy provides oilfield service personnel, well testing flowback equipment, frac support systems and other services to exploration and development companies in the Rocky Mountains. As of June 30, 2017, we reported Arctic Energy as a separate controlled company. On April 6, 2018, Arctic Equipment merged with CP Energy and our equity interest was exchanged for newly issued common shares of CP Energy. Refer to discussion on CP Energy ownership below.

The following managerial assistance recognized had not yet been paid by Arctic Energy to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	225
June 30, 2019		—

CCPI Inc.

Prospect owns 100% of the equity of CCPI Holdings Inc. ("CCPI Holdings"), a Consolidated Holding Company. CCPI Holdings held 94.59% of the equity of CCPI Inc. ("CCPI") as of June 30, 2018, with CCPI management owning the remaining 5.41% of the equity. CCPI owns 100% of each of CCPI Europe Ltd. and MEFEC B.V., and 45% of Gulf Temperature Sensors W.L.L. On March 1, 2019, we converted the $2,797 Senior Secured Term Loan A and the $17,566 Senior Secured Term Loan B to preferred equity and subsequently sold our $6,759 common equity interest in CCPI, Inc. and our new $20,363 preferred shares. We recorded a realized gain of $12,105 on the sale of our equity position in CCPI, Inc. In addition, there is $2,364 being held in escrow that is due to us, which will be recognized as an additional realized gain when received.

During the three months ended June 30, 2017, Prospect recognized $153 in other income related to amendment fee income.

On August 1, 2017, we entered into a participation agreement with CCPI management, and sold $144 of Prospect's investment in the Term Loan B debt.

The following amounts were paid from CCPI to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	450
Year Ended June 30, 2018		338
Year Ended June 30, 2019		20,700

During the year ended June 30, 2017, Prospect reclassified $123 of return of capital received from CCPI in prior periods as dividend income.

The following dividends were declared and paid from CCPI to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017	$	123
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

All dividends were paid from earnings and profits of CCPI.

The following interest payments were accrued and paid from CCPI to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	2,992
Year Ended June 30, 2018		3,704
Year Ended June 30, 2019		2,629

The following interest income recognized had not yet been paid by CCPI to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	306
June 30, 2019		—

The following advisory fee payment was paid from CCPI to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		1,301

The following managerial assistance payments were paid from CCPI to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	240
Year Ended June 30, 2018		180
Year Ended June 30, 2019		165

The following managerial assistance recognized had not yet been paid by CCPI to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	60
June 30, 2019		—

The following payments were paid from CCPI to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CCPI (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		45
Year Ended June 30, 2019		54

The following amounts were due from CCPI to Prospect for reimbursement of expenses paid by Prospect on behalf of CCPI and were included by Prospect within other receivables:

June 30, 2018	$	7
June 30, 2019		—

CP Energy Services Inc.

Prospect owns 100% of the equity of CP Holdings of Delaware LLC (“CP Holdings”), a Consolidated Holding Company. CP Holdings owns 99.8% of the equity of CP Energy Services, Inc. (“CP Energy”), and the remaining equity is owned by CP Energy management. CP Energy owns directly or indirectly 100% of each of CP Well; Wright Foster Disposals, LLC; Foster Testing Co., Inc.; ProHaul Transports, LLC; and Wright Trucking, Inc. CP Energy provides oilfield flowback services and fluid hauling and disposal services through its subsidiaries. On April 6, 2018, Arctic Oilfield Equipment USA, Inc. (“Arctic Equipment”), a previously controlled portfolio company, merged with and into CP Energy, with CP Energy continuing as the surviving corporation. In June 2019, CP Energy purchased approximately 64.1% of the common equity of Spartan Energy Holdings, Inc. (“Spartan Holdings”), which owns 100% of Spartan Energy Services, LLC (“Spartan”) a portfolio company of Prospect with $34,399 in senior secured term loans (the “Spartan Term Loans”) due to us as of June 30, 2019. As a result of CP Energy’s purchase, and given Prospect’s controlling interest in CP Energy, our Spartan Term Loans are presented as control investments under CP Energy beginning June 30, 2019. Spartan remains the direct borrow and guarantor to Prospect for the Spartan Term Loans.

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. We received $228 of an advisory fee related to the above transaction, which we recognized as other income.

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.

On April 6, 2018, our common equity investment cost in the amount of $60,876 at the date of the merger in Arctic Equipment was exchanged for newly issued common shares of CP Energy. As a result of this merger between these controlled portfolio companies, our equity ownership percentage in CP Energy increased to 99.8%. There were no realized gain or loss recognized by us since this was a merger amongst two portfolio companies under our control.

The following interest payments were accrued and paid from CP Energy to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		3,394
Year Ended June 30, 2019		4,810

Included above, the following payment-in-kind interest from CP Energy was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		871

The following interest income recognized had not yet been paid by CP Energy to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	—
June 30, 2019		1,624

The following managerial assistance payments were paid from CP Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	300
Year Ended June 30, 2018		425
Year Ended June 30, 2019		450

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	150
June 30, 2019		150

The following payments were paid from CP Energy to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to CP Energy (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	15
Year Ended June 30, 2018		—
Year Ended June 30, 2019		54

The following amounts were due from CP Energy to Prospect for reimbursement of expenses paid by Prospect on behalf of CP Energy and were included by Prospect within other receivables:

June 30, 2018	$	55
June 30, 2019		35

Credit Central Loan Company, LLC

Prospect owns 100% of the equity of Credit Central Holdings of Delaware, LLC ("Credit Central Delaware"), a Consolidated Holding Company. Credit Central Delaware owns 98.41% of the equity of Credit Central Loan Company, LLC (f/k/a Credit Central Holdings, LLC) ("Credit Central"), with entities owned by Credit Central management owning the remaining 1.59% of the equity. 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. Credit Central is a branch-based provider of installment loans.

On September 28, 2016, Prospect performed a buyout of Credit Central management's ownership stake, purchasing additional subordinated debt of $12,523 at a discount of $7,521. Prospect also purchased $2,098 of additional shares, increasing its ownership to 98.26%.

During the year ended June 30, 2019 and June 30, 2018, the following amounts of the aforementioned original issue discount of of $7,521 accreted during the respective period, and included in interest income.

Year Ended June 30, 2018	$	2,240
Year Ended June 30, 2019		1,039

The following amounts were paid from Credit Central to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	403
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

The following interest payments were accrued and paid from Credit Central to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	9,950
Year Ended June 30, 2018		10,515
Year Ended June 30, 2019		10,847

Included above, the following payment-in-kind interest from Credit Central was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	2,804
Year Ended June 30, 2018		—
Year Ended June 30, 2019		4,042

The following interest income recognized had not yet been paid by Credit Central to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	—
June 30, 2019		963

The following net revenue interest payments were paid from Credit Central to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		903
Year Ended June 30, 2019		—

The following managerial assistance payments were paid from Credit Central to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	700
Year Ended June 30, 2018		148
Year Ended June 30, 2019		700

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	175
June 30, 2019		175

The following payments were paid from Credit Central to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Credit Central (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		7

The following amounts were due from Credit Central from Prospect for reimbursement of expenses paid by Credit Central on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2018	$	33
June 30, 2019		—

Echelon Transportation LLC (f/k/a Echelon Aviation LLC)

Prospect owns 100% of the membership interests of Echelon Transportation LLC ("Echelon"). Echelon owns 60.7% of the equity of AerLift Leasing Limited ("AerLift").

On September 28, 2016, Echelon made an optional partial prepayment of $6,800 of the Senior Secured Revolving Credit Facility outstanding.

During the three months ended September 30, 2016, Echelon issued 36,275 Class B shares to the company's President, decreasing Prospect's ownership to 98.56%.

On December 9, 2016, Prospect made a follow-on $16,044 first lien senior secured debt and $2,830 equity investment in Echelon to support an asset acquisition, increasing Prospect's ownership to 98.71%. Prospect also recognized $1,121 in structuring fee income as a result of the transaction.

During the year ended June 30, 2019, Prospect made a follow-on $2,250 first lien senior secured debt.

The following dividends were declared and paid from Echelon to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017	$	200
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

All dividends were paid from earnings and profits of Echelon.

The following interest payments were accrued and paid from Echelon to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	5,734
Year Ended June 30, 2018		6,360
Year Ended June 30, 2019		7,102

Included above, the following payment-in-kind interest from Echelon was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		5,492

The following interest income recognized had not yet been paid by Echelon to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	2,631
June 30, 2019		3,162

The following managerial assistance payments were paid from Echelon to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	250
Year Ended June 30, 2018		188
Year Ended June 30, 2019		250

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	—
June 30, 2019		63

The following managerial assistance recognized had not yet been paid by Echelon to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	63
June 30, 2019		—

The following payments were paid from Echelon to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Echelon (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	217
Year Ended June 30, 2018		—
Year Ended June 30, 2019		735

The following amounts were due from Echelon to Prospect for reimbursement of expenses paid by Prospect on behalf of Echelon and were included by Prospect within other receivables:

June 30, 2018	$	18
June 30, 2019		3

Edmentum Ultimate Holdings, LLC

As of June 30, 2017, Prospect held a 37.1% membership interest in Edmentum Ultimate Holdings, LLC ("Edmentum Holdings"). Edmentum Holdings owns 100% of the equity of Edmentum, Inc. ("Edmentum"). On February 23, 2018, certain 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 11.51% and the investment was transferred from a controlled to an affiliate investment classification as of March 31, 2018. Edmentum is the largest all subscription based, software as a service provider of online curriculum and assessments to the U.S. education market. Edmentum provides high-value, comprehensive online solutions that support educators to successfully transition learners from one stage to the next.

During the year ended June 30, 2017, Prospect funded an additional $7,835 in the second lien revolving credit facility.

During the year ended June 30, 2018, Prospect funded an additional $7,834 in the second lien revolving credit facility.

The following amounts were paid from Edmentum to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	6,424
Year Ended June 30, 2018		7,834
Year Ended June 30, 2019		N/A

The following interest payments were accrued and paid from Edmentum to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	1,726
Year Ended June 30, 2018		920
Year Ended June 30, 2019		N/A

Included above, the following payment-in-kind interest from Edmentum was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	2,057
Year Ended June 30, 2018		614
Year Ended June 30, 2019		N/A

The following interest income recognized had not yet been paid by Edmentum to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	274
June 30, 2019		N/A

Energy Solutions Holdings Inc.

Prospect owns 100% of the equity of Energy Solutions Holdings Inc. (f/k/a Gas Solutions Holdings Inc.) ("Energy Solutions"), a Consolidated Holding Company. Energy Solutions owns 100% of each of Change Clean Energy Company, LLC (f/k/a Change Clean Energy Holdings, LLC) ("Change Clean"); Freedom Marine Solutions, LLC (f/k/a Freedom Marine Services Holdings, LLC) ("Freedom Marine"); and Yatesville Coal Company, LLC (f/k/a Yatesville Coal Holdings, LLC) ("Yatesville"). Change Clean owns 100% of each of Change Clean Energy, LLC and Down East Power Company, LLC, and 50.1% of BioChips LLC. Freedom Marine owns 100% of each of Vessel Company, LLC (f/k/a Vessel Holdings, LLC) ("Vessel"); Vessel Company II, LLC (f/k/a Vessel Holdings II, LLC) ("Vessel II"); and Vessel Company III, LLC (f/k/a Vessel Holdings III, LLC) ("Vessel III"). Yatesville owns 100% of North Fork Collieries, LLC.

Energy Solutions owns interests in companies operating in the energy sector. These include companies operating offshore supply vessels, ownership of a non-operating biomass electrical generation plant and several coal mines. Energy Solutions subsidiaries formerly owned interests in gathering and processing business in east Texas.

Transactions between Prospect and Freedom Marine are separately discussed below under "Freedom Marine Solutions, LLC."

First Tower Finance Company LLC

Prospect owns 100% of the equity of First Tower Holdings of Delaware LLC ("First Tower Delaware"), a Consolidated Holding Company. First Tower Delaware owns 80.1% of First Tower Finance Company LLC (f/k/a First Tower Holdings LLC) ("First Tower Finance"). First Tower Finance owns 100% of First Tower, LLC ("First Tower"), a multiline specialty finance company.

During the three months ended December 31, 2016, Prospect made an additional $8,005 equity investment to First Tower.

During the three months ended March 31, 2018, we made a follow-on $16,921 subordinated debt investment in First Tower, and a $2,664 equity investment in First Tower Finance, to support an acquisition. In connection with this transaction, we received a $2,664 advisory fee from First Tower, which was recognized as other income.

The following amounts were paid from First Tower to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	2,220
Year Ended June 30, 2018		6,735
Year Ended June 30, 2019		2,478

The following interest payments were accrued and paid from First Tower to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	51,116
Year Ended June 30, 2018		47,422
Year Ended June 30, 2019		56,125

Included above, the following payment-in-kind interest from First Tower was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	7,572
Year Ended June 30, 2018		1,767
Year Ended June 30, 2019		6,823

The following interest income recognized had not yet been paid by First Tower to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	4,703
June 30, 2019		4,897

The following managerial assistance payments were paid from First Tower to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	1,800
Year Ended June 30, 2018		1,200
Year Ended June 30, 2019		2,400

The following managerial assistance recognized had not yet been paid by First Tower to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	600
June 30, 2019		

The following payments were paid from First Tower to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to First Tower (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		1

The following amounts were due from First Tower to Prospect for reimbursement of expenses paid by Prospect on behalf of First Tower and were included by Prospect within other receivables:

June 30, 2018	$	26
June 30, 2019		7

Freedom Marine Solutions, LLC

As discussed above, Prospect owns 100% of the equity of Energy Solutions, a Consolidated Holding Company. Energy Solutions owns 100% of Freedom Marine. Freedom Marine owns 100% of each of Vessel, Vessel II, and Vessel III.

During the year ended June 30, 2017, Prospect purchased an additional $1,200 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

During the year ended June 30, 2018, Prospect purchased an additional $982 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

During the year ended June 30, 2019, Prospect purchased an additional $300 in membership interests in Freedom Marine to support its ongoing operations and liquidity needs.

The following managerial assistance recognized had not yet been paid by Freedom Marine to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	825
June 30, 2019		1,125

InterDent, Inc.

Following our assumption of assuming control, 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, all the members of which are our Investment Adviser’s professionals. As a result, as of June 30, 2018, Prospect’s investment in InterDent is classified as a control investment.

During the year ended June 30, 2019, Prospect purchased $14,000 of first lien Senior Secured Term Loan A/B from
a third party. In addition, Prospect purchased $5,000 of first lien Senior Secured Term Loan D and transferred $31,558 from Senior Secured Term Loan B to Senior Secured Term Loan C.

On May 3, 2019 Prospect executed warrants to purchase 99.9% of the 100,000 shares of common stock outstanding of InterDent Inc. at a purchase price of $0.01 per share.

The following interest payments were accrued and paid from InderDent to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2018	$	4,775
Year Ended June 30, 2019		24,779

Included in the above, are the following payment-in-kind interest from InterDent, which was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2018	$	582
Year Ended June 30, 2019		17,173

The following interest income recognized had not yet been paid by InterDent to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	127
June 30, 2019		209

The following amounts were due from InterDent from Prospect for reimbursement of expenses paid by InterDent on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2018	$	—
June 30, 2019		6

MITY, Inc.

Prospect owns 100% of the equity of MITY Holdings of Delaware Inc. (“MITY Delaware”), a Consolidated Holding Company. As of June 30, 2018, MITY Delaware owns 95.58% of the equity of MITY, Inc. (f/k/a MITY Enterprises, Inc.) (“MITY”). Effective March 13, 2019, MITY Delaware’s equity ownership of MITY increased to 100%. MITY owns 100% of each of MITY-Lite, Inc. (“MITY-Lite”); Broda USA, Inc. (f/k/a Broda Enterprises USA, Inc.) (“Broda USA”); and Broda Enterprises ULC (“Broda Canada”). MITY is a designer, manufacturer and seller of multipurpose room furniture and specialty healthcare seating products.

During the three months ended December 31, 2016, Prospect formed a separate legal entity, MITY FSC, Inc., (“MITY FSC”) in which Prospect owns 100% of the equity. MITY FSC does not have material operations. This entity earns commission payments from MITY-Lite based on its sales to foreign customers, and distributes it to its shareholder. During the years ended June 30, 2019, June 30, 2018, and June 30, 2017, we received $201, $918 and $406, respectively, of such commission, which we recognized as other income.

On January 17, 2017, Prospect invested an additional $8,000 of Senior Secured Note A and $8,000 of Senior Secured Term Loan B debt investments in MITY to fund an acquisition. Prospect recognized structuring fee income of $480 from this additional investment.

On June 3, 2019, Prospect invested an additional $3,000 of Senior Secured Term Loan B debt investments in MITY to fund working capital needs and capital expenditures. Prospect recognized structuring fee income of $75 from this additional investment.

The following dividends were declared and paid from MITY to Prospect and recognized by Prospect as divided income:

Year Ended June 30, 2017	$	468
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

All dividends were paid from earnings and profits of MITY.

The following interest payments were accrued and paid from MITY to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	6,284
Year Ended June 30, 2018		7,618
Year Ended June 30, 2019		7,721

Included above, the following payment-in-kind interest from MITY was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		2,143

The following interest income recognized had not yet been paid by MITY to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	—
June 30, 2019		252

The following interest payments were accrued and paid from Broda Canada to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	564
Year Ended June 30, 2018		588
Year Ended June 30, 2019		428

During the year ended June 30, 2017, there was a favorable fluctuation in the foreign currency exchange rate and Prospect recognized $12 of realized gain related to its investment in Broda Canada. During the year ended June 30, 2018, there was a favorable fluctuation in the foreign currency exchange rate and Prospect recognized $13 of realized gain related to its investment in Broda Canada. During the year ended June 30, 2019, there was no realized gain related to its investment in Broda Canada.

The following managerial assistance payments were paid from MITY to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	300
Year Ended June 30, 2018		300
Year Ended June 30, 2019		300

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	75
June 30, 2019		75

The following payments were paid from MITY to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to MITY (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	224
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

The following amounts were due from MITY to Prospect for reimbursement of expenses paid by Prospect on behalf of MITY and were included by Prospect within other receivables:

June 30, 2018	$	51
June 30, 2019		1

National Property REIT Corp.

Prospect owns 100% of the equity of NPH, a Consolidated Holding Company. NPH owns 100% of the common equity of NPRC. Effective May 23, 2016, in connection with the merger of APRC and UPRC with and into NPRC, APH and UPH merged with and into NPH, and were dissolved.

NPRC is a Maryland corporation and a qualified REIT for federal income tax purposes. In order to qualify as a REIT, NPRC issued 125 shares of Series A Cumulative Non-Voting Preferred Stock to 125 accredited investors. The preferred stockholders are entitled to receive cumulative dividends semi-annually at an annual rate of 12.5% and do not have the ability to participate in the management or operation of NPRC.

NPRC was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. NPRC acquires real estate assets, including, but not limited to, industrial, commercial, multi-family, self-storage, and student housing properties. NPRC may acquire real estate assets directly or through joint ventures by making a majority equity investment in a property-owning entity (the “JV”). Additionally, through its wholly-owned subsidiaries, NPRC invests in online consumer loans.

On July 22, 2016 Prospect made a $2,700 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in twelve multi-family properties for $2,698 and pay $2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional $49 in the JVs. The proceeds were used by the JVs to fund $2,747 of capital expenditures.

On August 4, 2016, Prospect made a $393 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in four multi-family properties for $392 and pay $1 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional $21 in the JVs. The proceeds were used by the JVs to fund $413 of capital expenditures.

On September 1, 2016, we made an investment into American Consumer Lending Limited (“ACLL”), a wholly-owned subsidiary of NPRC, under the ACLL credit agreement, for senior secured term loans, Term Loan C, with the same terms as the existing ACL Loan Holdings, Inc. (“ACLLH”) Term Loan C due to us.

On September 28, 2016 Prospect made a $46,381 investment in NPRC, of which $35,295 was a Senior Term Loan and $11,086 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase a 64.2% ownership interest in Vesper Portfolio JV, LLC for $46,324 and to pay $57 for tax and legal services provided by professionals at Prospect Administration. The JV was purchased for $250,000 which included debt financing and minority interest of $192,382 and $25,817, respectively. The remaining proceeds were used to pay $1,060 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $2,131 of third party expenses, $4,911 of pre-funded capex, and $5,310 of prepaid assets, with $1,111 retained by the JV for working capital.

On October 21, 2016 Prospect made a $514 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in four multi-family properties for $512 and pay $2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional $33 in the JVs. The proceeds were used by the JVs to fund $545 of capital expenditures.

On November 17, 2016, NPRC used sale and supplemental loan proceeds to make a partial repayment on the Senior Term Loan of $19,149 and a return of capital on Prospects’ equity investment in NPRC of $9,204.

On November 23, 2016, Prospect made a $2,860 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in seven multi-family properties for $2,859 and pay $1 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional $231 in the JVs. The proceeds were used by the JVs to fund $3,090 of capital expenditures.

On December 7, 2016 Prospect made a $13,046 investment in NPRC, of which $9,653 was a Senior Term Loan and $3,393 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase an 85% ownership interest in JSIP Union Place, LLC for $13,026 and to pay $20 of legal services provided by attorneys at Prospect Administration. The JV was purchased for $64,750 which included debt financing and minority interest of $51,800 and $2,299, respectively. The remaining proceeds were used to pay $261 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $1,078 of third party expenses, $5 of pre-funded capital expenditures, and $458 of prepaid assets, with $573 retained by the JV for working capital.

On January 30, 2017 Prospect made a $41,365 investment in NPRC, of which $30,644 was a Senior Term Loan and $10,721 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase a 92.5% ownership interest in 9220 Old Lantern Way LLC for $41,333 and to pay $32 of legal services provided by attorneys at Prospect Administration. The JV was purchased for $187,250 which included debt financing and minority interest of $153,580 and $3,351, respectively. The remaining proceeds were used to pay $827 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $4,415 of third party expenses, $1,857 of pre-funded capital expenditures, and $3,540 of prepaid assets, with $375 retained by the JV for working capital.

On February 27, 2017 NPRC used sale and supplemental loan proceeds to make a partial repayment on the Senior Term Loan of $18,000 and a return of capital on Prospects' equity investment in NPRC of $11,648. In connection to the partial repayment of the Senior Term Loan, NPRC paid a prepayment premium of $180 to Prospect (which was recognized by Prospect as interest income).

On March 7, 2017, Prospect made a $289 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in SSIL I, LLC for $288. The minority interest holder also invested an additional $72 in the JV. The proceeds were used by the JV to fund $360 of capital expenditures.

On March 16, 2017, Prospect made a $4,273 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in eight multi-family properties for $4,272 and pay $1 of legal services provided by attorneys at Prospect Administration. The proceeds were used by the JV to fund $4,272 of capital expenditures.

On April 3, 2017, Prospect made a $418 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in three multi-family properties for $417 and pay $1 of legal services provided by attorneys at Prospect Administration. The minority interest holder also invested an additional $24 in the JV. The proceeds were used by the JV to fund $441 of capital expenditures.

On April 21, 2017, Prospect made a $2,106 investment in NPRC used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in Vesper Portfolio JV, LLC for $2,105 and pay $1 of legal services provided by attorneys at Prospect Administration. The proceeds were used by the JV to fund $2,105 of capital expenditures.

On June 30, 2017 NPRC used sale proceeds to make a partial repayment on the Senior Term Loan of $5,750 and a return of capital on Prospects' equity investment in NPRC of $11,261. In connection to the partial repayment of the Senior Term Loan, NPRC paid a prepayment premium of $58 to Prospect (which was recognized by Prospect as interest income).

On July 10, 2017, Prospect made a $653 investment in NPRC, of which $450 was a Senior Term Loan and $202 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in a multi-family JV for $639 and pay $1 of legal services provided by attorneys at Prospect Administration. The remaining proceeds were used to pay $13 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income). The minority interest holder also purchased additional ownership interest in the JV for $163. The proceeds were used by the JV to fund $802 of capital expenditures.

On August 24, 2017, Prospect purchased additional common equity of NPRC through NPH for $2,401. The proceeds were utilized by NPRC to purchase additional ownership interest in a JV that owns eight student housing properties for $2,400 and pay $1 of legal services provided by attorneys at Prospect Administration. The proceeds were used by the JV to fund $2,400 of capital expenditures.

On September 13, 2017, Prospect made a $826 investment in NPRC, of which $662 was a Senior Term Loan and $164 was used to purchase additional common equity of NPRC through NPH. The proceeds were utilized by NPRC to purchase additional ownership interest in a JV entity that owns five multi-family properties for $825 and pay $2 of legal services provided by attorneys at Prospect Administration. The minority interest holder also purchased additional ownership interest in the JV for $92. The proceeds were used by the JV to fund $917 of capital expenditures.

On October 10, 2017, Prospect purchased additional common equity of NPRC though NPH for $4,094. NPRC utilized $4,091 of the proceeds as a capital contribution in multiple JV entities that own ten multi-family properties and to pay $3 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $87 of additional capital in the JV entities. The proceeds were utilized by he JV entities to fun $4,178 of capital expenditures.

On October 31, 2017, Prospect purchased additional common equity of NPRC though NPH for $27,004. The proceeds were utilized by NPRC to purchase a 92.5% ownership interest in Baymeadows Holdings LLC for $26,974 and to pay $30 for tax and legal services provided by professionals at Prospect Administration. The minority interest holder purchased ownership interest in the JV for $2,187. The JV utilized the total proceeds, which included debt financing of $88,800, to acquire $111,000 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $539 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $802 of third party expenses, $546 of pre-funded capital expenditures, $3,016 of prepaid assets, and $2,058 was retained by the JV as working capital.

On November 8, 2017, Prospect purchased additional common equity of NPRC through NPH for $15,911. The proceeds were utilized by NPRC to purchase a 92.5% ownership interest in Southfield Holdings LLC for $15,849, pay $10 for tax and legal services provided by professionals at Prospect Administration, and $52 was retained as working capital. The minority interest holder purchased ownership interest in the JV for $1,285. The JV utilized the total proceeds, which included debt financing of $58,229, to acquire $68,500 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $317 of structuring fees to Prospect (which was recognized by Prospect as structuring fee income), $263 of third party expenses, $3,138 of pre-funded capital expenditures, $2,860 of prepaid assets, and $285 was retained by the JV as working capital.

On November 17, 2017, Prospect purchased additional common equity of NPRC through NPH for $1,019. NPRC utilized $1,018 of the proceeds as a capital contribution in multiple JV entities that own seven multi-family properties and to pay $1 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $82 of additional capital in the JV entities The proceeds were used by the JV entities to fund $1,100 of capital expenditures.

On December 29, 2017, Prospect purchased additional company equity of NPRC through NPH for $10,000. NPRC utilized $200 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On January 10, 2018, NPRC utilized $9,790 of proceeds provided by Prospect on December 29, 2017 to purchase a 92.5% interest in Steeplechase Holdings LLC. The remaining $10 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $794. The JV utilized the total proceeds, which included debt financing of $36,668, to acquire $44,500 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $196 of structuring fees to NPRC, $986 of third party expenses, $370 of pre-funded capital expenditures, $911 of prepaid assets, and $289 was retained by the JV as working capital.

On January 26, 2018, Prospect purchased additional common equity of NPRC through NPH for $1,586. NPRC utilized the proceeds to purchase additional ownership interest in a JV that owns eight student housing properties for $1,585 and to pay $1 for legal services provided by attorneys at Prospect Administration. The proceeds were utilized by the JV entity to fund $1,585 of capital expenditures.

On March 1, 2018, Prospect exchanged $47,000 of ACLL Senior Secured Term Loan C for $47,000 of NPRC Senior Secured Term Loan E.

On March 19, 2018, Prospect exchanged $50,000 of ACLL Senior Secured Term Loan C for $50,000 of NPRC Senior Secured Term Loan E.

On March 29, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,134. NPRC utilized $3,131 of the proceeds as a capital contribution in multiple JV entities that own nine multi-family properties and to pay $3 for legal services provided by attorneys at Prospect Administration. The minority interest holder also contributed $71 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $3,202 of capital expenditures.

On March 29, 2018 Prospect exchanged $578 of ACLL Senior Secured Term Loan C and $14,274 of ACLLH Senior Secured Term Loan C for $14,852 of NPRC Senior Secured Term Loan E.

On March 30, 2018, Prospect purchased additional common equity of NPRC through NPH for $7,997. NPRC utilized $797 of the proceeds to fund the lender rate-lock deposit and initial deposits required under the purchase and sale agreement of a JV real estate transaction. NPRC utilized $200 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On May 9, 2018, NPRC utilized the remaining $7,000 of proceeds and $159 of working capital to purchase a 61.4% interest in Forest Park Holdings, LLC. The minority interest holder purchased ownership interest in the JV for $5,000. The JV utilized the total proceeds, which included debt financing of $36,400, to acquire $45,505 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $192 of structuring fees to NPRC, $1,184 of third party expenses, $1,168 of pre-funded capital expenditures, $1,011 of prepaid assets, and $296 was retained by the JV as working capital.

On March 30, 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.

On April 13, 2018, Prospect purchased additional common equity of NPRC through NPH for $8,256. NPRC utilized $8,255 of the proceeds as a capital contribution in a JV entity that own eight multi-family properties and $1 was retained by NPRC as working capital. The proceeds were utilized by the JV entities to fund $8,255 of capital expenditures.

On May 11, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,343. NPRC utilized $3,342 of the proceeds as a capital contribution in multiple JV entities that own eight multi-family properties and $1 was retained by NPRC as working capital. The minority interest holder also contributed $270 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $3,612 of capital expenditures.

On May 25, 2018, Prospect purchased additional common equity of NPRC through NPH for $24,507. NPRC utilized $490 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). On June 1, 2018, NPRC utilized $23,271 of proceeds provided by Prospect on May 25, 2018 to purchase a 92.5% interest in Olentangy Commons Holdings, LLC. The remaining $746 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $1,887. The JV utilized the total proceeds, which included debt financing of $92,876, to acquire $113,000 of multi-family real estate assets. The remaining proceeds were used by the JV to pay $465 of structuring fees to NPRC, $861 of third party expenses, $1,706 of pre-funded capital expenditures, $798 of prepaid assets, and $1,204 was retained by the JV as working capital.

On June 14, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,192. NPRC utilized $3,190 of the proceeds as a capital contribution in multiple JV entities that own three multi-family properties and $2 was retained by NPRC as working capital. The proceeds were utilized by the JV entities to fund $3,190 of capital expenditures.

On June 29, 2018, Prospect purchased additional common equity of NPRC through NPH for $10,780. NPRC utilized $1,471 of the proceeds to fund the lender rate-lock deposit and initial deposits required under the purchase and sale agreement of a JV real estate transaction. NPRC utilized $216 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). The remaining $9,093 of proceeds were retained by NPRC to acquire a controlling interest in the JV real estate transaction.

During the year ended June 30, 2018, we provided $21,858 and $13,434 of debt and equity financing, respectively, to NPRC and its wholly-owned subsidiaries to support the online consumer loans and online consumer loan backed products. In addition, during the year ended June 30, 2018, we received partial repayments of $113,675 of our loans previously outstanding with NPRC and its wholly-owned subsidiaries and $10,403 as a return of capital on our equity investment in NPRC.

On July 19, 2018, Prospect purchased additional common equity of NPRC through NPH for $6,921. NPRC utilized $138 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC utilized $6,697 of proceeds provided by Prospect to purchase a 90% interest in Falling Creek Holdings LLC. The remaining $86 was retained as working capital by NPRC. The minority interest holder purchased ownership interest in the JV for $744. The JV utilized the total proceeds, which included debt financing of $19,335, to acquire a $25,000 multi-family real estate asset. The remaining proceeds were used by the JV to pay $134 of structuring fees to NPRC, $709 of third party expenses, $430 of prefunded capital expenditures, $312 of prepaid assets, and $191 was retained by the JV as working capital.

On September 20, 2018, Prospect purchased additional common equity of NPRC through NPH for $3,285. NPRC utilized $66 of proceeds provided to pay a structuring fee to Prospect (which was recognized by Prospect as structuring fee income). NPRC applied the remaining proceeds provided by Prospect to purchase $3,284 of additional ownership interest in a JV entity. The JV utilized the total proceeds, which included debt financing of $7,300, to acquire a $9,600 multi-family real estate asset. The remaining proceeds were used by the JV to pay $79 of structuring fees to NPRC, $277 of third party expenses, $20 of pre-funded capital expenditures, $482 of prepaid assets, and $126 was retained by the JV as working capital.

On October 19, 2018, Prospect purchased additional common equity of NPRC through NPH for $1,377. NPRC applied the proceeds to purchase $1,376 of additional ownership interest in multiple JV entities that own 9 multi-family properties and retained $1 as working capital. The minority interest holder also contributed $35 of additional capital in the JV entities. The proceeds were utilized by the JV entities to fund $1,411 of capital expenditures.

During the year ended June 30, 2019, we provided $10,206 of equity financing to NPRC for the acquisition of real estate properties and $1,377 of equity financing to NPRC to fund capital expenditures for existing real estate properties.

During the year ended June 30, 2019, we received partial repayments of $54,181 of our loans previously outstanding with NPRC and its wholly-owned subsidiary and $15,000 as a return of capital on our equity investment in NPRC.

Effective December 31, 2018, we amended and restated the terms of our credit agreement with NPRC. As part of the amendment, we increased our investment through a New Term Loan A Secured Note ("New TLA") in the aggregate principal amount of $433,553 and a New Term Loan B Secured Note ("New TLB") in the aggregate principal amount of $205,000. NPRC utilized a portion of the proceeds from the New TLA and New TLB to repay the previously outstanding Senior Secured Term Loan A and Senior Secured Term Loan E. The remaining proceeds of $140,351 were returned to us as a return of capital, reducing our equity investment in NPRC.

During the year ended June 30, 2019, we received $496 of an advisory fee related to the restructuring, which we recognized as other income.

The following dividends were declared and paid from NPRC to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017		N/A
Year Ended June 30, 2018	$	11,279
Year Ended June 30, 2019		21,000

All dividends were paid from earnings and profits of NPRC.

The following interest payments were accrued and paid by NPRC to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	60,707
Year Ended June 30, 2018		73,907
Year Ended June 30, 2019		75,249

Included above, the following payment-in-kind interest from NPRC was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		776
Year Ended June 30, 2019		—

The following interest income recognized had not yet been paid by NPRC to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	426
June 30, 2019		4,565

The following interest payments were accrued and paid by ACLLH to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	13,895
Year Ended June 30, 2018		13,305
Year Ended June 30, 2019		—

The following interest payments were accrued and paid by ACLL to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	7,940
Year Ended June 30, 2018		3,170
Year Ended June 30, 2019		—

The following prepayment penalty fees were paid from NPRC to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	2,235
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

The following net operating income/revenue interest payments were paid from NPRC to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	5,532
Year Ended June 30, 2018		6,531
Year Ended June 30, 2019		4,255

The following residual profit interest payments were paid from NPRC to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		14,570

The following structuring fees were paid from NPRC to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	2,147
Year Ended June 30, 2018		2,303
Year Ended June 30, 2019		14,313

The following structuring fees were paid from ACLLH to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	1,507
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

The following managerial assistance payments were paid from NPRC to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	1,300
Year Ended June 30, 2018		1,700
Year Ended June 30, 2019		2,100

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	525
June 30, 2019		525

The following payments were paid from NPRC to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to NPRC (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	6,241
Year Ended June 30, 2018		1,823
Year Ended June 30, 2019		454

The following amounts were due from NPRC to Prospect for reimbursement of expenses paid by Prospect on behalf of NPRC and included by Prospect within other receivables:

June 30, 2018	$	286
June 30, 2019		32

Nationwide Loan Company LLC

Prospect owns 100% of the membership interests of Nationwide Acceptance Holdings LLC (“Nationwide Holdings”), a Consolidated Holding Company. Nationwide Holdings owns 93.79% of the equity of Nationwide Loan Company LLC (f/k/a Nationwide Acceptance LLC) (“Nationwide”), with members of Nationwide management owning the remaining 6.21% of the equity.

On August 31, 2016, Prospect made an additional $123 investment in the senior subordinated term loan to Nationwide. Prospect also made an additional equity investment totaling $92, increasing Prospect’s ownership in Nationwide to 94.48%.

On May 31, 2017, Prospect made an additional equity investment totaling $1,889, and Prospect’s ownership in Nationwide did not change.

On October 31, 2017, Prospect made an additional equity investment totaling $3,779, and Prospect’s ownership in Nationwide did not change.

The following dividends were declared and paid from Nationwide to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017	$	4,310
Year Ended June 30, 2018		—
Year Ended June 30, 2019		165

All dividends were paid from earnings and profits of Nationwide.

The following interest payments were accrued and paid from Nationwide to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	3,406
Year Ended June 30, 2018		3,485
Year Ended June 30, 2019		3,621

Included above, the following payment-in-kind interest from Nationwide was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		591
Year Ended June 30, 2019		1,206

The following managerial assistance payments were paid from Nationwide to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	400
Year Ended June 30, 2018		400
Year Ended June 30, 2019		400

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	100
June 30, 2019		100

The following payments were paid from Nationwide to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Nationwide (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		46
Year Ended June 30, 2019		—

The following amounts were due from Nationwide to Prospect for reimbursement of expenses paid by Prospect on behalf of Nationwide and included by Prospect within other receivables:

June 30, 2018	$	—
June 30, 2019		4

The following amounts were due from Nationwide from Prospect for reimbursement of expenses paid by Nationwide on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2018	$	15
June 30, 2019		—

NMMB, Inc.

Prospect owns 100% of the equity of NMMB Holdings, Inc. (“NMMB Holdings”), a Consolidated Holding Company. NMMB Holdings owns 94.10% and 91.52% of the fully-diluted equity of NMMB, Inc. (f/k/a NMMB Acquisition, Inc.) (“NMMB”) as of June 30, 2019 and June 30, 2018, with NMMB management owning the remaining equity. NMMB owns 100% of Refuel Agency, Inc. (“Refuel Agency”). Refuel Agency owns 100% of Armed Forces Communications, Inc. (“Armed Forces”). NMMB is an advertising media buying business.

The following amounts were paid from Armed Forces to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	100
Year Ended June 30, 2018		1,999
Year Ended June 30, 2019		4,900

The following amounts were paid from NMMB to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		600

The following interest payments were accrued and paid from NMMB to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	527
Year Ended June 30, 2018		526
Year Ended June 30, 2019		527

The following interest income recognized had not yet been paid by NMMB to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	1
June 30, 2019		4

The following interest payments were accrued and paid from Armed Forces to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	991
Year Ended June 30, 2018		929
Year Ended June 30, 2019		431

The following interest income recognized had not yet been paid by Armed Forces to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	2
June 30, 2019		—

The following managerial assistance payments were paid from NMMB to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	213
Year Ended June 30, 2018		400
Year Ended June 30, 2019		400

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	100
June 30, 2019		100

The following managerial assistance recognized had not yet been paid by NMMB to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	1,288
June 30, 2019		—

The following amounts were due from NMMB to Prospect for reimbursement of expenses paid by Prospect on behalf of NMMB and were included by Prospect within other receivables:

June 30, 2018	$	4
June 30, 2019		—

Pacific World Corporation

On May 29, 2018, Prospect exercised its rights and remedies under its loan documents to exercise the shareholder 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, as of June 30, 2018, Prospect’s investment in Pacific World is classified as a control investment.

On June 15, 2018, we made a $15,000 convertible preferred equity investment in Pacific World.

During the year ended June 30, 2019, we funded $9,000 in revolver draws and received $9,250 in repayments from Pacific World.

During the year ended June 30, 2019, we made an additional $10,000 convertible preferred equity investment in Pacific World.

The following amounts were paid from Pacific World to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		250
Year Ended June 30, 2019		9,250

Since assuming control, the following interest payments were accrued and paid from Pacific World to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		3,742
Year Ended June 30, 2019		3,762

The following interest income recognized had not yet been paid by Pacific World to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	270
June 30, 2019		—

The following amounts were due from Pacific World to Prospect for reimbursement of expenses paid by Prospect on behalf of Pacific World and were included by Prospect within other receivables:

June 30, 2018	$	—
June 30, 2019		46

R-V Industries, Inc.

Prospect owns 88.27% of the fully-diluted equity of R-V Industries, Inc. ("R-V"), with R-V management owning the remaining 11.73% of the equity. As of June 30, 2011, Prospect's equity investment cost basis was $1,682 and $5,087 for warrants and common stock, respectively.

On December 24, 2016, Prospect exercised its warrant to purchase 200,000 common shares of R-V. Prospect recorded a realized gain of $172 from this redemption. Prospect's ownership remains unchanged at 88.27%.

During the three months ended December 31, 2016, Prospect provided certain financial advisory services to R-V related to a possible transaction. Prospect recognized $124 in advisory fee income resulting from these services.

During the year ended June 30, 2017, cash distributions of $76 that were declared and paid from R-V to Prospect were recognized as a return of capital by Prospect.

The following dividends were declared and paid from R-V to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017	$	149
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

All dividends were paid from earnings and profits of R-V.

During the year ended June 30, 2017, cash distributions of $76 that were declared and paid from R-V to Prospect were recognized as a return of capital by Prospect.

The following interest payments were accrued and paid from R-V to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	2,877
Year Ended June 30, 2018		3,064
Year Ended June 30, 2019		3,295

The following interest income recognized had not yet been paid by R-V to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	18
June 30, 2019		9

The following managerial assistance payments were paid from R-V to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	165
Year Ended June 30, 2018		180
Year Ended June 30, 2019		180

The following managerial assistance payments received by Prospect had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	45
June 30, 2019		45

The following payments were paid from R-V to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to R-V (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	29
Year Ended June 30, 2018		2
Year Ended June 30, 2019		1

The following amounts were due from R-V from Prospect for reimbursement of expenses paid by R-V on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2018	$	11
June 30, 2019		—

SB Forging Company, Inc.

As of June 30, 2014, Prospect owned 79.53% of the fully-diluted common, 85.76% of the Series A Preferred and 100% of the Series B Preferred equity of ARRM Services, Inc. (f/k/a ARRM Holdings, Inc.) ("ARRM"). ARRM owned 100% of the equity of Ajax Rolled Ring & Machine, LLC (f/k/a Ajax Rolled Ring & Machine, Inc.) ("Ajax"). Ajax forges large seamless steel rings on two forging mills in the company's York, South Carolina facility. The rings are used in a range of industrial applications, including in construction equipment and power turbines. Ajax also provides machining and other ancillary services.

The following payments were paid from SB Forging to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to SB Forging (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	598
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

SB Forging Company II, Inc. (f/k/a Gulf Coast Machine & Supply Company)

Prospect owns 100% of the preferred equity of Gulf Coast Machine & Supply Company ("Gulf Coast"). Gulf Coast is a provider of value-added forging solutions to energy and industrial end markets.

During the year ended June 30, 2017, Prospect made additional investments of $8,750 in the first lien term loan to Gulf Coast to fund capital improvements to key forging equipment and other liquidity needs.

On June 3, 2017, 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 Gulfco. As no proceeds were allocated to Prospect, our debt and equity investment in Gulfco was written-off for tax purposes and we recorded a realized loss of $66,103. In June 2018, Gulfco received escrow proceeds of $2,050 related to the sale. On June 28, 2017, Gulf Coast was renamed to SB Forging Company II, Inc.

On November 14, 2017, we received proceeds of $1,363 from our insurance carrier related to our investment in Gulfco. The $1,363 reimbursed us for covered third-party legal expenses incurred and expensed in prior periods, for which we recorded the amount received as a reduction to our legal fees for the current period. Prospect Administration also received $1,430 from the insurance carrier related to covered legal services provided by Prospect Administration which was recorded as a reduction of allocation of overhead from Prospect Administration.

In June 2018, SB Forging Company II, Inc. received escrow proceeds of $2,050 related to the sale. The escrow proceeds and $154 of excess cash held at SB Forging Company II, Inc. were subsequently distributed and in connection with the liquidation of our investment, we recorded a realized gain of $2,204 in our *Consolidated Statement of Operations* during the year ended June 30, 2019.

The following amounts were paid from Gulf Coast to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017	$	3,022
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

The following payments were paid from Gulf Coast to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Gulf Coast (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	503
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

Universal Turbine Parts, LLC

On December 10, 2018, UTP Holdings Group, Inc. ("UTP Holdings") purchased all of the voting stock of Universal Turbine Parts, LLC ("UTP") and appointed a new Board of Directors to UTP Holdings, consisting of three employees of the Investment Advisor. At the time UTP Holdings acquired UTP, UTP Holdings (f/k/a Harbortouch Holdings of Delaware) was a wholly-owned holding company controlled by Prospect and therefore Prospect's investment in UTP is classified as a control investment.

After assuming control, the following amounts were paid from UTP to Prospect and recorded by Prospect as repayment of loan receivable:

Year Ended June 30, 2017		N/A
Year Ended June 30, 2018		N/A
Year Ended June 30, 2019	$	488

After assuming control, the following interest payments were accrued and paid from UTP to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017		N/A
Year Ended June 30, 2018		N/A
Year Ended June 30, 2019	$	1,970

The following managerial assistance payments were paid from UTP to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017		N/A
Year Ended June 30, 2018		N/A
Year Ended June 30, 2019	$	3

The following managerial assistance recognized had not yet been paid by UTP to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

Year Ended June 30, 2017		N/A
Year Ended June 30, 2018		N/A
Year Ended June 30, 2019	$	3

The following amounts were due from UTP from Prospect for reimbursement of expenses paid by UTP on behalf of Prospect and were included by Prospect within other liabilities:

June 30, 2018	$	—
June 30, 2019		1

USES Corp.

On June 15, 2016, we provided additional $1,300 debt financing to USES Corp. ("USES") and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 99,900 shares of its common stock. On June 29, 2016, we provided additional $2,200 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt and, in connection with such Term Loan A debt financing, USES issued to us 169,062 shares of its common stock. As a result of such debt financing and recapitalization, as of June 29, 2016, we held 268,962 shares of USES common stock representing a 99.96% common equity ownership interest in USES. As such, USES became a controlled company on June 30, 2016.

During the year ended June 30, 2017, Prospect provided additional $2,599 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2018, Prospect provided additional $3,000 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

During the year ended June 30, 2018, we entered into a participation agreement with USES management, and sold $3 of Prospect's investment in the Term Loan A debt.

During the year ended June 30, 2019, Prospect provided additional $3,500 debt financing to USES and its subsidiaries in the form of additional Term Loan A debt.

The following managerial assistance recognized had not yet been paid by USES to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	625
June 30, 2019		925

Valley Electric Company, Inc.

Prospect owns 100% of the common stock of Valley Electric Holdings I, Inc. ("Valley Holdings I"), a Consolidated Holding Company. Valley Holdings I owns 100% of Valley Electric Holdings II, Inc. ("Valley Holdings II"), a Consolidated Holding Company. Valley Holdings II owns 94.99% of Valley Electric Company, Inc. ("Valley Electric"), with Valley Electric management owning the remaining 5.01% of the equity. 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. ("Valley"), a leading provider of specialty electrical services in the state of Washington and among the top 50 electrical contractors in the United States.

During the year ended June 30, 2019, Prospect provided $5,100 of additional debt financing to Valley Electric.

The following dividends were declared and paid from Valley Electric to Prospect and recognized as dividend income by Prospect:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		12,962

The following interest payments were accrued and paid from Valley Electric to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	4,518
Year Ended June 30, 2018		4,861
Year Ended June 30, 2019		5,766

Included above, the following payment-in-kind interest from Valley Electric was capitalized and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	1,822
Year Ended June 30, 2018		2,157
Year Ended June 30, 2019		421

The following interest income recognized had not yet been paid by Valley Electric to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	14
June 30, 2019		17

The following interest payments were accrued and paid from Valley to Prospect and recognized by Prospect as interest income:

Year Ended June 30, 2017	$	1,111
Year Ended June 30, 2018		1,110
Year Ended June 30, 2019		1,111

The following interest income recognized had not yet been paid by Valley to Prospect and was included by Prospect within interest receivable:

June 30, 2018	$	3
June 30, 2019		—

The following net operating income interest payments were paid from Valley Electric to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		647

The following structuring fees were paid from Valley Electric to Prospect and recognized by Prospect as other income:

Year Ended June 30, 2017	$	—
Year Ended June 30, 2018		—
Year Ended June 30, 2019		153

The following managerial assistance payments were paid from Valley to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	300
Year Ended June 30, 2018		5
Year Ended June 30, 2019		525

The following managerial assistance payments received by Valley had not yet been remitted to Prospect Administration and were included by Prospect within due to Prospect Administration:

June 30, 2018	$	75
June 30, 2019		150

The following amounts were due from Valley to Prospect for reimbursement of expenses paid by Prospect on behalf of Valley and were included by Prospect within other receivables:

June 30, 2018	$	3
June 30, 2019		9

Wolf Energy, LLC

Prospect owns 100% of the equity of Wolf Energy Holdings Inc. ("Wolf Energy Holdings"), a Consolidated Holding Company. Wolf Energy Holdings owns 100% of each of Appalachian Energy LLC (f/k/a Appalachian Energy Holdings, LLC) ("AEH"); Coalbed, LLC ("Coalbed"); and Wolf Energy, LLC ("Wolf Energy"). AEH owns 100% of C&S Operating, LLC.

Wolf Energy Holdings is a holding company formed to hold 100% of the outstanding membership interests of each of AEH and Coalbed. The membership interests and associated operating company debt of AEH and Coalbed, which were previously owned by Manx Energy, Inc. ("Manx"), were assigned to Wolf Energy Holdings effective June 30, 2012. The purpose of assignment was to remove those activities from Manx deemed non-core by the Manx convertible debt investors who were not interested in funding those operations. On June 30, 2012, AEH and Coalbed loans with a cost basis of $7,991 were assigned by Prospect to Wolf Energy Holdings from Manx.

On March 14, 2017, $22,145 of assets previously held by Ark-La-Tex Wireline Services, LLC ("Ark-La-Tex") were assigned to Wolf Energy Services Company, LLC, ("Wolf Energy Services") a wholly-owned subsidiary of Wolf Energy Holdings. During the three months ended March 31, 2017, Wolf Energy Services received $2,768 from the partial sale of these transferred assets. During the three months ended June 30, 2017 Wolf Energy Services received $12,576 from the sale of assets.

During the year ended June 30, 2018 Wolf Energy Services received $3,009 from the sale of assets.

On December 29, 2017, we entered into a fee agreement with Wolf Energy Services Company, LLC ("Wolf"), for services requird to locate, inventory, foreclose, and liquidate assets that were transferred from Ark-La-Tex to Wolf. Per the agreement, we will receive a fee equal to 8.0% of gross liquidation proceeds in the event aggregate liquidation gross proceeds exceed $19,000 (currently $18,500). During the three months ended March 31, 2018, we received $1,220 in liquidation fees, net of third-party transaction costs, which is reflected as other income on our accompanying Consolidated Statement of Operations.

During the year ended June 30, 2019, Wolf Energy Services received $104 from the sale of assets.

The following managerial assistance payments were paid from Wolf Energy to Prospect and subsequently remitted to Prospect Administration (no income was recognized by Prospect):

Year Ended June 30, 2017	$	41
Year Ended June 30, 2018		14
Year Ended June 30, 2019		14

The following managerial assistance recognized had not yet been paid by Wolf Energy to Prospect and was included by Prospect within other receivables and due to Prospect Administration:

June 30, 2018	$	41
June 30, 2019		41

The following payments were paid from Wolf Energy to Prospect Administration as reimbursement for legal, tax and portfolio level accounting services provided directly to Wolf Energy (no direct income was recognized by Prospect, but Prospect was given credit for these payments as a reduction of the administrative services costs payable by Prospect to Prospect Administration):

Year Ended June 30, 2017	$	243
Year Ended June 30, 2018		—
Year Ended June 30, 2019		—

Note 15. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of such matters as may arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any material legal proceedings as of June 30, 2019.

Note 16. Financial Highlights

The following is a schedule of financial highlights for each of the five years ended in the period ended June 30, 2019:

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Per Share Data					
Net asset value at beginning of year	$ 9.35	$ 9.32	$ 9.62	$ 10.31	$ 10.56
Net investment income(1)	0.85	0.79	0.85	1.04	1.03
Net realized and change in unrealized (losses) gains(1)	(0.46)	0.04	(0.15)	(0.75)	(0.05)
Net increase from operations	0.39	0.83	0.70	0.29	0.98
Distributions of net investment income	(0.72)	(0.77)	(1.00)	(1.00)	(1.19)
Common stock transactions(2)	(0.01)	(0.03)	— (4)	0.02	(0.04)
Net asset value at end of year	$ 9.01	$ 9.35	$ 9.32	$ 9.62	$ 10.31
Per share market value at end of year	$ 6.53	$ 6.71	$ 8.12	$ 7.82	$ 7.37
Total return based on market value(3)	8.23%	(7.42%)	16.80%	21.84%	(20.84%)
Total return based on net asset value(3)	7.17%	12.39%	8.98%	7.15%	11.47%
Shares of common stock outstanding at end of year	367,131,025	364,409,938	360,076,933	357,107,231	359,090,759
Weighted average shares of common stock outstanding	365,984,541	361,456,075	358,841,714	356,134,297	353,648,522
Ratios/Supplemental Data					
Net assets at end of year	$ 3,306,275	$ 3,407,047	$ 3,354,952	$ 3,435,917	$ 3,703,049
Portfolio turnover rate	10.86%	30.70%	23.65%	15.98%	21.89%
Ratio of operating expenses to average net assets	11.65%	11.08%	11.57%	11.95%	11.66%
Ratio of net investment income to average net assets	9.32%	8.57%	8.96%	10.54%	9.87%

(1) Per share data amount is based on the weighted average number of common shares outstanding for the year presented (except for dividends to shareholders which is based on actual rate per share).

(2) Common stock transactions include the effect of our issuance of common stock in public offerings (net of underwriting and offering costs), shares issued in connection with our dividend reinvestment plan, shares issued to acquire investments and shares repurchased below net asset value pursuant to our Repurchase Program.

(3) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

(4) Amount is less than $0.01.

Note 17. Selected Quarterly Financial Data (Unaudited)

The following table sets forth selected financial data for each quarter within the three years ended June 30, 2019.

	Investment Income		Net Investment Income		Net Realized and Unrealized (Losses) Gains		Net Increase (Decrease) in Net Assets from Operations	
Quarter Ended	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**
September 30, 2016	$ 179,832	$ 0.50	$ 78,919	$ 0.22	$ 2,447	$ 0.01	$ 81,366	$ 0.23
December 31, 2016	183,480	0.51	84,405	0.24	16,475	0.04	100,880	0.28
March 31, 2017	171,032	0.48	73,080	0.20	(53,588)	(0.15)	19,492	0.05
June 30, 2017	166,702	0.46	69,678	0.19	(18,510)	(0.05)	51,168	0.14
September 30, 2017	$ 158,579	$ 0.44	$ 63,732	$ 0.18	$ (51,759)	$ (0.15)	$ 11,973	$ 0.03
December 31, 2017	162,400	0.45	73,192	0.20	48,535	0.14	121,727	0.34
March 31, 2018	162,835	0.45	70,446	0.19	(18,587)	(0.04)	51,859	0.14
June 30, 2018	174,031	0.48	79,480	0.22	34,823	0.09	114,304	0.31
September 30, 2018	$ 180,422	$ 0.49	$ 85,159	$ 0.23	$ (1,364)	$ — (2)	$ 83,795	$ 0.23
December 31, 2018	187,883	0.51	80,811	0.22	(148,200)	(0.40)	(67,389)	(0.18)
March 31, 2019	171,109	0.47	77,262	0.21	11,933	0.03	89,195	0.24
June 30, 2019	164,353	0.45	69,627	0.19	(30,741)	(0.08)	38,886	0.11

(1) Per share amounts are calculated using the weighted average number of common shares outstanding for the period presented. As such, the sum of the quarterly per share amounts above will not necessarily equal the per share amounts for the fiscal year.

(2) Amount is less than $0.01.

Note 18. Subsequent Events

On July 2, 2019, Agamatrix, Inc. fully repaid the $33,673 Senior Secured Term Loan receivable to us at par.

On July 2, 2019, SCS Merger Sub, Inc. fully repaid the $20,000 Second Lien Term Loan receivable to us at par.

On July 15, 2019 we redeemed $41,031 of our Prospect Capital InterNotes® at par maturing between January 15, 2020 and January 15, 2022, with a weighted average rate of 5.14%. On August 15, 2019, we redeemed an additional $48,712 of our Prospect Capital InterNotes® at par maturing between February 15, 2021 and February 15, 2022, with a weighted average rate of 5.30%.

On July 16, 2019, we sold $16,000, or 8.39%, of the outstanding principal balance of the senior secured note investment in Broder Bros., Co.

During the period from July 19, 2019 through July 22, 2019, Mobile Posse, Inc. fully repaid the $20,500 First Lien Term Loan receivable to us at par.

On July 22, 2019, we received a partial repayment of $22,000 of our Senior Secured Term Loan B outstanding with NPRC and its wholly-owned subsidiaries.

On June 28, 2019, we commenced a tender offer to purchase for cash any and all of the $224,114 aggregate principal amount outstanding of our 4.75% Senior Convertible Notes due 2020 (the "June Tender Offer"). The June Tender Offer expired at 12:00 midnight, New York City time, on July 27, 2019 (one minute after 11:59 p.m., New York City time, on July 26, 2019). On July 29, 2019, we announced the expiration and final results of the June Tender Offer. As of the expiration of the June Tender Offer, $32,948 aggregate principal amount of the Notes, representing approximately 14.70% of the outstanding Notes, were validly tendered and not validly withdrawn pursuant to the Tender Offer.

On July 30, 2019, Turning Point Brands, Inc. fully repaid the $14,500 Second Lien Term Loan receivable to us at par.

We have provided notice to call on August 9, 2019, with settlement on September 15, 2019, $54,237 of our Prospect Capital InterNotes® at par maturing between March 15, 2021 and March 15, 2022, with a weighted average rate of 5.33%.

On August 12, 2019, Janus International Group, LLC. fully repaid the $20,000 Second Lien Term Loan receivable to us at par.

On August 12, 2019, we commenced a tender offer to purchase for cash up to $60,000 aggregate principal amount of our 4.75% Senior Convertible Notes due 2020 (the "August Tender Offer"), of which $191,166 aggregate principal amount is outstanding following the June Tender Offer. The August Tender Offer will expire at 12:00 midnight, New York City time, on September 10, 2019 (one minute after 11:59 p.m., New York City time, on September 9, 2019), or any other date and time to which the Company extends such Tender Offer (such date and time, as it may be extended, the "Expiration Date").

On August 21, 2019, we made a new $10,000 first lien term loan investment in Global Tel*Link Corporation. On August 22, 2019, we made a $10,720 second lien term loan follow-on investment in Global Tel*Link Corporation.

During the period from July 1, 2019 through August 27, 2019, we issued $75,230 aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $73,902.

On August 27, 2019, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.06 per share for September 2019 to holders of record on September 30, 2019 with a payment date of October 24, 2019.
- $0.06 per share for October 2019 to holders of record on October 31, 2019 with a payment date of November 20, 2019.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2019, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of June 30, 2019. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2019 based upon criteria in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of June 30, 2019 based on the criteria on Internal Control—Integrated Framework (2013) issued by COSO. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Our management's assessment of the effectiveness of our internal control over financial reporting as of June 30, 2019 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Prospect Capital Corporation
New York, New York

Opinion on Internal Control over Financial Reporting

We have audited Prospect Capital Corporation and subsidiaries' (the "Company's") internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of assets and liabilities of the Company, including the consolidated schedules of investments, as of June 30, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2019, and the related notes, including the financial highlights for each of the five years in the period ended June 30, 2019, and our report dated August 27, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Report of Management on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

BDO USA, LLP
New York, New York
August 27, 2019

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers, and persons who own more than 10% of the Company's common stock to file reports of ownership and changes in ownership with the Securities and Exchange Commission. To the Company's knowledge, during the fiscal year ended June 30, 2019, the Company's officers, directors and greater than 10% stockholders had complied with all Section 16(a) filing requirements.

The information required by Item 10 is hereby incorporated by reference from our 2019 Proxy Statement.

Code of Ethics

We, Prospect Capital Management and Prospect Administration have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. For information on how to obtain a copy of each code of ethics, see "Available Information" in Part I of this Annual Report.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our 2019 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from our 2019 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from our 2019 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from our 2019 Proxy Statement.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as part of this Annual Report:

1. Financial Statements – See the Index to Consolidated Financial Statements in Item 8 of this report.

2. Financial Statement Schedules – The financial statements of National Property REIT Corp. required by Rule 3-09 of Regulation S-X will be provided as Exhibit 99.1 and Exhibit 99.2 to this report. The financial statements of First Tower Finance Company LLC required by Rule 3-09 of Regulation S-X will be provided as Exhibit 99.3 and Exhibit 99.4 to this report.

3. Exhibits – The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC (according to the number assigned to them in Item 601 of Regulation S-K):

Exhibit No.	
3.1	Articles of Amendment and Restatement(1)
3.2	Amended and Restated Bylaws(3)
4.1	Form of Share Certificate(2)
4.2	Form of Indenture(9)
4.3	Indenture dated as of December 21, 2010 relating to the 6.25% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee and Form of 6.25% Senior Convertible Note due 2015(7)
4.4	Indenture dated as of February 18, 2011 relating to the 5.50% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(8)
4.5	Form of 5.50% Senior Convertible Note due 2016(6)
4.6	Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(10)
4.7	First Supplemental Indenture dated as of March 1, 2012, to the Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee and Form of 7.00% Prospect Capital InterNote® due 2022(10)
4.8	Second Supplemental Indenture dated as of March 8, 2012, to the Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust Company, LLC, as Trustee(11)
4.9	Joinder Supplemental Indenture dated as of March 8, 2012, to the Indenture dated as of February 16, 2012, by and among the Registrant, American Stock Transfer & Trust Company, LLC, as Original Trustee, and U.S. Bank National Association, as Series Trustee and Form of 6.900% Prospect Capital InterNote® due 2022(11)

4.10	Agreement of Resignation, Appointment and Acceptance dated as of March 12, 2012, by and among the Registrant, American Stock Transfer & Trust Company, LLC, as Retiring Trustee, and U.S. Bank National Association, as Successor Trustee (the "U.S. Bank Indenture")(12)
4.11	Third Supplemental Indenture dated as of April 5, 2012, to the U.S. Bank Indenture and Form of 6.850% Prospect Capital InterNote® due 2022(14)
4.12	Fourth Supplemental Indenture dated as of April 12, 2012, to the U.S. Bank Indenture and Form of 6.700% Prospect Capital InterNote® due 2022(15)
4.13	Indenture dated as of April 16, 2012 relating to the 5.375% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee(16)
4.14	Form of 5.375% Senior Convertible Note due 2017(17)
4.15	Fifth Supplemental Indenture dated as of April 26, 2012, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2022(18)
4.16	Indenture dated as of August 14, 2012 relating to the 5.75% Senior Convertible Notes, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee(19)
4.17	Form of 5.75% Senior Convertible Note due 2018(20)
4.18	Nineteenth Supplemental Indenture dated as of September 27, 2012, to the U.S. Bank Indenture and Form of 5.850% Prospect Capital InterNote® due 2019(21)
4.19	Twentieth Supplemental Indenture dated as of October 4, 2012, to the U.S. Bank Indenture and Form of 5.700% Prospect Capital InterNote® due 2019(22)
4.20	Twenty-First Supplemental Indenture dated as of November 23, 2012, to the U.S. Bank Indenture and Form of 5.125% Prospect Capital InterNote® due 2019(23)
4.21	Twenty-Second Supplemental Indenture dated as of November 23, 2012, to the U.S. Bank Indenture and Form of 6.625% Prospect Capital InterNote® due 2042(23)

Exhibit No.

4.22	Twenty-Third Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(24)
4.23	Twenty-Fourth Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2032(24)
4.24	Twenty-Fifth Supplemental Indenture dated as of November 29, 2012, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2042(24)
4.25	Twenty-Sixth Supplemental Indenture dated as of December 6, 2012, to the U.S. Bank Indenture and Form of 4.875% Prospect Capital InterNote® due 2019(25)
4.26	Twenty-Eighth Supplemental Indenture dated as of December 6, 2012, to the U.S. Bank Indenture and Form of 6.375% Prospect Capital InterNote® due 2042(25)
4.27	Twenty-Ninth Supplemental Indenture dated as of December 13, 2012, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(26)
4.28	Thirty-First Supplemental Indenture dated as of December 13, 2012, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2042(26)
4.29	Thirty-Second Supplemental Indenture dated as of December 20, 2012, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2019(27)
4.30	Thirty-Fourth Supplemental Indenture dated as of December 20, 2012, to the U.S. Bank Indenture and Form of 6.125% Prospect Capital InterNote® due 2042(27)
4.31	Indenture dated as of December 21, 2012, by and between the Registrant and American Stock Transfer & Trust Company, as Trustee and Form of Global Note 5.875% Convertible Senior Note Due 2019(28)
4.32	Thirty-Fifth Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(29)
4.33	Thirty-Sixth Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2030(29)
4.34	Thirty-Seventh Supplemental Indenture dated as of December 28, 2012, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2042(29)
4.35	Thirty-Eighth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 4.375% Prospect Capital InterNote® due 2020(30)

4.36	Thirty-Ninth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 4.875% Prospect Capital InterNote® due 2031(30)
4.37	Fortieth Supplemental Indenture dated as of January 4, 2013, to the U.S. Bank Indenture and Form of 5.875% Prospect Capital InterNote® due 2043(30)
4.38	Forty-First Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(31)
4.39	Forty-Second Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2031(31)
4.40	Forty-Third Supplemental Indenture dated as of January 10, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2043(31)
4.41	Forty-Fourth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 4.125% Prospect Capital InterNote® due 2020(32)
4.42	Forty-Fifth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2031(32)
4.43	Forty-Sixth Supplemental Indenture dated as of January 17, 2013, to the U.S. Bank Indenture and Form of 5.625% Prospect Capital InterNote® due 2043(32)
4.44	Forty-Seventh Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(33)
4.45	Forty-Eighth Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(33)
4.46	Forty-Ninth Supplemental Indenture dated as of January 25, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(33)
4.47	Fiftieth Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(34)
4.48	Fifty-First Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(34)
4.49	Fifty-Second Supplemental Indenture dated as of January 31, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(34)

Exhibit No.	
4.50	Fifty-Third Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(35)
4.51	Fifty-Fourth Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(35)
4.52	Fifty-Fifth Supplemental Indenture dated as of February 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(35)
4.53	Fifty-Sixth Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(36)
4.54	Fifty-Seventh Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(36)
4.55	Fifty-Eighth Supplemental Indenture dated as of February 22, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(36)
4.56	Fifty-Ninth Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(37)
4.57	Sixtieth Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(37)
4.58	Sixty-First Supplemental Indenture dated as of February 28, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(37)
4.59	Sixty-Second Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(38)
4.60	Sixty-Third Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2031(38)
4.61	Sixty-Fourth Supplemental Indenture dated as of March 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(38)
4.62	Sixty-Fifth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(39)
4.63	Sixty-Sixth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(39)

4.64	Sixty-Seventh Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(39)
4.65	Sixty-Eighth Supplemental Indenture dated as of March 14, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(39)
4.66	Supplemental Indenture dated as of March 15, 2013, to the U.S. Bank Indenture(40)
4.67	Form of Global Note 5.875% Senior Note due 2023(41)
4.68	Sixty-Ninth Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(42)
4.69	Seventieth Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(42)
4.70	Seventy-First Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(42)
4.71	Seventy-Second Supplemental Indenture dated as of March 21, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(42)
4.72	Seventy-Third Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2020(43)
4.73	Seventy-Fourth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 4.125% to 6.000% Prospect Capital InterNote® due 2031(43)
4.74	Seventy-Fifth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2043(43)
4.75	Seventy-Sixth Supplemental Indenture dated as of March 28, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(43)
4.76	Seventy-Seventh Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(44)
4.77	Seventy-Eighth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 4.625% to 6.500% Prospect Capital InterNote® due 2031(44)
4.78	Seventy-Ninth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(44)

Exhibit No.

4.79	Eightieth Supplemental Indenture dated as of April 4, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(44)
4.80	Eighty-First Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(45)
4.81	Eighty-Second Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(45)
4.82	Eighty-Third Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(45)
4.83	Eighty-Fourth Supplemental Indenture dated as of April 11, 2013, to the U.S. Bank Indenture and Form of Floating Prospect Capital InterNote® due 2023(45)
4.84	Eighty-Fifth Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(46)
4.85	Eighty-Sixth Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(46)
4.86	Eighty-Seventh Supplemental Indenture dated as of April 18, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(46)
4.87	Eighty-Eighth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(47)
4.88	Eighty-Ninth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(47)
4.89	Ninetieth Supplemental Indenture dated as of April 25, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2043(47)
4.90	Ninety-First Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(48)
4.91	Ninety-Second Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(48)
4.92	Ninety-Third Supplemental Indenture dated as of May 2, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(48)

4.93	Ninety-Fourth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(49)
4.94	Ninety-Fifth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(49)
4.95	Ninety-Sixth Supplemental Indenture dated as of May 9, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(49)
4.96	Ninety-Seventh Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(50)
4.97	Ninety-Eighth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(50)
4.98	Ninety-Ninth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(50)
4.99	One Hundredth Supplemental Indenture dated as of May 23, 2013, to the U.S. Bank Indenture and Form of 5.000% to 7.000% Prospect Capital InterNote® due 2028(50)
4.100	One Hundred-First Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(51)
4.101	One Hundred-Second Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(51)
4.102	One Hundred-Third Supplemental Indenture dated as of May 31, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(51)
4.103	One Hundred-Fourth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(52)
4.104	One Hundred-Fifth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(52)
4.105	One Hundred-Sixth Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(52)
4.106	One Hundred-Seventh Supplemental Indenture dated as of June 6, 2013, to the U.S. Bank Indenture and Form of 5.000% to 7.000% Prospect Capital InterNote® due 2028(52)

Exhibit No.	
4.107	One Hundred-Eighth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(53)
4.108	One Hundred-Ninth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(53)
4.109	One Hundred-Tenth Supplemental Indenture dated as of June 13, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(53)
4.110	One Hundred-Eleventh Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(54)
4.111	One Hundred-Twelfth Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(54)
4.112	One Hundred-Thirteenth Supplemental Indenture dated as of June 20, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(54)
4.113	One Hundred-Fifteenth Supplemental Indenture dated as of June 27, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2031(55)
4.114	One Hundred-Sixteenth Supplemental Indenture dated as of June 27, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(55)
4.115	One Hundred-Seventeenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(56)
4.116	One Hundred-Eighteenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(56)
4.117	One Hundred-Nineteenth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(56)
4.118	One Hundred-Twentieth Supplemental Indenture dated as of July 5, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(56)
4.119	One Hundred Twenty-First Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(57)
4.120	One Hundred Twenty-Second Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2031(57)

4.121	One Hundred Twenty-Third Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(57)
4.122	One Hundred Twenty-Fourth Supplemental Indenture dated as of July 11, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(57)
4.123	One Hundred Twenty-Fifth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(58)
4.124	One Hundred Twenty-Sixth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(58)
4.125	One Hundred Twenty-Seventh Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(58)
4.126	One Hundred Twenty-Eighth Supplemental Indenture dated as of July 18, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(58)
4.127	One Hundred Twenty-Ninth Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(59)
4.128	One Hundred Thirtieth Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2031(59)
4.129	One Hundred Thirty-First Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2043(59)
4.130	One Hundred Thirty-Second Supplemental Indenture dated as of July 25, 2013, to the U.S. Bank Indenture and Form of 6.750% Prospect Capital InterNote® due 2043(59)
4.131	One Hundred Thirty-Third Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(60)
4.132	One Hundred Thirty-Fourth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2021(60)
4.133	One Hundred Thirty-Fifth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 6.125% Prospect Capital InterNote® due 2031(60)
4.134	One Hundred Thirty-Sixth Supplemental Indenture dated as of August 1, 2013, to the U.S. Bank Indenture and Form of 6.625% Prospect Capital InterNote® due 2043(60)

Exhibit No.

4.135	One Hundred Thirty-Seventh Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(61)
4.136	One Hundred Thirty-Eighth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(61)
4.137	One Hundred Thirty-Ninth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2031(61)
4.138	One Hundred Fortieth Supplemental Indenture dated as of August 8, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(61)
4.139	One Hundred Forty-First Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(62)
4.140	One Hundred Forty-Second Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(62)
4.141	One Hundred Forty-Third Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(62)
4.142	One Hundred Forty-Fourth Supplemental Indenture dated as of August 15, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(62)
4.143	One Hundred Forty-Fifth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(63)
4.144	One Hundred Forty-Sixth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(63)
4.145	One Hundred Forty-Seventh Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(63)
4.146	One Hundred Forty-Eighth Supplemental Indenture dated as of August 22, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(63)
4.147	One Hundred Forty-Ninth Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(64)
4.148	One Hundred Fiftieth Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(64)

4.149	One Hundred Fifty-First Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(64)
4.150	One Hundred Fifty-Second Supplemental Indenture dated as of September 6, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(64)
4.151	One Hundred Fifty-Third Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(65)
4.152	One Hundred Fifty-Fourth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(65)
4.153	One Hundred Fifty-Fifth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(65)
4.154	One Hundred Fifty-Sixth Supplemental Indenture dated as of September 12, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(65)
4.155	One Hundred Fifty-Seventh Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(66)
4.156	One Hundred Fifty-Eighth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(66)
4.157	One Hundred Fifty-Ninth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(66)
4.158	One Hundred Sixtieth Supplemental Indenture dated as of September 19, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(66)
4.159	One Hundred Sixty-First Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(67)
4.160	One Hundred Sixty-Second Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(67)
4.161	One Hundred Sixty-Third Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(67)
4.162	One Hundred Sixty-Fourth Supplemental Indenture dated as of September 26, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(67)

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4.163	One Hundred Sixty-Fifth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(68)
4.164	One Hundred Sixty-Sixth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(68)
4.165	One Hundred Sixty-Seventh Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(68)
4.166	One Hundred Sixty-Eighth Supplemental Indenture dated as of October 3, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(68)
4.167	One Hundred Sixty-Ninth Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(69)
4.168	One Hundred Seventieth Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(69)
4.169	One Hundred Seventy-First Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(69)
4.170	One Hundred Seventy-Second Supplemental Indenture dated as of October 10, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(69)
4.171	One Hundred Seventy-Third Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(70)
4.172	One Hundred Seventy-Fourth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(70)
4.173	One Hundred Seventy-Fifth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(70)
4.174	One Hundred Seventy-Sixth Supplemental Indenture dated as of October 18, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(70)
4.175	One Hundred Seventy-Seventh Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2016(71)
4.176	One Hundred Seventy-Eighth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(71)

4.177	One Hundred Seventy-Ninth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(71)
4.178	One Hundred Eightieth Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2033(71)
4.179	One Hundred Eighty-First Supplemental Indenture dated as of October 24, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2043(71)
4.180	One Hundred Eighty-Second Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(72)
4.181	One Hundred Eighty-Third Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(72)
4.182	One Hundred Eighty-Fourth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(72)
4.183	One Hundred Eighty-Fifth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(72)
4.184	One Hundred Eighty-Sixth Supplemental Indenture dated as of October 31, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(72)
4.185	One Hundred Eighty-Seventh Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(73)
4.186	One Hundred Eighty-Eighth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(73)
4.187	One Hundred Eighty-Ninth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(73)
4.188	One Hundred Ninetieth Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(73)
4.189	One Hundred Ninety-First Supplemental Indenture dated as of November 7, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(73)
4.190	One Hundred Ninety-Second Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(74)

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4.191	One Hundred Ninety-Third Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(74)
4.192	One Hundred Ninety-Fourth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(74)
4.193	One Hundred Ninety-Fifth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(74)
4.194	One Hundred Ninety-Sixth Supplemental Indenture dated as of November 15, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(74)
4.195	One Hundred Ninety-Seventh Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(75)
4.196	One Hundred Ninety-Eighth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(75)
4.197	One Hundred Ninety-Ninth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(75)
4.198	Two Hundredth Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2028(75)
4.199	Two Hundred First Supplemental Indenture dated as of November 21, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(75)
4.200	Two Hundred Second Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(76)
4.201	Two Hundred Third Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(76)
4.202	Two Hundred Fourth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2020(76)
4.203	Two Hundred Fifth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(76)
4.204	Two Hundred Sixth Supplemental Indenture dated as of November 29, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(76)

4.205	Two Hundred Seventh Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(77)
4.206	Two Hundred Eighth Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(77)
4.207	Two Hundred Tenth Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(77)
4.208	Two Hundred Eleventh Supplemental Indenture dated as of December 5, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(77)
4.209	Two Hundred Twelfth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(78)
4.210	Two Hundred Thirteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(78)
4.211	Two Hundred Fifteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(78)
4.212	Two Hundred Sixteenth Supplemental Indenture dated as of December 12, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(78)
4.213	Two Hundred Seventeenth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(79)
4.214	Two Hundred Eighteenth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(79)
4.215	Two Hundred Twentieth Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(79)
4.216	Two Hundred Twenty-First Supplemental Indenture dated as of December 19, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(79)
4.217	Two Hundred Twenty-Second Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2017(80)
4.218	Two Hundred Twenty-Third Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2018(80)

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4.219	Two Hundred Twenty-Fifth Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(80)
4.220	Two Hundred Twenty-Sixth Supplemental Indenture dated as of December 27, 2013, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2038(80)
4.221	Two Hundred Twenty-Seventh Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(81)
4.222	Two Hundred Twenty-Eighth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(81)
4.223	Two Hundred Twenty-Ninth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(81)
4.224	Two Hundred Thirtieth Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(81)
4.225	Two Hundred Thirty-First Supplemental Indenture dated as of January 3, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(81)
4.226	Two Hundred Thirty-Second Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(82)
4.227	Two Hundred Thirty-Third Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(82)
4.228	Two Hundred Thirty-Fourth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(82)
4.229	Two Hundred Thirty-Fifth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(82)
4.230	Two Hundred Thirty-Sixth Supplemental Indenture dated as of January 9, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(82)
4.231	Two Hundred Thirty-Seventh Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(83)
4.232	Two Hundred Thirty-Eighth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(83)

4.233	Two Hundred Thirty-Ninth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(83)
4.234	Two Hundred Fortieth Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(83)
4.235	Two Hundred Forty-First Supplemental Indenture dated as of January 16, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(83)
4.236	Two Hundred Forty-Second Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(84)
4.237	Two Hundred Forty-Third Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(84)
4.238	Two Hundred Forty-Fourth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(84)
4.239	Two Hundred Forty-Fifth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(84)
4.240	Two Hundred Forty-Sixth Supplemental Indenture dated as of January 24, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(84)
4.241	Two Hundred Forty-Seventh Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(85)
4.242	Two Hundred Forty-Eighth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(85)
4.243	Two Hundred Forty-Ninth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(85)
4.244	Two Hundred Fiftieth Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(85)
4.245	Two Hundred Fifty-First Supplemental Indenture dated as of January 30, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(85)
4.246	Two Hundred Fifty-Second Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(86)

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4.247	Two Hundred Fifty-Third Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(86)
4.248	Two Hundred Fifty-Fourth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(86)
4.249	Two Hundred Fifty-Fifth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(86)
4.250	Two Hundred Fifty-Sixth Supplemental Indenture dated as of February 6, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(86)
4.251	Two Hundred Fifty-Seventh Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(87)
4.252	Two Hundred Fifty-Eighth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(87)
4.253	Two Hundred Fifty-Ninth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(87)
4.254	Two Hundred Sixtieth Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(87)
4.255	Two Hundred Sixty-First Supplemental Indenture dated as of February 13, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(87)
4.256	Two Hundred Sixty-Seventh Supplemental Indenture dated as of February 19, 2014, to the U.S. Bank Indenture and Form of 4.75% Prospect Capital InterNote® due 2019(88)
4.257	Two Hundred Sixty-Second Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 4.000% Prospect Capital InterNote® due 2018(89)
4.258	Two Hundred Sixty-Third Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2019(89)
4.259	Two Hundred Sixty-Fourth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(89)
4.260	Two Hundred Sixty-Fifth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2026(89)

4.261	Two Hundred Sixty-Sixth Supplemental Indenture dated as of February 21, 2014, to the U.S. Bank Indenture and Form of 6.500% Prospect Capital InterNote® due 2039(89)
4.262	Two Hundred Sixty-Eighth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(90)
4.263	Two Hundred Sixty-Ninth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(90)
4.264	Two Hundred Seventieth Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(90)
4.265	Two Hundred Seventy-First Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(90)
4.266	Two Hundred Seventy-Second Supplemental Indenture dated as of February 27, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(90)
4.267	Two Hundred Seventy-Third Supplemental Indenture dated as March 6, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(91)
4.268	Two Hundred Seventy-Fourth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(91)
4.269	Two Hundred Seventy-Fifth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(91)
4.270	Two Hundred Seventy-Sixth Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(91)
4.271	Two Hundred Seventy-Seventh Supplemental Indenture dated as of March 6, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(91)
4.272	Supplement No. 1 to the Two Hundred Sixty-Seventh Supplemental Indenture dated as of March 11, 2014, to the U.S. Bank Indenture and Form of 4.75% Prospect Capital InterNote® due 2019(92)
4.273	Two Hundred Seventy-Eighth Supplemental Indenture dated as March 13, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(93)
4.274	Two Hundred Seventy-Ninth Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(93)

Exhibit No.

4.275	Two Hundred Eightieth Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(93)
4.276	Two Hundred Eighty-First Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(93)
4.277	Two Hundred Eighty-Second Supplemental Indenture dated as of March 13, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(93)
4.278	Two Hundred Eighty-Fourth Supplemental Indenture dated as March 20, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(94)
4.279	Two Hundred Eighty-Fifth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(94)
4.280	Two Hundred Eighty-Sixth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(94)
4.281	Two Hundred Eighty-Seventh Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(94)
4.282	Two Hundred Eighty-Eighth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(94)
4.283	Two Hundred Eighty-Ninth Supplemental Indenture dated as March 27, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(95)
4.284	Two Hundred Ninetieth Supplemental Indenture dated as of March 20, 2014, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2019(95)
4.285	Two Hundred Ninety-First Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(95)
4.286	Two Hundred Ninety-Second Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2026(95)
4.287	Two Hundred Ninety-Third Supplemental Indenture dated as of March 27, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(95)
4.288	Two Hundred Ninety-Fourth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(96)

4.289	Two Hundred Ninety-Fifth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(96)
4.290	Two Hundred Ninety-Sixth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(96)
4.291	Two Hundred Ninety-Seventh Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(96)
4.292	Two Hundred Ninety-Eighth Supplemental Indenture dated as of April 3, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(96)
4.293	Supplemental Indenture dated as of April 7, 2014, to the U.S. Bank Indenture and Form of 5.000% Senior Notes due 2019(97)
4.294	Two Hundred Ninety-Ninth Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(98)
4.295	Three Hundredth Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2019(98)
4.296	Three Hundred First Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(98)
4.297	Three Hundred Second Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(98)
4.298	Three Hundred Third Supplemental Indenture dated as of April 10, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(98)
4.299	Indenture dated as of April 11, 2014, by and between Prospect Capital Corporation and American Stock Transfer & Trust Company, as Trustee and Form of Global Note of 4.75% Senior Convertible Notes Due 2020(99)
4.300	Three Hundred Fourth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(100)
4.301	Three Hundred Fifth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2019(100)
4.302	Three Hundred Sixth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(100)

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4.303	Three Hundred Seventh Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(100)
4.304	Three Hundred Eighth Supplemental Indenture dated as of April 17, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(100)
4.305	Three Hundred Ninth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(101)
4.306	Three Hundred Tenth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(101)
4.307	Three Hundred Eleventh Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(101)
4.308	Three Hundred Twelfth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(101)
4.309	Three Hundred Thirteenth Supplemental Indenture dated as of April 24, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(101)
4.310	Three Hundred Fourteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(102)
4.311	Three Hundred Fifteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(102)
4.312	Three Hundred Sixteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(102)
4.313	Three Hundred Seventeenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(102)
4.314	Three Hundred Eighteenth Supplemental Indenture dated as of May 1, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(102)
4.315	Three Hundred Nineteenth Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 3.750% Prospect Capital InterNote® due 2018(103)
4.316	Three Hundred Twentieth Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2019(103)

4.317	Three Hundred Twenty-First Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(103)
4.318	Three Hundred Twenty-Second Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2024(103)
4.319	Three Hundred Twenty-Third Supplemental Indenture dated as of May 8, 2014, to the U.S. Bank Indenture and Form of 6.250% Prospect Capital InterNote® due 2039(103)
4.320	Three Hundred Twenty-Fourth Supplemental Indenture dated as of November 17, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(110)
4.321	Three Hundred Twenty-Fifth Supplemental Indenture dated as of November 28, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(111)
4.322	Three Hundred Twenty-Sixth Supplemental Indenture dated as of December 4, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(112)
4.323	Three Hundred Twenty-Seventh Supplemental Indenture dated as of December 11, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(113)
4.324	Three Hundred Twenty-Eighth Supplemental Indenture dated as of December 18, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(114)
4.325	Three Hundred Twenty-Ninth Supplemental Indenture dated as of December 29, 2014, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(115)
4.326	Three Hundred Thirtieth Supplemental Indenture dated as of January 2, 2015, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(116)
4.327	Three Hundred Thirty-First Supplemental Indenture dated as of January 8, 2015, to the U.S. Bank Indenture and Form of 4.250% Prospect Capital InterNote® due 2020(117)
4.328	Three Hundred Thirty-Second Supplemental Indenture dated as of January 15, 2015, to the U.S. Bank Indenture and Form of 4.500% Prospect Capital InterNote® due 2020(118)
4.329	Three Hundred Thirty-Third Supplemental Indenture dated as of January 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(119)
4.330	Three Hundred Thirty-Fourth Supplemental Indenture dated as of January 29, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(120)

Exhibit No.	
4.331	Three Hundred Thirty-Fifth Supplemental Indenture dated as of February 5, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(121)
4.332	Three Hundred Thirty-Sixth Supplemental Indenture dated as of February 20, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(122)
4.333	Three Hundred Thirty-Seventh Supplemental Indenture dated as of February 26, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(123)
4.334	Three Hundred Thirty-Eighth Supplemental Indenture dated as of March 5, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(124)
4.335	Three Hundred Thirty-Ninth Supplemental Indenture dated as of March 12, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(125)
4.336	Three Hundred Fortieth Supplemental Indenture dated as of March 19, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(126)
4.337	Three Hundred Forty-First Supplemental Indenture dated as of March 26, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(127)
4.338	Three Hundred Forty-Second Supplemental Indenture dated as of April 2, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(128)
4.339	Three Hundred Forty-Third Supplemental Indenture dated as of April 9, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(129)
4.340	Three Hundred Forty-Fourth Supplemental Indenture dated as of April 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(130)
4.341	Three Hundred Forty-Fifth Supplemental Indenture dated as of April 16, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(130)
4.342	Three Hundred Forty-Sixth Supplemental Indenture dated as of April 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(131)
4.343	Three Hundred Forty-Seventh Supplemental Indenture dated as of April 23, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(131)
4.344	Three Hundred Forty-Eighth Supplemental Indenture dated as of April 30, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(132)

4.345	Three Hundred Forty-Ninth Supplemental Indenture dated as of April 30, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(132)
4.346	Three Hundred Fiftieth Supplemental Indenture dated as of May 7, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(133)
4.347	Three Hundred Fifty-First Supplemental Indenture dated as of May 7, 2015, to the U.S. Bank Indenture and Form of 3.375% to 6.375% Prospect Capital InterNote® due 2021(133)
4.348	Three Hundred Fifty-Second Supplemental Indenture dated as of May 21, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(134)
4.349	Three Hundred Fifty-Third Supplemental Indenture dated as of May 29, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(135)
4.350	Three Hundred Fifty-Fourth Supplemental Indenture dated as of May 29, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(135)
4.351	Three Hundred Fifty-Fifth Supplemental Indenture dated as of June 4, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(136)
4.352	Three Hundred Fifty-Sixth Supplemental Indenture dated as of June 4, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(136)
4.353	Three Hundred Fifty-Seventh Supplemental Indenture dated as of June 11, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(137)
4.354	Three Hundred Fifty-Eighth Supplemental Indenture dated as of June 11, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2022(137)
4.355	Three Hundred Fifty-Ninth Supplemental Indenture dated as of June 18, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(138)
4.356	Three Hundred Sixtieth Supplemental Indenture dated as of June 18, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(138)
4.357	Three Hundred Sixty-First Supplemental Indenture dated as of June 25, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(139)
4.358	Three Hundred Sixty-Second Supplemental Indenture dated as of June 25, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(139)

Exhibit No.	
4.359	Three Hundred Sixty-Third Supplemental Indenture dated as of July 2, 2015, to the U.S. Bank Indenture and Form of 4.625% Prospect Capital InterNote® due 2020(140)
4.360	Three Hundred Sixty-Fourth Supplemental Indenture dated as of July 2, 2015, to the U.S. Bank Indenture and Form of 5.100% Prospect Capital InterNote® due 2021(140)
4.361	Three Hundred Sixty-Fifth Supplemental Indenture dated as of July 9, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(141)
4.362	Three Hundred Sixty-Sixth Supplemental Indenture dated as of July 9, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(141)
4.363	Three Hundred Sixty-Seventh Supplemental Indenture dated as of July 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(142)
4.364	Three Hundred Sixty-Eighth Supplemental Indenture dated as of July 16, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(142)
4.365	Three Hundred Sixty-Ninth Supplemental Indenture dated as of July 23, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(143)
4.366	Three Hundred Seventieth Supplemental Indenture dated as of July 23, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(143)
4.367	Three Hundred Seventy-First Supplemental Indenture dated as of July 30, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(144)
4.368	Three Hundred Seventy-Second Supplemental Indenture dated as of July 30, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(144)
4.369	Three Hundred Seventy-Third Supplemental Indenture dated as of August 6, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(145)
4.370	Three Hundred Seventy-Fourth Supplemental Indenture dated as of August 6, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(145)
4.371	Three Hundred Seventy-Fifth Supplemental Indenture dated as of August 13, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(146)
4.372	Three Hundred Seventy-Sixth Supplemental Indenture dated as of August 13, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(146)

4.373	Three Hundred Seventy-Fifth Supplemental Indenture dated as of August 20, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(147)
4.374	Three Hundred Seventy-Sixth Supplemental Indenture dated as of August 20, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(147)
4.375	Three Hundred Seventy-Ninth Supplemental Indenture dated as of August 27, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(148)
4.376	Three Hundred Eightieth Supplemental Indenture dated as of August 27, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(148)
4.377	Three Hundred Eighty-One Supplemental Indenture dated as of September 11, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(153)
4.378	Three Hundred Eighty-Second Supplemental Indenture dated as of September 11, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(153)
4.379	Three Hundred Eighty-Third Supplemental Indenture dated as of September 17, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(154)
4.380	Three Hundred Eighty-Fourth Supplemental Indenture dated as of September 17, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(154)
4.381	Three Hundred Eighty-Fifth Supplemental Indenture dated as of September 24, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(155)
4.382	Three Hundred Eighty-Sixth Supplemental Indenture dated as of September 24, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(155)
4.383	Three Hundred Eighty-Seventh Supplemental Indenture dated as of October 1, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(156)
4.384	Three Hundred Eighty-Eighth Supplemental Indenture dated as of October 1, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(156)
4.385	Three Hundred Eighty-Ninth Supplemental Indenture dated as of October 8, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(157)
4.386	Three Hundred Ninetieth Supplemental Indenture dated as of October 8, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(157)

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4.387	Three Hundred Ninety-First Supplemental Indenture dated as of October 16, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(159)
4.388	Three Hundred Ninety-Second Supplemental Indenture dated as of October 16, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(159)
4.389	Three Hundred Ninety-Third Supplemental Indenture dated as of October 22, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(160)
4.390	Three Hundred Ninety-Fourth Supplemental Indenture dated as of October 22, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(160)
4.391	Three Hundred Ninety-Fifth Supplemental Indenture dated as of October 29, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(161)
4.392	Three Hundred Ninety-Sixth Supplemental Indenture dated as of October 29, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(161)
4.393	Three Hundred Ninety-Seventh Supplemental Indenture dated as of November 4, 2015, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2020(163)
4.394	Three Hundred Ninety-Eighth Supplemental Indenture dated as of November 4, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2022(163)
4.395	Three Hundred Ninety-Ninth Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2020(164)
4.396	Four Hundredth Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.625% Prospect Capital InterNote® due 2022(164)
4.397	Four Hundred First Supplemental Indenture dated as of November 19, 2015, to the U.S. Bank Indenture and Form of 5.875% Prospect Capital InterNote® due 2025(164)
4.398	Four Hundred Second Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 5.125% Prospect Capital InterNote® due 2020(165)
4.399	Four Hundred Third Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2022(165)
4.400	Four Hundred Fourth Supplemental Indenture dated as of November 27, 2015, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(165)

4.401	Four Hundred Fifth Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2020(166)
4.402	Four Hundred Sixth Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 5.750% Prospect Capital InterNote® due 2022(166)
4.403	Four Hundred Seventh Supplemental Indenture dated as of December 3, 2015, to the U.S. Bank Indenture and Form of 6.000% Prospect Capital InterNote® due 2025(166)
4.404	Supplemental Indenture dated as of December 10, 2015, to the U.S. Bank Indenture and Form of 6.250% Note due 2024(167)
4.405	Four Hundred Eighth Supplemental Indenture dated as of December 17, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(168)
4.406	Four Hundred Ninth Supplemental Indenture dated as of December 24, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(169)
4.407	Four Hundred Tenth Supplemental Indenture dated as of December 31, 2015, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2020(170)
4.408	Four Hundred Eleventh Supplemental Indenture dated as of January 7, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(171)
4.409	Four Hundred Twelfth Supplemental Indenture dated as of January 14, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(172)
4.410	Four Hundred Thirteenth Supplemental Indenture dated as of January 22, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(173)
4.411	Four Hundred Fourteenth Supplemental Indenture dated as of March 3, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(175)
4.412	Four Hundred Fifteenth Supplemental Indenture dated as of March 10, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(176)
4.413	Four Hundred Sixteenth Supplemental Indenture dated as of March 17, 2016, to the U.S. Bank Indenture and Form of 5.375% Prospect Capital InterNote® due 2021(177)
4.414	Four Hundred Seventeenth Supplemental Indenture dated as of March 24, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(178)

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4.415	Four Hundred Eighteenth Supplemental Indenture dated as of March 31, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(179)
4.416	Four Hundred Nineteenth Supplemental Indenture dated as of April 7, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(180)
4.417	Four Hundred Twentieth Supplemental Indenture dated as of April 14, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(181)
4.418	Four Hundred Twenty-First Supplemental Indenture dated as of April 21, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(182)
4.419	Four Hundred Twenty-Second Supplemental Indenture dated as of April 28, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(183)
4.420	Four Hundred Twenty-Third Supplemental Indenture dated as of May 5, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(184)
4.421	Four Hundred Twenty-Fourth Supplemental Indenture dated as of May 12, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(185)
4.422	Four Hundred Twenty-Fifth Supplemental Indenture dated as of May 26, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(186)
4.423	Four Hundred Twenty-Sixth Supplemental Indenture dated as of June 3, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(187)
4.424	Four Hundred Twenty-Seventh Supplemental Indenture dated as of June 9, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(188)
4.425	Four Hundred Twenty-Eighth Supplemental Indenture dated as of June 16, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(189)
4.426	Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture, and Form of 6.250% Note due 2024(190)
4.427	Four Hundred Twenty-Ninth Supplemental Indenture dated as of June 23, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(190)
4.428	Form of 6.250% Notes due 2024, Note 1, of an aggregate principal amount of $650,775.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191)

4.429	Form of 6.250% Notes due 2024, Note 2, of an aggregate principal amount of $538,575.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191)
4.430	Form of 6.250% Notes due 2024, Note 3, of an aggregate principal amount of $191,075.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(191)
4.431	Four Hundred Thirtieth Supplemental Indenture dated as of June 30, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(191)
4.432	Form of 6.250% Notes due 2024, Note 4, of an aggregate principal amount of $563,000.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192)
4.433	Form of 6.250% Notes due 2024, Note 5, of an aggregate principal amount of $323,825.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192)
4.434	Form of 6.250% Notes due 2024, Note 6, of an aggregate principal amount of $730,600.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192)
4.435	Form of 6.250% Notes due 2024, Note 7, of an aggregate principal amount of $265,125.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192)
4.436	Form of 6.250% Notes due 2024, Note 8, of an aggregate principal amount of $722,100.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(192)
4.437	Four Hundred Thirty-First Supplemental Indenture dated as of July 8, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(192)
4.438	Form of 6.250% Notes due 2024, Note 9, of an aggregate principal amount of $599,050.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193)
4.439	Form of 6.250% Notes due 2024, Note 10, of an aggregate principal amount of $807,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193)
4.440	Form of 6.250% Notes due 2024, Note 11, of an aggregate principal amount of $799,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193)
4.441	Form of 6.250% Notes due 2024, Note 12, of an aggregate principal amount of $501,625.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(193)
4.442	Four Hundred Thirty-Second Supplemental Indenture dated as of July 14, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(193)
4.443	Form of 6.250% Notes due 2024, Note 13, of an aggregate principal amount of $592,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194)

Exhibit No.

4.444	Form of 6.250% Notes due 2024, Note 14, of an aggregate principal amount of $581,250.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194)
4.445	Form of 6.250% Notes due 2024, Note 15, of an aggregate principal amount of $463,750.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194)
4.446	Form of 6.250% Notes due 2024, Note 16, of an aggregate principal amount of $836,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194)
4.447	Form of 6.250% Notes due 2024, Note 17, of an aggregate principal amount of $536,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(194)
4.448	Four Hundred Thirty-Third Supplemental Indenture dated as of July 21, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(194)
4.449	Form of 6.250% Notes due 2024, Note 18, of an aggregate principal amount of $1,746,400.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195)
4.450	Form of 6.250% Notes due 2024, Note 19, of an aggregate principal amount of $826,325.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195)
4.451	Form of 6.250% Notes due 2024, Note 20, of an aggregate principal amount of $838,525.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195)
4.452	Form of 6.250% Notes due 2024, Note 21, of an aggregate principal amount of $1,027,325.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195)
4.453	Form of 6.250% Notes due 2024, Note 22, of an aggregate principal amount of $1,329,050.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(195)
4.454	Four Hundred Thirty-Fourth Supplemental Indenture dated as of July 28, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(195)
4.455	Form of 6.250% Notes due 2024, Note 23, of an aggregate principal amount of $1,232,075.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196)
4.456	Form of 6.250% Notes due 2024, Note 24, of an aggregate principal amount of $1,273,150.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196)
4.457	Form of 6.250% Notes due 2024, Note 25, of an aggregate principal amount of $1,825,850.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196)

4.458	Form of 6.250% Notes due 2024, Note 26, of an aggregate principal amount of $902,650.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196)
4.459	Form of 6.250% Notes due 2024, Note 27, of an aggregate principal amount of $866,500.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(196)
4.460	Four Hundred Thirty-Fifth Supplemental Indenture dated as of August 4, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(196)
4.461	Form of 6.250% Notes due 2024, Note 28, of an aggregate principal amount of $1,284,800.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197)
4.462	Form of 6.250% Notes due 2024, Note 29, of an aggregate principal amount of $1,423,275.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197)
4.463	Form of 6.250% Notes due 2024, Note 30, of an aggregate principal amount of $1,424,750.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197)
4.464	Form of 6.250% Notes due 2024, Note 31, of an aggregate principal amount of $1,525,475.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197)
4.465	Form of 6.250% Notes due 2024, Note 32, of an aggregate principal amount of $1,335,200.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(197)
4.466	Four Hundred Thirty-Sixth Supplemental Indenture dated as of August 11, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(197)
4.467	Form of 6.250% Notes due 2024, Note 33, of an aggregate principal amount of $746,950.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198)
4.468	Form of 6.250% Notes due 2024, Note 34, of an aggregate principal amount of $1,254,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198)
4.469	Form of 6.250% Notes due 2024, Note 35, of an aggregate principal amount of $790,900.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198)
4.470	Form of 6.250% Notes due 2024, Note 36, of an aggregate principal amount of $1,477,725.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198)
4.471	Form of 6.250% Notes due 2024, Note 37, of an aggregate principal amount of $2,147,375.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(198)

Exhibit No.

4.472	Four Hundred Thirty-Seventh Supplemental Indenture dated as of August 18, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(198)
4.473	Form of 6.250% Notes due 2024, Note 38, of an aggregate principal amount of $1,502,000.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199)
4.474	Form of 6.250% Notes due 2024, Note 39, of an aggregate principal amount of $1,098,150.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199)
4.475	Form of 6.250% Notes due 2024, Note 40, of an aggregate principal amount of $719,375.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199)
4.476	Form of 6.250% Notes due 2024, Note 41, of an aggregate principal amount of $979,025.00, pursuant to the Supplemental Indenture dated as of June 22, 2016, to the U.S. Bank Indenture(199)
4.477	Four Hundred Thirty-Eighth Supplemental Indenture dated as of August 25, 2016, to the U.S. Bank Indenture and Form of 5.500% Prospect Capital InterNote® due 2021(199)
4.478	Four Hundred Thirty-Ninth Supplemental Indenture dated as of September 15, 2016, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(201)
4.479	Four Hundred Fortieth Supplemental Indenture dated as of September 22, 2016, to the U.S. Bank Indenture and Form of 5.250% Prospect Capital InterNote® due 2021(202)
4.480	Four Hundred Forty-First Supplemental Indenture dated as of September 29, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(203)
4.481	Four Hundred Forty-Second Supplemental Indenture dated as of October 6, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(204)
4.482	Four Hundred Forty-Third Supplemental Indenture dated as of October 14, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(205)
4.483	Four Hundred Forty-Fourth Supplemental Indenture dated as of October 20, 2016, to the U.S. Bank Indenture and Form of 4.750% Prospect Capital InterNote® due 2021(206)
4.484	Four Hundred Forty-Fifth Supplemental Indenture dated as of October 27, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(207)
4.485	Four Hundred Forty-Sixth Supplemental Indenture dated as of November 3, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(208)

4.486	Four Hundred Forty-Seventh Supplemental Indenture dated as of November 25, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(209)
4.487	Four Hundred Forty-Eighth Supplemental Indenture dated as of December 1, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(210)
4.488	Four Hundred Forty-Ninth Supplemental Indenture dated as of December 8, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(211)
4.489	Four Hundred Fiftieth Supplemental Indenture dated as of December 15, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(212)
4.490	Four Hundred Fifty-First Supplemental Indenture dated as of December 22, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(213)
4.491	Four Hundred Fifty-Second Supplemental Indenture dated as of December 30, 2016, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2021(214)
4.492	Four Hundred Fifty-Third Supplemental Indenture dated as of January 6, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(215)
4.493	Four Hundred Fifty-Fourth Supplemental Indenture dated as of January 12, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(216)
4.494	Four Hundred Fifty-Fifth Supplemental Indenture dated as of January 20, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(217)
4.495	Four Hundred Fifty-Sixth Supplemental Indenture dated as of January 26, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(218)
4.496	Four Hundred Fifty-Seventh Supplemental Indenture dated as of February 2, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(219)
4.497	Four Hundred Fifty-Eighth Supplemental Indenture dated as of February 9, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(220)
4.498	Four Hundred Fifty-Ninth Supplemental Indenture dated as of February 24, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(221)
4.499	Four Hundred Sixtieth Supplemental Indenture dated as of March 2, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(222)

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4.500	Four Hundred Sixty-First Supplemental Indenture dated as of March 9, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(223)
4.501	Four Hundred Sixty-Second Supplemental Indenture dated as of March 16, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(224)
4.502	Four Hundred Sixty-Third Supplemental Indenture dated as of March 23, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(225)
4.503	Four Hundred Sixty-Fourth Supplemental Indenture dated as of March 30, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(226)
4.504	Four Hundred Sixty-Fifth Supplemental Indenture dated as of April 6, 2017, to the U.S. Bank Indenture and Form of 5.000% Prospect Capital InterNote® due 2022(227)
4.505	Supplemental Indenture dated as of April 11, 2017, to the U.S. Bank Indenture, and Form of 4.950% Convertible Note due 2022(228)
4.506	Four Hundred Sixty-Sixth Supplemental Indenture dated as of April 20, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(230)
4.507	Four Hundred Sixty-Seventh Supplemental Indenture dated as of April 27, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(231)
4.508	Four Hundred Sixty-Eighth Supplemental Indenture dated as of May 4, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(232)
4.509	Four Hundred Sixty-Ninth Supplemental Indenture dated as of May 11, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(233)
4.510	Four Hundred Seventieth Supplemental Indenture dated as of May 25, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(234)
4.511	Four Hundred Seventy-First Supplemental Indenture dated as of June 2, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(235)
4.512	Four Hundred Seventy-Second Supplemental Indenture dated as of June 8, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(236)
4.513	Four Hundred Seventy-Third Supplemental Indenture dated as of June 15, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(237)

4.514	Four Hundred Seventy-Fourth Supplemental Indenture dated as of June 22, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(238)
4.515	Four Hundred Seventy-Fifth Supplemental Indenture dated as of June 29, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(239)
4.516	Four Hundred Seventy-Sixth Supplemental Indenture dated as of July 7, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2022(240)
4.517	Four Hundred Seventy-Seventh Supplemental Indenture dated as of July 7, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2024(240)
4.518	Four Hundred Seventy-Eighth Supplemental Indenture dated as of July 13, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(241)
4.519	Four Hundred Seventy-Ninth Supplemental Indenture dated as of July 13, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2024(241)
4.520	Four Hundred Eightieth Supplemental Indenture dated as of July 20, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(242)
4.521	Four Hundred Eighty-First Supplemental Indenture dated as of July 20, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2024(242)
4.522	Four Hundred Eighty-Second Supplemental Indenture dated as of July 27, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(243)
4.523	Four Hundred Eighty-Third Supplemental Indenture dated as of July 27, 2017, to the U.S. Bank Indenture, and Form of 4.750% Convertible Note due 2024(243)
4.524	Four Hundred Eighty-Fourth Supplemental Indenture dated as of August 3, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(244)
4.525	Four Hundred Eighty-Fifth Supplemental Indenture dated as of August 3, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(244)
4.526	Four Hundred Eighty-Sixth Supplemental Indenture dated as of August 10, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(245)
4.527	Four Hundred Eighty-Seventh Supplemental Indenture dated as of August 10, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(245)

Exhibit No.	
4.528	Four Hundred Eighty-Eighth Supplemental Indenture dated as of August 17, 2017, to the U.S. Bank Indenture, and Form of 4.500% Convertible Note due 2022(246)
4.529	Four Hundred Eighty-Ninth Supplemental Indenture dated as of August 17, 2017, to the U.S. Bank Indenture, and Form of 5.000% Convertible Note due 2025(246)
4.530	Four Hundred Ninetieth Supplemental Indenture dated as of August 24, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2022(247)
4.531	Four Hundred Ninety-First Supplemental Indenture dated as of August 24, 2017, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(247)
4.532	Four Hundred Ninety-Second Supplemental Indenture dated as of August 31, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2022(249)
4.533	Four Hundred Ninety-Third Supplemental Indenture dated as of August 31, 2017, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2025(249)
4.534	Four Hundred Ninety-Fourth Supplemental Indenture dated as of September 14, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(250)
4.535	Four Hundred Ninety-Fifth Supplemental Indenture dated as of September 14, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(250)
4.536	Four Hundred Ninety-Sixth Supplemental Indenture dated as of September 21, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(251)
4.537	Four Hundred Ninety-Seventh Supplemental Indenture dated as of September 21, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(251)
4.538	Four Hundred Ninety-Eighth Supplemental Indenture dated as of September 28, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(252)
4.539	Four Hundred Ninety-Ninth Supplemental Indenture dated as of September 28, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(252)
4.540	Five Hundredth Supplemental Indenture dated as of October 5, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(253)
4.541	Five Hundred First Supplemental Indenture dated as of October 5, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(253)

4.542	Five Hundred Second Supplemental Indenture dated as of October 13, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(254)
4.543	Five Hundred Third Supplemental Indenture dated as of October 13, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(254)
4.544	Five Hundred Fourth Supplemental Indenture dated as of October 19, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(255)
4.545	Five Hundred Fifth Supplemental Indenture dated as of October 19, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(255)
4.546	Five Hundred Sixth Supplemental Indenture dated as of October 26, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(256)
4.547	Five Hundred Seventh Supplemental Indenture dated as of October 26, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(256)
4.548	Five Hundred Eighth Supplemental Indenture dated as of November 2, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(257)
4.549	Five Hundred Ninth Supplemental Indenture dated as of November 2, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(257)
4.550	Five Hundred Tenth Supplemental Indenture dated as of November 24, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(258)
4.551	Five Hundred Eleventh Supplemental Indenture dated as of November 24, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(258)
4.552	Five Hundred Twelfth Supplemental Indenture dated as of November 30, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(259)
4.553	Five Hundred Thirteenth Supplemental Indenture dated as of November 30, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(259)
4.554	Five Hundred Fourteenth Supplemental Indenture dated as of December 7, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(260)
4.555	Five Hundred Fifteenth Supplemental Indenture dated as of December 7, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(260)

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4.556	Five Hundred Sixteenth Supplemental Indenture dated as of December 14, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(261)
4.557	Five Hundred Seventeenth Supplemental Indenture dated as of December 14, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(261)
4.558	Five Hundred Eighteenth Supplemental Indenture dated as of December 21, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(262)
4.559	Five Hundred Nineteenth Supplemental Indenture dated as of December 21, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(262)
4.560	Five Hundred Twentieth Supplemental Indenture dated as of December 29, 2017, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2022(263)
4.561	Five Hundred Twenty-First Supplemental Indenture dated as of December 29, 2017, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2025(263)
4.562	Five Hundred Twenty-Second Supplemental Indenture dated as of January 5, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(264)
4.563	Five Hundred Twenty-Third Supplemental Indenture dated as of January 5, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(264)
4.564	Five Hundred Twenty-Fourth Supplemental Indenture dated as of January 11, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(265)
4.565	Five Hundred Twenty-Fifth Supplemental Indenture dated as of January 11, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(265)
4.566	Five Hundred Twenty-Sixth Supplemental Indenture dated as of January 19, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(266)
4.567	Five Hundred Twenty-Seventh Supplemental Indenture dated as of January 19, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(266)
4.568	Five Hundred Twenty-Eighth Supplemental Indenture dated as of January 25, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(267)
4.569	Five Hundred Twenty-Ninth Supplemental Indenture dated as of January 25, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(267)

4.570	Five Hundred Thirtieth Supplemental Indenture dated as of February 1, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(268)
4.571	Five Hundred Thirty-First Supplemental Indenture dated as of February 1, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(268)
4.572	Five Hundred Thirty-Second Supplemental Indenture dated as of February 8, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(269)
4.573	Five Hundred Thirty-Third Supplemental Indenture dated as of February 8, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(269)
4.574	Five Hundred Thirty-Fourth Supplemental Indenture dated as of February 23, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(270)
4.575	Five Hundred Thirty-Fifth Supplemental Indenture dated as of February 23, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(270)
4.576	Five Hundred Thirty-Sixth Supplemental Indenture dated as of March 1, 2018, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2023(271)
4.577	Five Hundred Thirty-Seventh Supplemental Indenture dated as of March 1, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(271)
4.578	Five Hundred Thirty-Eighth Supplemental Indenture dated as of March 8, 2018, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2023(272)
4.579	Five Hundred Thirty-Ninth Supplemental Indenture dated as of March 8, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(272)
4.580	Five Hundred Fortieth Supplemental Indenture dated as of March 15, 2018, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2023(273)
4.581	Five Hundred Forty-First Supplemental Indenture dated as of March 15, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(273)
4.582	Five Hundred Forty-Second Supplemental Indenture dated as of March 22, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(274)
4.583	Five Hundred Forty-Third Supplemental Indenture dated as of March 22, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(274)

Exhibit No.

4.584	Five Hundred Forty-Fourth Supplemental Indenture dated as of March 29, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(275)
4.585	Five Hundred Forty-Fifth Supplemental Indenture dated as of March 29, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(275)
4.586	Five Hundred Forty-Sixth Supplemental Indenture dated as of April 5, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(276)
4.587	Five Hundred Forty-Seventh Supplemental Indenture dated as of April 5, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(276)
4.588	Five Hundred Forty-Eighth Supplemental Indenture dated as of April 12, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(277)
4.589	Five Hundred Forty-Ninth Supplemental Indenture dated as of April 12, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(277)
4.590	Five Hundred Fiftieth Supplemental Indenture dated as of April 19, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(278)
4.591	Five Hundred Fifty-First Supplemental Indenture dated as of April 19, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(278)
4.592	Five Hundred Fifty-Second Supplemental Indenture dated as of April 26, 2018, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2023(279)
4.593	Five Hundred Fifty-Third Supplemental Indenture dated as of April 26, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(279)
4.594	Five Hundred Fifty-Fourth Supplemental Indenture dated as of May 3, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(280)
4.595	Five Hundred Fifty-Fifth Supplemental Indenture dated as of May 3, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(280)
4.596	Five Hundred Fifty-Sixth Supplemental Indenture dated as of May 10, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(281)
4.597	Five Hundred Fifty-Seventh Supplemental Indenture dated as of May 10, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(281)

Form of Global Note of 4.95% Convertible Notes due 2022(282)

4.598

Five Hundred Fifty-Eighth Supplemental Indenture dated as of May 24, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(284)

4.599

Five Hundred Fifty-Ninth Supplemental Indenture dated as of May 24, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(284)

4.600

Five Hundred Sixtieth Supplemental Indenture dated as of June 1, 2018, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2023(285)

4.601

Five Hundred Sixty-First Supplemental Indenture dated as of June 1, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(285)

4.602

Supplemental Indenture dated as of June 7, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2028(286)

4.603

Form of Global Note of 5.875% Senior Notes due 2023(287)

4.604

Five Hundred Sixty-Second Supplemental Indenture dated as of June 21, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(288)

4.605

Five Hundred Sixty-Third Supplemental Indenture dated as of June 21, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(288)

4.606

Five Hundred Sixty-Fourth Supplemental Indenture dated as of June 28, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(289)

4.607

Five Hundred Sixty-Fifth Supplemental Indenture dated as of June 28, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2025(289)

4.608

Supplemental Indenture dated as of July 2, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2024(290)

4.609

Supplemental Indenture dated as of July 2, 2018, to the U.S. Bank Indenture, and Form of 6.250% Note due 2028(290)

4.610

Five Hundred Sixty-Sixth Supplemental Indenture dated as of July 6, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(291)

4.611

Five Hundred Sixty-Seventh Supplemental Indenture dated as of July 6, 2018, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2025(291)

4.612

Five Hundred Sixty-Eighth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of

4.613	5.000% Prospect Capital InterNote® due 2023(292)

Exhibit No.

4.614	Five Hundred Sixty-Ninth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(292)
4.615	Five Hundred Seventieth Supplemental Indenture dated as of July 12, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(292)
4.616	Five Hundred Seventy-First Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(293)
4.617	Five Hundred Seventy-Second Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(293)
4.618	Five Hundred Seventy-Third Supplemental Indenture dated as of July 19, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(293)
4.619	Five Hundred Seventy-Fourth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(294)
4.620	Five Hundred Seventy-Fifth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(294)
4.621	Five Hundred Seventy-Sixth Supplemental Indenture dated as of July 26, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(294)
4.622	Five Hundred Seventy-Seventh Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(295)
4.623	Five Hundred Seventy-Eighth Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(295)
4.624	Five Hundred Seventy-Ninth Supplemental Indenture dated as of August 2, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(295)
4.625	Five Hundred Eightieth Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(297)
4.626	Five Hundred Eighty-First Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(297)
4.627	Five Hundred Eighty-Second Supplemental Indenture dated as of August 9, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(297)

4.628	Five Hundred Eighty-Third Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(298)
4.629	Five Hundred Eighty-Fourth Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(298)
4.630	Five Hundred Eighty-Fifth Supplemental Indenture dated as of August 16, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(298)
4.631	Five Hundred Eighty-Sixth Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(299)
4.632	Five Hundred Eighty-Seventh Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(299)
4.633	Five Hundred Eighty-Eighth Supplemental Indenture dated as of August 23, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(299)
4.634	Five Hundred Eighty-Ninth Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(300)
4.635	Five Hundred Ninetieth Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(300)
4.636	Five Hundred Ninety-First Supplemental Indenture dated as of August 30, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(300)
4.637	Five Hundred Ninety-Second Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(301)
4.638	Five Hundred Ninety-Third Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(301)
4.639	Five Hundred Ninety-Fourth Supplemental Indenture dated as of September 13, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(301)
4.640	Five Hundred Ninety-Fifth Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(302)
4.641	Five Hundred Ninety-Sixth Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(302)

Exhibit No.

4.642 Five Hundred Ninety-Seventh Supplemental Indenture dated as of September 20, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(302)

4.643 Five Hundred Ninety-Eighth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2023(303)

4.644 Five Hundred Ninety-Ninth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(303)

4.645 Six Hundredth Supplemental Indenture dated as of September 27, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(303)

4.646 Supplemental Indenture dated as of October 1, 2018, to the U.S. Bank Indenture(304)

4.647 Form of 6.375% Senior Note due 2024(304)

4.648 Six Hundred First Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2023(305)

4.649 Six Hundred Second Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2025(305)

4.650 Six Hundred Third Supplemental Indenture dated as of October 4, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2028(305)

4.651 Six Hundred Fourth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(306)

4.652 Six Hundred Fifth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(306)

4.653 Six Hundred Sixth Supplemental Indenture dated as of October 12, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(306)

4.654 Six Hundred Seventh Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(307)

4.655 Six Hundred Eighth Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(307)

4.656 Six Hundred Ninth Supplemental Indenture dated as of October 18, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(307)

4.657 Six Hundred Tenth Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(308)

4.658 Six Hundred Eleventh Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(308)

4.659 Six Hundred Twelfth Supplemental Indenture dated as of October 25, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(308)

4.660 Six Hundred Thirteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(309)

4.661 Six Hundred Fourteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(309)

4.662 Six Hundred Fifteenth Supplemental Indenture dated as of November 1, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(309)

4.663 Six Hundred Sixteenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 5.625% Prospect Capital InterNote® due 2023(310)

4.664 Six Hundred Seventeenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 5.875% Prospect Capital InterNote® due 2025(310)

4.665 Six Hundred Eighteenth Supplemental Indenture dated as of November 8, 2018, to the U.S. Bank Indenture, and Form of 6.125% Prospect Capital InterNote® due 2028(310)

4.666 Six Hundred Nineteenth Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(311)

4.667 Six Hundred Twentieth Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(311)

4.668 Six Hundred Twenty-First Supplemental Indenture dated as of November 23, 2018, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2028(311)

4.669 Six Hundred Twenty-Second Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(312)

4.670 Six Hundred Twenty-Third Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(312)

Exhibit No.

4.671 Six Hundred Twenty-Fourth Supplemental Indenture dated as of November 29, 2018, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2028(312)

4.672 Supplemental Indenture dated as of December 5, 2018, to the U.S. Bank Indenture, and Form of 6.875% Senior Note due 2029(313)

4.673 Six Hundred Twenty-Fifth Supplemental Indenture dated as of December 13, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(314)

4.674 Six Hundred Twenty-Sixth Supplemental Indenture dated as of December 13, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(314)

4.675 Six Hundred Twenty-Seventh Supplemental Indenture dated as of December 20, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(315)

4.676 Six Hundred Twenty-Eighth Supplemental Indenture dated as of December 20, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(315)

4.677 Six Hundred Twenty-Ninth Supplemental Indenture dated as of December 28, 2018, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2023(316)

4.678 Six Hundred Thirtieth Supplemental Indenture dated as of December 28, 2018, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2025(316)

4.679 Six Hundred Thirty-First Supplemental Indenture dated as of January 4, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(317)

4.680 Six Hundred Thirty-Second Supplemental Indenture dated as of January 4, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(317)

4.681 Six Hundred Thirty-Third Supplemental Indenture dated as of January 10, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(318)

4.682 Six Hundred Thirty-Fourth Supplemental Indenture dated as of January 10, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(318)

4.683 Six Hundred Thirty-Fifth Supplemental Indenture dated as of January 17, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(319)

4.684 Six Hundred Thirty-Sixth Supplemental Indenture dated as of January 17, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(319)

4.685 Six Hundred Thirty-Seventh Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(320)

4.686 Six Hundred Thirty-Eighth Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(320)

4.687 Six Hundred Thirty-Ninth Supplemental Indenture dated as of January 25, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(320)

4.688 Six Hundred Fortieth Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(321)

4.689 Six Hundred Forty-First Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(321)

4.690 Six Hundred Forty-Second Supplemental Indenture dated as of January 31, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(321)

4.691 Six Hundred Forty-Third Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(322)

4.692 Six Hundred Forty-Fourth Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(322)

4.693 Six Hundred Forty-Fifth Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(322)

4.694 Supplemental Indenture dated as of February 7, 2019, to the U.S. Bank Indenture and Form of 6.875% Note due 2029(323)

4.695 Six Hundred Forty-Sixth Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(324)

4.696 Six Hundred Forty-Seventh Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(324)

4.697 Six Hundred Forty-Eighth Supplemental Indenture dated as of February 22, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(324)

4.698 Six Hundred Forty-Ninth Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(325)

4.699 Six Hundred Fiftieth Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(325)

Exhibit No.

4.700 Six Hundred Fifty-First Supplemental Indenture dated as of February 28, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(325)

4.701 Supplemental Indenture dated as of March 1, 2019, to the U.S. Bank Indenture, and Form of 6.375% Convertible Note due 2025(326)

4.702 Six Hundred Fifty-Second Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(327)

4.703 Six Hundred Fifty-Third Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(327)

4.704 Six Hundred Fifty-Fourth Supplemental Indenture dated as of March 7, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(327)

4.705 Six Hundred Fifty-Fifth Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(328)

4.706 Six Hundred Fifty-Sixth Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(328)

4.707 Six Hundred Fifty-Seventh Supplemental Indenture dated as of March 14, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(328)

4.708 Six Hundred Fifty-Eighth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(329)

4.709 Six Hundred Fifty-Ninth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(329)

4.710 Six Hundred Sixtieth Supplemental Indenture dated as of March 21, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(329)

4.711 Six Hundred Sixty-First Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(330)

4.712 Six Hundred Sixty-Second Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(330)

4.713 Six Hundred Sixty-Third Supplemental Indenture dated as of March 28, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(330)

4.714 Six Hundred Sixty-Fourth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(331)

4.715 Six Hundred Sixty-Fifth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(331)

4.716 Six Hundred Sixty-Sixth Supplemental Indenture dated as of April 4, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(331)

4.717 Six Hundred Sixty-Seventh Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(332)

4.718 Six Hundred Sixty-Eighth Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(332)

4.719 Six Hundred Sixty-Ninth Supplemental Indenture dated as of April 11, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(332)

4.720 Six Hundred Seventieth Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2024(333)

4.721 Six Hundred Seventy-First Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2026(333)

4.722 Six Hundred Seventy-Second Supplemental Indenture dated as of April 18, 2019, to the U.S. Bank Indenture, and Form of 6.250% Prospect Capital InterNote® due 2029(333)

4.723 Six Hundred Seventy-Third Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2024(334)

4.724 Six Hundred Seventy-Fourth Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(334)

4.725 Six Hundred Seventy-Fifth Supplemental Indenture dated as of April 25, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2029(334)

4.726 Six Hundred Seventy-Sixth Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2024(335)

4.727 Six Hundred Seventy-Seventh Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2026(335)

Exhibit No.

4.728 Six Hundred Seventy-Eighth Supplemental Indenture dated as of May 2, 2019, to the U.S. Bank Indenture, and Form of 6.000% Prospect Capital InterNote® due 2029(335)

4.729 Six Hundred Seventy-Ninth Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(336)

4.730 Six Hundred Eightieth Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(336)

4.731 Six Hundred Eighty-First Supplemental Indenture dated as of May 9, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(336)

4.732 Six Hundred Eighty-Second Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(338)

4.733 Six Hundred Eighty-Third Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(338)

4.734 Six Hundred Eighty-Fourth Supplemental Indenture dated as of May 23, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(338)

4.735 Six Hundred Eighty-Fifth Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2024(339)

4.736 Six Hundred Eighty-Sixth Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2026(339)

4.737 Six Hundred Eighty-Seventh Supplemental Indenture dated as of May 31, 2019, to the U.S. Bank Indenture, and Form of 5.750% Prospect Capital InterNote® due 2029(339)

4.738 Six Hundred Eighty-Eighth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(340)

4.739 Six Hundred Eighty-Ninth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(340)

4.740 Six Hundred Ninetieth Supplemental Indenture dated as of June 6, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(340)

4.741 Six Hundred Ninety-First Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(341)

4.742 Six Hundred Ninety-Second Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(341)

4.743 Six Hundred Ninety-Third Supplemental Indenture dated as of June 13, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(341)

4.744 Six Hundred Ninety-Fourth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(342)

4.745 Six Hundred Ninety-Fifth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(342)

4.746 Six Hundred Ninety-Sixth Supplemental Indenture dated as of June 20, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(342)

4.747 Six Hundred Ninety-Seventh Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(343)

4.748 Six Hundred Ninety-Eighth Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(343)

4.749 Six Hundred Ninety-Ninth Supplemental Indenture dated as of June 27, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(343)

4.750 Seven Hundredth Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2024(344)

4.751 Seven Hundred First Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2026(344)

4.752 Seven Hundred Second Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.500% Prospect Capital InterNote® due 2029(344)

4.753 Seven Hundred Third Supplemental Indenture dated as of July 5, 2019, to the U.S. Bank Indenture, and Form of 5.000% to 7.500% Prospect Capital InterNote® due 2029(344)

4.754 Seven Hundred Fourth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2024(345)

4.755 Seven Hundred Fifth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(345)

Exhibit No.

4.756 Seven Hundred Sixth Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2029(345)

4.757 Seven Hundred Seventh Supplemental Indenture dated as of July 11, 2019, to the U.S. Bank Indenture, and Form of 4.750% to 7.250% Prospect Capital InterNote® due 2029(345)

4.758 Seven Hundred Eighth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2024(346)

4.759 Seven Hundred Ninth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2026(346)

4.760 Seven Hundred Tenth Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 5.250% Prospect Capital InterNote® due 2029(346)

4.761 Seven Hundred Eleventh Supplemental Indenture dated as of July 18, 2019, to the U.S. Bank Indenture, and Form of 4.750% to 7.250% Prospect Capital InterNote® due 2029(346)

4.762 Seven Hundred Twelfth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2024(347)

4.763 Seven Hundred Thirteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2026(347)

4.764 Seven Hundred Fourteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 5.000% Prospect Capital InterNote® due 2029(347)

4.765 Seven Hundred Fifteenth Supplemental Indenture dated as of July 25, 2019, to the U.S. Bank Indenture, and Form of 4.500% to 7.000% Prospect Capital InterNote® due 2029(347)

4.766 Seven Hundred Sixteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2024(348)

4.767 Seven Hundred Seventeenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(348)

4.768 Seven Hundred Eighteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2029(348)

4.769 Seven Hundred Nineteenth Supplemental Indenture dated as of August 1, 2019, to the U.S. Bank Indenture, and Form of 4.250% to 6.750% Prospect Capital InterNote® due 2029(348)

4.770 Seven Hundred Twentieth Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2024(349)

4.771 Seven Hundred Twenty-First Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2026(349)

4.772 Seven Hundred Twenty-Second Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.750% Prospect Capital InterNote® due 2029(349)

4.773 Seven Hundred Twenty-Third Supplemental Indenture dated as of August 8, 2019, to the U.S. Bank Indenture, and Form of 4.250% to 6.750% Prospect Capital InterNote® due 2029(349)

4.774 Seven Hundred Twenty-Fourth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2024(350)

4.775 Seven Hundred Twenty-Fifth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2026(350)

4.776 Seven Hundred Twenty-Sixth Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.500% Prospect Capital InterNote® due 2029(350)

4.777 Seven Hundred Twenty-Seventh Supplemental Indenture dated as of August 15, 2019, to the U.S. Bank Indenture, and Form of 4.000% to 6.500% Prospect Capital InterNote® due 2029(350)

4.778 Seven Hundred Twenty-Eighth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 3.750% Prospect Capital InterNote® due 2024(351)

4.779 Seven Hundred Twenty-Ninth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 4.000% Prospect Capital InterNote® due 2026(351)

4.780 Seven Hundred Thirtieth Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 4.250% Prospect Capital InterNote® due 2029(351)

4.781 Seven Hundred Thirty-First Supplemental Indenture dated as of August 22, 2019, to the U.S. Bank Indenture, and Form of 3.750% to 6.250% Prospect Capital InterNote® due 2029(351)

10.1 Investment Advisory Agreement between Registrant and Prospect Capital Management L.P.(2)

Administration Agreement between Registrant and Prospect Administration LLC(2)

10.2

Dividend Reinvestment and Direct Stock Purchase Plan(174)

10.3

Trademark License Agreement between the Registrant and Prospect Capital Investment Management, LLC(2)

10.4

Exhibit No.	
	Transfer Agency and Registrar Services Agreement(4)
10.5	
10.6	Sixth Amended and Restated Loan and Servicing Agreement, dated August 1, 2018, among Prospect Capital Funding LLC, Prospect Capital Corporation, the lenders from time to time party thereto, the managing agents from time to time party thereto, U.S. Bank National Association as Calculation Agent, Paying Agent and Documentation Agent, and KeyBank National Association as Facility Agent, Syndication Agent, Structuring Agent, Sole Lead Arranger and Sole Bookrunner(296)
10.7	Sixth Amended and Restated Selling Agent Agreement, dated November 10, 2016, by and among, the Registrant, Prospect Capital Management L.P., Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time(209)
10.8	Amended and Restated Custody Agreement, dated as of September 23, 2014, by and between the Registrant and U.S. Bank National Association(106)
10.9	Custody Agreement, dated as of April 24, 2013, by and between the Registrant and Israeli Discount Bank of New York Ltd.(5)
10.10	Custody Agreement, dated as of October 28, 2013, by and between the Registrant and Fifth Third Bank(82)
10.11	Custody Agreement, dated as of May 9, 2014, by and between the Registrant and Customers Bank(104)
10.12	Custody Agreement, dated as of May 9, 2014, by and between the Registrant and Peapack-Gladstone Bank(105)
10.13	Custody Agreement, dated as of October 10, 2014, by and between Prospect Yield Corporation, LLC and U.S. Bank National Association(106)
10.14	Third Amended and Restated Custody Agreement, dated as of November 6, 2015, by and between Prospect Small Business Lending, LLC and Deutsche Bank Trust Company Americas(248)
10.15	Debt Distribution Agreement, dated June 22, 2016(190)
10.16	Form of Debt Distribution Agreement(200)
10.17	Underwriting Agreement, dated April 6, 2017, by and among Prospect Capital Corporation, Prospect Capital Management L.P., Prospect Administration LLC and Goldman, Sachs & Co.(229)
10.18	Underwriting Agreement, dated May 15, 2018, by and among Prospect Capital Corporation, Prospect Capital Management L.P., Prospect Administration LLC and Goldman Sachs & Co. LLC(283)
	Selling Agent Agreement, dated May 10, 2019, by and among, the Registrant, Prospect Capital Management L.P.,

10.19	Prospect Administration LLC, Incapital LLC and the Agents named therein and added from time to time(337)
10.20	Underwriting Agreement, dated November 28, 2018(313)
10.21	Debt Distribution Agreement, dated February 7, 2019(323)
10.22	Debt Distribution Agreement, dated February 7, 2019(323)
10.23	Debt Distribution Agreement, dated February 7, 2019(323)
10.24	Underwriting Agreement, dated February 27, 2019(326)
11	Computation of Per Share Earnings (included in the notes to the financial statements contained in this report)
12	Computation of Ratios (included in the notes to the financial statements contained in this report)
14	Code of Ethics(353)
21	Subsidiaries of the Registrant (included in the notes to the consolidated financial statements contained in this annual report)
22.1	Proxy Statement(354)
22.2	Published report regarding matters submitted to vote of security holders(355)
23.1	Consent of BDO USA, LLP, Certified Public Accountants of National Property REIT Corp.*
23.2	Consent of RSM US LLP, Certified Public Accountants of First Tower Finance Company LLC*
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended*
	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended*

31.2	
32.1	Certification of Chief Executive Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)*
32.2	Certification of Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)*
99.1	Audited Combined Consolidated Financial Statements of National Property REIT Corp. for the years ended December 31, 2018 and 2017*
99.2	Audited Combined Consolidated Financial Statements of National Property REIT Corp. for the years ended December 31, 2017 and 2016*
99.3	Audited Consolidated Financial Statements of First Tower Finance Company LLC for the years ended December 31, 2018 and December 31, 2017*
99.4	Audited Consolidated Financial Statements of First Tower Finance Company LLC for the years ended December 31, 2017 and December 31, 2016*

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* Filed herewith.

(1) Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on May 9, 2014.

(2) Incorporated by reference from the Registrant's Pre-effective Amendment No. 2 to the Registration Statement on Form N-2, filed on July 6, 2004.

(3) Incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed on December 11, 2015.

(4) Incorporated by reference from the Registrant's Pre-effective Amendment No. 3 to the Registration Statement on Form N-2, filed on July 23, 2004.

(5) Incorporated by reference to Exhibit 10.258 of the Registrant's Form 10-K filed on August 21, 2013.

(6) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on February 18, 2011.

(7) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on December 21, 2010.

(8) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on February 18, 2011.

(9) Incorporated by reference from the Registrant's Registration Statement on Form N-2, filed on September 1, 2011.

(10) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on March 1, 2012.

(11) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on March 8, 2012.

(12) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on March 14, 2012.

(13) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed on September 2, 2014.

(14) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on April 5, 2012.

(15) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on April 12, 2012.

(16) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 16, 2012.

(17) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on April 16, 2012.

(18) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on April 26, 2012.

(19) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on August 14, 2012.

(20) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on August 14, 2012.

(21) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on September 27, 2012.

(22) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on October 4, 2012.

(23) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 23, 2012.

(24) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 29, 2012.

(25) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 6, 2012.

(26) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 13, 2012.

(27) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 20, 2012.

(28) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on December 21, 2012.

(29) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on December 28, 2012.

(30) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 4, 2013.

(31) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 10, 2013.

(32) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 17, 2013.

(33) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 25, 2013.

(34) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on January 31, 2013.

(35) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 7, 2013.

(36) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on February 22, 2013.

(37) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on February 28, 2013.

(38) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 7, 2013.

(39) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 14, 2013.

(40) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on March 15, 2013.

(41) Incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K, filed on March 15, 2013.

(42) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on March 21, 2013.

(43) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on March 28, 2013.

(44) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 4, 2013.

(45) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 11, 2013.

(46) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on April 18, 2013.

(47) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on April 25, 2013.

(48) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 2, 2013.

(49) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on May 9, 2013.

(50) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on May 23, 2013.

(51) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on May 31, 2013.

(52) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on June 6, 2013.

(53) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on June 13, 2013.

(54) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on June 20, 2013.

(55) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on June 27, 2013.

(56) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 5, 2013.

(57) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on July 11, 2013.

(58) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on July 18, 2013.

(59) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on July 25, 2013.

(60) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 1, 2013.

(61) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on August 8, 2013.

(62) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on August 15, 2013.

(63) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on August 22, 2013.

(64) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on September 6, 2013.

(65) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on September 12, 2013.

(66) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on September 19, 2013.

(67) Incorporated by reference from the Registrant's Post-Effective Amendment No. 48 to the Registration Statement on Form N-2, filed on September 26, 2013.

(68) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 3, 2013.

(69) Incorporated by reference from the Registrant's Post-Effective Amendment No. 50 to the Registration Statement on Form N-2, filed on October 10, 2013.

(70) Incorporated by reference from the Registrant's Post-Effective Amendment No. 51 to the Registration Statement on Form N-2, filed on October 18, 2013.

(71) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on October 24, 2013.

(72) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on October 31, 2013.

(73) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on November 7, 2013.

(74) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on November 15, 2013.

(75) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on November 21, 2013.

(76) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on November 29, 2013.

(77) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on December 5, 2013.

(78) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on December 12, 2013.

(79) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on December 19, 2013.

(80) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on December 27, 2013.

(81) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on January 3, 2014.

(82) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on January 9, 2014.

(83) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on January 16, 2014.

(84) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on January 24, 2014.

(85) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on January 30, 2014.

(86) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on February 6, 2014.

(87) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on February 13, 2014.

(88) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on February 19, 2014.

(89) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on February 21, 2014.

(90) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on February 27, 2014.

(91) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on March 6, 2014.

(92) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on March 11, 2014.

(93) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on March 13, 2014.

(94) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on March 20, 2014.

(95) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on March 27, 2014.

(96) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on April 3, 2014.

(97) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on April 7, 2014.

(98) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on April 10, 2014.

(99) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 16, 2014.

(100) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on April 17, 2014.

(101) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on

Form N-2, filed on April 24, 2014.

(102) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on May 1, 2014.

(103) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on May 8, 2014.

(104) Incorporated by reference to Exhibit 10.12 of the Registrant's Form 10-K, filed on August 25, 2014.

(105) Incorporated by reference to Exhibit 10.13 of the Registrant's Form 10-K, filed on August 25, 2014.

(106) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on October 14, 2014.

(107) Incorporated by reference to Exhibit 99.1 of the Registrant's Form 10-K/A, filed on November 3, 2014.

(108) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 3, 2014.

(109) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 3, 2014.

(110) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 20, 2014.

(111) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 28, 2014.

(112) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 4, 2014.

(113) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 11, 2014.

(114) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 18, 2014.

(115) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 29, 2014.

(116) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on January 5, 2015.

(117) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 8, 2015.

(118) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 15, 2015.

(119) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 23, 2015.

(120) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 29, 2015.

(121) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on February 5, 2015.

(122) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 20, 2015.

(123) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on February 26, 2015.

(124) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 5, 2015.

(125) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on March 12, 2015.

(126) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 19, 2015.

(127) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 26, 2015.

(128) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on April 2, 2015.

(129) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on April 9, 2015.

(130) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on April 16, 2015.

(131) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 23, 2015.

(132) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 29, 2015.

(133) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on May 7, 2015.

(134) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on May 21, 2015.

(135) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 29, 2015.

(136) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 4, 2015.

(137) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on June 11, 2015.

(138) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on June 18, 2015.

(139) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on June 25, 2015.

(140) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 2, 2015.

(141) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on July 9, 2015.

(142) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on July 16, 2015.

(143) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on July 23, 2015.

(144) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 30, 2015.

(145) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on August 6, 2015.

(146) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on August 13, 2015.

(147) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on August 20, 2015.

(148) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 27, 2015.

(149) Incorporated by reference to Exhibit 14 of the Registrant's Form 10-K, filed on August 26, 2015.

(150) Incorporated by reference from the Registrant's Pre-Effective Registration Statement on Form N-2, filed on August 31, 2015.

(151) Incorporated by reference to Exhibit 99.1 of the Registrant's Form 10-K/A, filed on September 11, 2015.

(152) Incorporated by reference to Exhibit 99.2 of the Registrant's Form 10-K/A, filed on September 11, 2015.

(153) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on September 16, 2015.

(154) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on September 17, 2015.

(155) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on September 24, 2015.

(156) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on October 1, 2015.

(157) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on October 8, 2015.

(158) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on October 9, 2015.

(159) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on October 16, 2015.

(160) Incorporated by reference from the Registrant's Post-Effective Amendment No. 48 to the Registration Statement on Form N-2, filed on October 22, 2015.

(161) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 29, 2015.

(162) Incorporated by reference from the Registrant's Pre-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 2, 2015.

(163) Incorporated by reference from the Registrant's Post-Effective Amendment No. 50 to the Registration Statement on Form N-2, filed on November 4, 2015.

(164) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 19, 2015.

(165) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on November 27, 2015.

(166) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on December 3, 2015.

(167) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 10, 2015.

(168) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 17, 2015.

(169) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 24, 2015.

(170) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 31, 2015.

(171) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on

Form N-2, filed on January 7, 2016.

(172) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 14, 2016.

(173) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 22, 2016.

(174) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on February 12, 2016.

(175) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on March 3, 2016.

(176) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on March 10, 2016.

(177) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on March 17, 2016.

(178) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on March 24, 2016.

(179) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 31, 2016.

(180) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on April 7, 2016.

(181) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on April 14, 2016.

(182) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on April 21, 2016.

(183) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on April 28, 2016.

(184) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on May 5, 2016.

(185) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on May 12, 2016.

(186) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on May 26, 2016.

(187) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on June 3, 2016.

(188) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on June 9, 2016.

(189) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on June 16, 2016.

(190) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on June 23, 2016.

(191) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 30, 2016.

(192) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on July 8, 2016.

(193) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on July 14, 2016.

(194) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on July 21, 2016.

(195) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 28, 2016.

(196) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on August 4, 2016.

(197) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on August 11, 2016.

(198) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on August 18, 2016.

(199) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on August 25, 2016.

(200) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on September 1, 2016.

(201) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on September 15, 2016.

(202) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on September 22, 2016.

(203) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on September 29, 2016.

(204) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on October 6, 2016.

(205) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on October 14, 2016.

(206) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on October 20, 2016.

(207) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on October 27, 2016.

(208) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on November 3, 2016.

(209) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 25, 2016.

(210) Incorporated by reference from the Registrant's Post-Effective Amendment No. 2 to the Registration Statement on Form N-2, filed on December 1, 2016.

(211) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on December 8, 2016.

(212) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on December 15, 2016.

(213) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 22, 2016.

(214) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 30, 2016.

(215) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on January 6, 2017.

(216) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on January 12, 2017.

(217) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 20, 2017.

(218) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 26, 2017.

(219) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on February 2, 2017.

(220) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on February 9, 2017.

(221) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on February 24, 2017.

(222) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on March 2, 2017.

(223) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on March 9, 2017.

(224) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on March 16, 2017.

(225) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on March 23, 2017.

(226) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 30, 2017.

(227) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on April 6, 2017.

(228) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on April 11, 2017.

(229) Incorporated by reference to Exhibit 1.1 of the Registrant's Form 8-K, filed on April 11, 2017.

(230) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on April 20, 2017.

(231) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on April 27, 2017.

(232) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on May 4, 2017.

(233) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on May 11, 2017.

(234) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on May 25, 2017.

(235) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on June 2, 2017.

(236) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on June 8, 2017.

(237) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on June 15, 2017.

(238) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on June 22, 2017.

(239) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on June 29, 2017.

(240) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on July 7, 2017.

(241) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on July 13, 2017.

(242) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on July 20, 2017.

(243) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on July 27, 2017.

(244) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on August 3, 2017.

(245) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on August 10, 2017.

(246) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on August 17, 2017.

(247) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on August 24, 2017.

(248) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on August 30, 2017.

(249) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 31, 2017.

(250) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on September 14, 2017.

(251) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on September 21, 2017.

(252) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on September 28, 2017.

(253) Incorporated by reference from the Registrant's Post-Effective Amendment No. 45 to the Registration Statement on Form N-2, filed on October 5, 2017.

(254) Incorporated by reference from the Registrant's Post-Effective Amendment No. 46 to the Registration Statement on Form N-2, filed on October 13, 2017.

(255) Incorporated by reference from the Registrant's Post-Effective Amendment No. 47 to the Registration Statement on Form N-2, filed on October 19, 2017.

(256) Incorporated by reference from the Registrant's Post-Effective Amendment No. 49 to the Registration Statement on Form N-2, filed on October 26, 2017.

(257) Incorporated by reference from the Registrant's Post-Effective Amendment No. 51 to the Registration Statement on Form N-2, filed on November 2, 2017.

(258) Incorporated by reference from the Registrant's Post-Effective Amendment No. 52 to the Registration Statement on Form N-2, filed on November 24, 2017.

(259) Incorporated by reference from the Registrant's Post-Effective Amendment No. 53 to the Registration Statement on Form N-2, filed on November 30, 2017.

(260) Incorporated by reference from the Registrant's Post-Effective Amendment No. 54 to the Registration Statement on Form N-2, filed on December 7, 2017.

(261) Incorporated by reference from the Registrant's Post-Effective Amendment No. 55 to the Registration Statement on Form N-2, filed on December 14, 2017.

(262) Incorporated by reference from the Registrant's Post-Effective Amendment No. 56 to the Registration Statement on Form N-2, filed on December 21, 2017.

(263) Incorporated by reference from the Registrant's Post-Effective Amendment No. 57 to the Registration Statement on Form N-2, filed on December 29, 2017.

(264) Incorporated by reference from the Registrant's Post-Effective Amendment No. 58 to the Registration Statement on Form N-2, filed on January 5, 2018.

(265) Incorporated by reference from the Registrant's Post-Effective Amendment No. 59 to the Registration Statement on Form N-2, filed on January 11, 2018.

(266) Incorporated by reference from the Registrant's Post-Effective Amendment No. 60 to the Registration Statement on Form N-2, filed on January 19, 2018.

(267) Incorporated by reference from the Registrant's Post-Effective Amendment No. 61 to the Registration Statement on Form N-2, filed on January 25, 2018.

(268) Incorporated by reference from the Registrant's Post-Effective Amendment No. 62 to the Registration Statement on Form N-2, filed on February 1, 2018.

(269) Incorporated by reference from the Registrant's Post-Effective Amendment No. 63 to the Registration Statement on Form N-2, filed on February 8, 2018.

(270) Incorporated by reference from the Registrant's Post-Effective Amendment No. 64 to the Registration Statement on Form N-2, filed on February 23, 2018.

(271) Incorporated by reference from the Registrant's Post-Effective Amendment No. 65 to the Registration Statement on Form N-2, filed on March 1, 2018.

(272) Incorporated by reference from the Registrant's Post-Effective Amendment No. 66 to the Registration Statement on Form N-2, filed on March 8, 2018.

(273) Incorporated by reference from the Registrant's Post-Effective Amendment No. 67 to the Registration Statement on Form N-2, filed on March 15, 2018.

(274) Incorporated by reference from the Registrant's Post-Effective Amendment No. 68 to the Registration Statement on Form N-2, filed on March 22, 2018.

(275) Incorporated by reference from the Registrant's Post-Effective Amendment No. 69 to the Registration Statement on Form N-2, filed on March 29, 2018.

(276) Incorporated by reference from the Registrant's Post-Effective Amendment No. 70 to the Registration Statement on Form N-2, filed on April 5, 2018.

(277) Incorporated by reference from the Registrant's Post-Effective Amendment No. 71 to the Registration Statement on Form N-2, filed on April 12, 2018.

(278) Incorporated by reference from the Registrant's Post-Effective Amendment No. 72 to the Registration Statement on Form N-2, filed on April 19, 2018.

(279) Incorporated by reference from the Registrant's Post-Effective Amendment No. 73 to the Registration Statement on Form N-2, filed on April 26, 2018.

(280) Incorporated by reference from the Registrant's Post-Effective Amendment No. 74 to the Registration Statement on Form N-2, filed on May 3, 2018.

(281) Incorporated by reference from the Registrant's Post-Effective Amendment No. 75 to the Registration Statement on Form N-2, filed on May 10, 2018.

(282) Incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K, filed on May 18, 2018.

(283) Incorporated by reference to Exhibit 1.1 of the Registrant's Form 8-K, filed on May 18, 2018.

(284) Incorporated by reference from the Registrant's Post-Effective Amendment No. 78 to the Registration Statement on Form N-2, filed on May 24, 2018.

(285) Incorporated by reference from the Registrant's Post-Effective Amendment No. 79 to the Registration Statement on Form N-2, filed on June 1, 2018.

(286) Incorporated by reference from the Registrant's Post-Effective Amendment No. 80 to the Registration Statement on Form N-2, filed on June 7, 2018.

(287) Incorporated by reference from the Registrant's Post-Effective Amendment No. 81 to the Registration Statement on Form N-2, filed on June 20, 2018.

(288) Incorporated by reference from the Registrant's Post-Effective Amendment No. 82 to the Registration Statement on Form N-2, filed on June 21, 2018.

(289) Incorporated by reference from the Registrant's Post-Effective Amendment No. 83 to the Registration Statement on Form N-2, filed on June 28, 2018.

(290) Incorporated by reference from the Registrant's Post-Effective Amendment No. 84 to the Registration Statement on Form N-2, filed on July 2, 2018.

(291) Incorporated by reference from the Registrant's Post-Effective Amendment No. 85 to the Registration Statement on Form N-2, filed on July 6, 2018.

(292) Incorporated by reference from the Registrant's Post-Effective Amendment No. 86 to the Registration Statement on Form N-2, filed on July 12, 2018.

(293) Incorporated by reference from the Registrant's Post-Effective Amendment No. 87 to the Registration Statement on Form N-2, filed on July 19, 2018.

(294) Incorporated by reference from the Registrant's Post-Effective Amendment No. 88 to the Registration Statement on Form N-2, filed on July 26, 2018.

(295) Incorporated by reference from the Registrant's Post-Effective Amendment No. 89 to the Registration Statement on Form N-2, filed on August 2, 2018.

(296) Incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed on August 6, 2018.

(297) Incorporated by reference from the Registrant's Post-Effective Amendment No. 90 to the Registration Statement on Form N-2, filed on August 9, 2018.

(298) Incorporated by reference from the Registrant's Post-Effective Amendment No. 91 to the Registration Statement on Form N-2, filed on August 16, 2018.

(299) Incorporated by reference from the Registrant's Post-Effective Amendment No. 92 to the Registration Statement on

Form N-2, filed on August 23, 2018.

(300) Incorporated by reference from the Registrant's Post-Effective Amendment No. 93 to the Registration Statement on Form N-2, filed on August 30, 2018.

(301) Incorporated by reference from the Registrant's Post-Effective Amendment No. 95 to the Registration Statement on Form N-2, filed on September 13, 2018.

(302) Incorporated by reference from the Registrant's Post-Effective Amendment No. 96 to the Registration Statement on Form N-2, filed on September 20, 2018.

(303) Incorporated by reference from the Registrant's Post-Effective Amendment No. 97 to the Registration Statement on Form N-2, filed on September 27, 2018.

(304) Incorporated by reference from the Registrant's Post-Effective Amendment No. 98 to the Registration Statement on Form N-2, filed on October 1, 2018.

(305) Incorporated by reference from the Registrant's Post-Effective Amendment No. 99 to the Registration Statement on Form N-2, filed on October 4, 2018.

(306) Incorporated by reference from the Registrant's Post-Effective Amendment No. 100 to the Registration Statement on Form N-2, filed on October 12, 2018.

(307) Incorporated by reference from the Registrant's Post-Effective Amendment No. 101 to the Registration Statement on Form N-2, filed on October 18, 2018.

(308) Incorporated by reference from the Registrant's Post-Effective Amendment No. 102 to the Registration Statement on Form N-2, filed on October 25, 2018.

(309) Incorporated by reference from the Registrant's Post-Effective Amendment No. 103 to the Registration Statement on Form N-2, filed on November 1, 2018.

(310) Incorporated by reference from the Registrant's Post-Effective Amendment No. 1 to the Registration Statement on Form N-2, filed on November 8, 2018.

(311) Incorporated by reference from the Registrant's Post-Effective Amendment No. 3 to the Registration Statement on Form N-2, filed on November 23, 2018.

(312) Incorporated by reference from the Registrant's Post-Effective Amendment No. 4 to the Registration Statement on Form N-2, filed on November 29, 2018.

(313) Incorporated by reference from the Registrant's Post-Effective Amendment No. 5 to the Registration Statement on Form N-2, filed on December 6, 2018.

(314) Incorporated by reference from the Registrant's Post-Effective Amendment No. 6 to the Registration Statement on Form N-2, filed on December 13, 2018.

(315) Incorporated by reference from the Registrant's Post-Effective Amendment No. 7 to the Registration Statement on Form N-2, filed on December 20, 2018.

(316) Incorporated by reference from the Registrant's Post-Effective Amendment No. 8 to the Registration Statement on Form N-2, filed on December 28, 2018.

(317) Incorporated by reference from the Registrant's Post-Effective Amendment No. 9 to the Registration Statement on Form N-2, filed on January 4, 2019.

(318) Incorporated by reference from the Registrant's Post-Effective Amendment No. 10 to the Registration Statement on Form N-2, filed on January 10, 2019.

(319) Incorporated by reference from the Registrant's Post-Effective Amendment No. 11 to the Registration Statement on Form N-2, filed on January 17, 2019.

(320) Incorporated by reference from the Registrant's Post-Effective Amendment No. 12 to the Registration Statement on Form N-2, filed on January 25, 2019.

(321) Incorporated by reference from the Registrant's Post-Effective Amendment No. 13 to the Registration Statement on Form N-2, filed on January 31, 2019.

(322) Incorporated by reference from the Registrant's Post-Effective Amendment No. 14 to the Registration Statement on Form N-2, filed on February 7, 2019.

(323) Incorporated by reference from the Registrant's Post-Effective Amendment No. 15 to the Registration Statement on Form N-2, filed on February 20, 2019.

(324) Incorporated by reference from the Registrant's Post-Effective Amendment No. 16 to the Registration Statement on Form N-2, filed on February 22, 2019.

(325) Incorporated by reference from the Registrant's Post-Effective Amendment No. 17 to the Registration Statement on Form N-2, filed on February 28, 2019.

(326) Incorporated by reference from the Registrant's Post-Effective Amendment No. 18 to the Registration Statement on Form N-2, filed on March 1, 2019.

(327) Incorporated by reference from the Registrant's Post-Effective Amendment No. 19 to the Registration Statement on Form N-2, filed on March 7, 2019.

(328) Incorporated by reference from the Registrant's Post-Effective Amendment No. 20 to the Registration Statement on Form N-2, filed on March 14, 2019.

(329) Incorporated by reference from the Registrant's Post-Effective Amendment No. 21 to the Registration Statement on Form N-2, filed on March 21, 2019.

(330) Incorporated by reference from the Registrant's Post-Effective Amendment No. 22 to the Registration Statement on Form N-2, filed on March 28, 2019.

(331) Incorporated by reference from the Registrant's Post-Effective Amendment No. 23 to the Registration Statement on Form N-2, filed on April 4, 2019.

(332) Incorporated by reference from the Registrant's Post-Effective Amendment No. 24 to the Registration Statement on Form N-2, filed on April 11, 2019.

(333) Incorporated by reference from the Registrant's Post-Effective Amendment No. 25 to the Registration Statement on Form N-2, filed on April 18, 2019.

(334) Incorporated by reference from the Registrant's Post-Effective Amendment No. 26 to the Registration Statement on Form N-2, filed on April 25, 2019.

(335) Incorporated by reference from the Registrant's Post-Effective Amendment No. 27 to the Registration Statement on Form N-2, filed on May 2, 2019.

(336) Incorporated by reference from the Registrant's Post-Effective Amendment No. 28 to the Registration Statement on Form N-2, filed on May 9, 2019.

(337) Incorporated by reference from the Registrant's Post-Effective Amendment No. 29 to the Registration Statement on Form N-2, filed on May 17, 2019.

(338) Incorporated by reference from the Registrant's Post-Effective Amendment No. 30 to the Registration Statement on Form N-2, filed on May 23, 2019.

(339) Incorporated by reference from the Registrant's Post-Effective Amendment No. 31 to the Registration Statement on Form N-2, filed on May 31, 2019.

(340) Incorporated by reference from the Registrant's Post-Effective Amendment No. 32 to the Registration Statement on Form N-2, filed on June 6, 2019.

(341) Incorporated by reference from the Registrant's Post-Effective Amendment No. 33 to the Registration Statement on Form N-2, filed on June 13, 2019.

(342) Incorporated by reference from the Registrant's Post-Effective Amendment No. 34 to the Registration Statement on Form N-2, filed on June 20, 2019.

(343) Incorporated by reference from the Registrant's Post-Effective Amendment No. 35 to the Registration Statement on Form N-2, filed on June 27, 2019.

(344) Incorporated by reference from the Registrant's Post-Effective Amendment No. 36 to the Registration Statement on Form N-2, filed on July 5, 2019.

(345) Incorporated by reference from the Registrant's Post-Effective Amendment No. 37 to the Registration Statement on Form N-2, filed on July 11, 2019.

(346) Incorporated by reference from the Registrant's Post-Effective Amendment No. 38 to the Registration Statement on Form N-2, filed on July 18, 2019.

(347) Incorporated by reference from the Registrant's Post-Effective Amendment No. 39 to the Registration Statement on Form N-2, filed on July 25, 2019.

(348) Incorporated by reference from the Registrant's Post-Effective Amendment No. 40 to the Registration Statement on Form N-2, filed on August 1, 2019.

(349) Incorporated by reference from the Registrant's Post-Effective Amendment No. 41 to the Registration Statement on Form N-2, filed on August 8, 2019.

(350) Incorporated by reference from the Registrant's Post-Effective Amendment No. 42 to the Registration Statement on Form N-2, filed on August 15, 2019.

(351) Incorporated by reference from the Registrant's Post-Effective Amendment No. 43 to the Registration Statement on Form N-2, filed on August 22, 2019.

(352) Incorporated by reference from the Registrant's Post-Effective Amendment No. 44 to the Registration Statement on Form N-2, filed on August 29, 2019.

(353) Incorporated by reference to Exhibit 14 of the Registrant’s Form 10-K/A, filed on October 20, 2016.

(354) Incorporated by reference from the Registrant’s Proxy Statement, filed on September 18, 2018.

(355) Incorporated by reference from the Registrant’s Form 8-K, filed on January 8, 2019.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 27, 2019.

PROSPECT CAPITAL CORPORATION

By: /s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board, Chief Executive Officer and Director

August 27, 2019

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

Chief Financial Officer

August 27, 2019

/s/ M. GRIER ELIASEK

M. Grier Eliasek

President, Chief Operating Officer and Director

August 27, 2019

/s/ ANDREW C. COOPER

Andrew C. Cooper

Director

August 27, 2019

/s/ WILLIAM J. GREMP

William J. Gremp

Director

August 27, 2019

/s/ EUGENE S. STARK

Eugene S. Stark

Director

August 27, 2019

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITOR

We have issued our reports dated August 1, 2019, with respect to the combined consolidated financial statements of National Property REIT Corp. for the years ended December 31, 2018 and December 31, 2017, and dated August 20, 2018, with respect to the combined consolidated financial statements of National Property REIT Corp. for the years ended December 31, 2017 and December 31, 2016, included in the Annual Report of Prospect Capital Corporation on Form 10-K, dated August 27, 2019, for the year ended June 30, 2019. We hereby consent to the inclusion of said reports in the Form 10-K, dated August 27, 2019.

/s/ BDO USA, LLP

August 27, 2019

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITOR

We have issued our reports dated April 17, 2019, with respect to the consolidated financial statements of First Tower Finance Company LLC and Subsidiaries for the years ended December 31, 2018 and December 31, 2017, and dated April 4, 2018, with respect to the consolidated financial statements of First Tower Finance Company LLC and Subsidiaries for the years ended December 31, 2017 and December 31, 2016, included in the Annual Report of Prospect Capital Corporation on Form 10-K, dated August 27, 2019, for the year ended June 30, 2019. We hereby consent to the inclusion of said reports in the Form 10-K, dated August 27, 2019.

/s/ RSM US LLP

Raleigh, North Carolina
August 27, 2019

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, John F. Barry III, Chairman of the Board and Chief Executive Officer of Prospect Capital Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Prospect Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2019

/s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Kristin L. Van Dask, Chief Financial Officer and Treasurer of Prospect Capital Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Prospect Capital Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a 15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over the financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 27, 2019

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the annual report on Form 10-K for the year ended June 30, 2019 (the "Report") of Prospect Capital Corporation (the "Registrant"), as filed with the Securities and Commission on the date hereof, I, John F. Barry III, Chairman of the Board and Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 27, 2019

/s/ JOHN F. BARRY III

John F. Barry III

Chairman of the Board and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the annual report on Form 10-K for the year ended June 30, 2019 (the “Report”) of Prospect Capital Corporation (the “Registrant”), as filed with the Securities and Commission on the date hereof, I, Kristin L. Van Dask, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 27, 2019

/s/ KRISTIN L. VAN DASK

Kristin L. Van Dask

Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Prospect Capital Corporation and will be retained by Prospect Capital Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. ss. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

National Property REIT Corp.

Combined Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(With Independent Auditor's Report Thereon)

National Property REIT Corp.
Combined Consolidated Financial Statements
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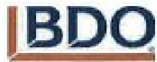

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100 Park Avenue
New York, NY 10017
USA

Independent Auditor's Report

Board of Directors
National Property REIT Corp.
New York, NY

We have audited the accompanying combined consolidated financial statements of National Property REIT Corp. and its subsidiaries, which comprise the combined consolidated balance sheets as of December 31, 2018 and 2017, and the related combined consolidated statements of operations, changes in (deficit) equity and cash flows for the years then ended, and the related notes to the combined consolidated financial statements.

Management's Responsibility for the Combined Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Property REIT Corp. and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

August 1, 2019

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

National Property REIT Corp.
Combined Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
ASSETS		
Real estate assets		
Land	$ 230,994,877	$ 202,694,929
Building and improvements	1,685,323,802	1,410,337,215
Furniture, fixtures, and equipment	106,462,449	76,336,485
Total real estate assets held for investment	2,022,780,328	1,689,368,629
Less: accumulated depreciation	(220,837,891)	(180,740,198)
Net real estate assets held for investment	1,801,942,437	1,508,628,431
Real estate assets held for sale, net	30,252,748	97,395,082
Total real estate assets, net	1,832,195,185	1,606,023,513
Cash and cash equivalents	62,218,982	34,116,795
Restricted cash ($4,956,275 and $11,184,297 as of December 31, 2018 and 2017, respectively, related to consolidated variable interest entity ("VIE"))	52,998,143	65,016,495
Accounts receivable, net	5,378,809	5,098,527
Interest receivable ($312,317 and $1,693,096 as of December 31, 2018 and 2017, respectively, related to consolidated VIE)	2,937,853	9,818,312
Due from LendingClub Corporation ($179,529 and $1,098,778 as of December 31, 2018 and 2017, respectively, related to consolidated VIE)	2,863,462	5,848,661
Due from Prosper Funding LLC	209,786	758,878
Due from Avant, Inc.	—	2,214
Due from affiliates	73,512	36,663
Prepaid expenses and other assets	11,352,463	10,131,187
Unsecured consumer loans at fair value ($16,841,432 and $93,182,654 as of December 31, 2018 and 2017, respectively, related to consolidated VIE)	181,077,995	396,148,010
Residual interests in securitizations, at fair value	69,100,648	33,680,314
Deferred leasing costs, net	85,050	308,969
Lease intangibles, net	3,233,339	4,339,553
TOTAL ASSETS	**$ 2,217,785,227**	**$ 2,371,357,091**
LIABILITIES AND DEFICIT		
Liabilities		
Mortgages payable, net of unamortized discount and debt issuance costs	$ 1,615,427,315	$ 1,351,820,354
Mortgages payable related to real estate assets held for sale, net of unamortized discount and debt issuance costs	32,221,119	91,706,233
Revolving credit facilities, at fair value	46,972,955	264,130,359
Debt (net of debt issuance costs) related to consolidated VIE	9,798,385	87,198,587
Senior secured term loans, net of debt issuance costs	625,782,185	552,753,007
Accounts payable and accrued expenses	27,276,718	24,072,910
Security deposits	5,184,905	4,399,000
Due to affiliates	5,211,387	6,778,472
Prepaid rent and other liabilities	4,170,270	3,814,477
Total liabilities	2,375,048,240	2,386,673,399
Commitments and contingencies (Note 15)		
Deficit		
Preferred stock, $0.001 par value, Series A Cumulative Non-Voting, 12.5%; $125,000 liquidation preference, 125 shares authorized, issued and outstanding	109,950	109,953
Common stock, $0.001 par value; 100,000,000 common shares authorized, 3,110,101 and 2,663,825 issued and outstanding, respectively	3,110	2,664
Additional paid-in-capital	154,893,454	281,621,029
Accumulated deficit	(331,890,225)	(308,567,214)
Non-controlling interest	19,621,748	11,517,263
Total deficit	(157,263,013)	(15,316,308)
TOTAL LIABILITIES AND DEFICIT	$ 2,217,785,227	$ 2,371,357,091

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Operations

	Years Ended December 31,	
	2018	2017
Revenues		
Rental income	$ 231,970,242	$ 205,583,493
Interest income	86,412,671	164,141,373
Other income	33,116,007	28,006,701
Total revenues	351,498,920	397,731,567
Costs and expenses		
Property operating expenses	113,383,427	97,203,632
Management fees	15,765,673	16,881,394
Depreciation and amortization	84,800,841	81,202,478
General and administrative expenses	18,472,572	21,362,604
Total costs and expenses	232,422,513	216,650,108
Other (expense) income		
Interest expense	(184,050,309)	(188,963,955)
Fair value adjustments	(48,407,906)	(114,395,663)
Gain on sale of real estate assets	147,727,373	53,392,817
(Loss) gain on sale of interest in consolidated VIE	(2,261,777)	457,448
Total other (expense) income, net	(86,992,619)	(249,509,353)
Net income (loss) before income tax	32,083,788	(68,427,894)
Income tax expense	(31,936)	(198,777)
Net income (loss)	32,051,852	(68,626,671)
(Income) loss attributable to non-controlling interest	(24,080,348)	3,317,193
Dividends attributable to preferred shares	(15,625)	(15,625)
Net income (loss) attributable to common shares	$ 7,955,879	$ (65,325,103)

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Changes in (Deficit) Equity

	Preferred Shares	Common Shares	Additional Paid-In-Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity	Non-Controlling Interest	Total (Deficit) Equity
Balance at December 31, 2016	$ 109,950	$ 1,844	$ 176,308,017	$ (243,242,111)	$ (66,822,300)	$ 26,514,854	$ (40,307,446)
Issuance of common shares	—	820	147,749,553	—	147,750,373	—	147,750,373
Contribution from non-controlling interest	—	—	—	—	—	7,462,045	7,462,045
Dividends on common shares	—	—	(41,954,441)	—	(41,954,441)	—	(41,954,441)
Dividends on preferred shares	—	—	—	(15,625)	(15,625)	—	(15,625)
Distributions to non-controlling interest	—	—	—	—	—	(16,992,860)	(16,992,860)
Purchase of subsidiary shares from non-controlling interest	—	—	(482,100)	—	(482,100)	(2,149,583)	(2,631,683)
Net loss	—	—	—	(65,309,478)	(65,309,478)	(3,317,193)	(68,626,671)
Balance at December 31, 2017	$ 109,950	$ 2,664	$ 281,621,029	$ (308,567,214)	$ (26,833,571)	$ 11,517,263	$ (15,316,308)
Issuance of common shares	—	446	77,454,114	—	77,454,560	—	77,454,560
Contribution from non-controlling interest	—	—	—	—	—	18,581,145	18,581,145
Dividends on common shares	—	—	(204,182,689)	(31,278,940)	(235,461,629)	—	(235,461,629)
Dividends on preferred shares	—	—	—	(15,625)	(15,625)	—	(15,625)
Distributions to non-controlling interest	—	—	—	—	—	(34,557,008)	(34,557,008)
Net income	—	—	—	7,971,504	7,971,504	24,080,348	32,051,852
Balance at December 31, 2018	$ 109,950	$ 3,110	$ 154,892,454	$ (331,890,275)	$ (176,884,761)	$ 19,621,748	$ (157,263,013)

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2018	2017
Cash Flows from Operating Activities:		
Net income (loss)	$ 32,051,852	$ (68,626,671)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	74,446,877	62,490,185
Amortization of in-place leases	10,354,764	18,712,293
Amortization of above-market leases	—	74,201
Amortization of below-market leases	—	(369,494)
Amortization of deferred leasing costs	418,012	212,008
Amortization of debt issuance costs and debt discounts and premiums	3,019,896	7,555,059
Interest paid in kind	—	776,149
Gain on sale of real estate assets	(147,727,373)	(53,392,817)
Gain on involuntary conversions	—	(117,379)
Loss on early extinguishment of debt	10,017,347	5,585,188
Fair value adjustments of unsecured consumer loans	47,135,373	112,189,223
Fair value adjustments of residual interests in securitizations	1,272,533	2,206,440
Realized loss (gain) on sale of accrued interest into securitizations	2,261,777	(457,448)
Income from accretion on residual interests in securitizations	(5,005,776)	(1,945,931)
Changes in operating assets and liabilities:		
Accounts receivable, net	(280,282)	(2,167,057)
Interest receivable	4,618,682	564,877
Due to (due from) affiliates, net	1,396,066	915,332
Prepaid expenses and other assets	(1,221,276)	(6,406,707)
Accounts payable and accrued expenses	(915,143)	1,297,051
Security deposits and other liabilities	1,141,698	(26,962)
Deferred leasing costs	(230,576)	(528,977)
Net cash provided by operating activities	**32,753,651**	**78,546,563**
Cash Flows from Investing Activities:		
Acquisition of real estate assets	(452,302,972)	(259,240,133)
Additions to real estate assets	(44,375,357)	(29,180,937)
Additions to lease intangibles	(9,212,067)	(7,509,867)
Proceeds from disposition of real estate assets	285,597,463	87,101,619
Proceeds from insurance settlement	—	326,987
Purchases of unsecured consumer loans	(106,476,634)	(520,691,146)
Principal payments received on unsecured consumer loans	261,888,655	407,993,257
Proceeds from sale of unsecured consumer loans	166,701,211	122,797,118
Proceeds from recoveries and sales of charged-off loans	12,855,452	10,683,136
Purchase of residual interest in securitization	(17,052,354)	(3,480,000)
Principal payments received on securitized residual interests	24,280,221	—
Proceeds from sale of debt related to consolidated VIE	—	39,723,448
Decrease in Due from LendingClub Corporation	2,985,199	1,226,696
Decrease in Due from Prosper Funding LLC	549,092	51,589
Decrease (increase) in Due from Avant, Inc.	2,214	(506)
Net cash provided by (used in) investing activities	**125,440,123**	**(250,198,739)**
Cash Flows from Financing Activities:		
Proceeds from mortgages payable	410,876,812	326,243,000
Repayments of mortgages payable	(142,632,832)	(41,000,538)

National Property REIT Corp.
Combined Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31,	
	2018	**2017**
Proceeds from revolving credit facilities	58,892,493	357,756,148
Repayments of revolving credit facilities	(276,050,897)	(311,205,158)
Principal payments under debt related to consolidated VIE	(78,326,559)	(161,059,606)
Proceeds from senior secured term loan	51,457,676	62,366,322
Repayments of senior secured term loan	(106,549,101)	(155,333,792)
Deferred financing costs	(4,318,279)	(4,955,924)
Deferred financing costs - related party	(12,810,449)	—
Payment of debt extinguishment costs	(9,021,858)	(4,965,308)
Proceeds from issuance of common stock	77,454,560	147,759,573
Capital distributions	(63,832,077)	(41,954,441)
Dividends on common shares	(31,278,940)	—
Dividends on preferred shares	(15,625)	(15,625)
Acquisition of subsidiary interest from non-controlling interest	—	(2,631,883)
Contributions from non-controlling interest	18,581,145	7,462,043
Distributions to non-controlling interests	(34,557,002)	(16,992,860)
Net cash (used in) provided by financing activities	(142,129,939)	178,471,958
Net increase in cash, cash equivalents, and restricted cash	16,063,835	6,819,782
Cash, cash equivalents, and restricted cash, beginning of year	99,153,290	92,333,508
Cash, cash equivalents, and restricted cash, end of year	$ 115,217,125	$ 99,153,290

	Years Ended December 31,	
	2018	**2017**
Supplemental Disclosures		
Cash paid during the year for:		
Interest expense	$ 181,427,100	$ 178,950,978
Income taxes	$ 73,923	$ 299,116
Non-cash investing and financing activities:		
Mortgage loan assumed by purchaser upon sale of property	$ 62,309,541	$ 41,643,462
Accrued additions to real estate assets	$ 4,585,018	$ 466,067
Residual interest acquired in securitization	$ 32,565,958	$ 30,469,823
Increase in borrowings under senior secured term loans	$ 140,350,612	$ —
Increase in borrowings under debt related to consolidated VIE	$ —	$ 29,296,400

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Notes to Combined Consolidated Financial Statements

1. Organization

References herein to the "Company", "we", "us", or "our" refer to National Property REIT Corp. ("NPRC"), formerly known as National Property Holdings Corp., unless the context specifically requires otherwise.

The Company is a Maryland corporation and is a real estate investment trust ("REIT") for U.S. federal income tax purposes. The Company was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. The Company intends to acquire real estate assets, including, but not limited to, industrial, commercial, student housing, self-storage, and multi-family properties. The Company commenced operations on December 31, 2013.

NPH Property Holdings, LLC ("NPH"), a Delaware limited liability company, owns all of the outstanding common stock of the Company. NPH is a wholly owned subsidiary of Prospect Capital Corporation ("PSEC"). On December 31, 2013, PSEC contributed to the Company, through NPH, ownership interests in entities that own real estate properties. In exchange for the contribution of assets, NPH received shares of the Company's common stock. These entities were NPH McDowell, LLC ("Oxford"), APH Carroll 41, LLC ("Bexley"), and 146 Forest Parkway, LLC ("146 FP"). On October 23, 2014, United Property REIT Corp. ("UPRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in Michigan Storage, LLC ("Michigan"), an entity that owns a portfolio of self-storage real estate properties. UPH Property Holdings, LLC ("UPH"), a Delaware limited liability company, owned all of the outstanding common stock of UPRC. UPH was a wholly owned subsidiary of PSEC. On November 26, 2014, American Property REIT Corp. ("APRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in APH Carroll Resort, LLC ("The Resort"), an entity that owns a multi-family real estate property. On May 1, 2015, APRC contributed to the Company, ownership interest in 5100 Live Oaks Blvd, LLC ("Amberly"), an entity that owns a multi-family real estate property. APH Property Holdings, LLC ("APH"), a Delaware limited liability company, owned all of the outstanding common stock of APRC. APH was a wholly owned subsidiary of PSEC. These entity contribution transactions are collectively referred to as the "Common Control Transfer".

On May 23, 2016, APRC and UPRC (collectively referred to as the "Affiliated REITs") were merged ("Merger") with and into the Company, with the Company continuing as the surviving corporation. The Affiliated REITs were formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets. At the date of Merger, the Affiliated REITs held an investment portfolio of real estate assets owned directly or through joint ventures by making a majority equity investment in property-owning entities. The real estate investments acquired during the Merger are collectively known as the "Merger Investments".

In accordance with FASB ASC 805, "Business Combinations," the Merger and Common Control Transfer transactions noted above were executed between entities under common control. The assets and liabilities of each of the entities acquired through these transactions were recorded at their historical carrying amounts, and the results of operations of these entities have been recognized in the accompanying combined consolidated statements of operations for all periods presented. NPRC's combined consolidated balance sheets as of December 31, 2018 and 2017 reflect the historical carryover basis in the assets and liabilities acquired. The Company has also retrospectively adjusted its financial statements to combine the operating results of the Company and the entities acquired from the date common control began.

National Marketplace Finance, LLC (formerly known as Prospect Finance Company, LLC) ("NMF") is a subsidiary of the Company, and currently owns the online originated unsecured consumer loan portfolio and residual interests in securitizations. NMF holds the interests in ACL Loan Holdings, Inc. ("ACLLH") and American Consumer Lending Limited ("ACLL").

ACLLH was formed to hold the indirect interest in ACL Consumer Loan Trust ("ACL Trust"), which was contributed to ACLLH on June 30, 2014 by the Company, its initial sole member. ACL Trust and American Consumer Lending (Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust, referred to as the "ACL Subsidiaries"), holds unsecured consumer loans purchased from Prosper Funding LLC ("Prosper").

ACL Consumer Loan Trust III ("ACL Trust III"), a subsidiary of ACLLH, formed on June 10, 2014, and American Consumer Lending III (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust III, referred to as the "ACL III Subsidiaries"), formed on June 13, 2014, holds unsecured consumer loans purchased from LendingClub Corporation. ACL Consumer Loan Trust IV ("ACL Trust IV"), a subsidiary of ACLLH, formed on March 23, 2015, and American Consumer Lending IV (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust IV, referred to as the "ACL IV Subsidiaries"), formed on January 15, 2015, holds unsecured consumer loans originated by and purchased from LendingClub Corporation. ACL Patient Solutions Trust ("ACL PS"), a subsidiary of ACLLH, formed on October 14, 2015, and ACL Patient Solutions Holdings, LLC, a subsidiary

of ACLL, formed on October 5, 2015, holds unsecured consumer loans from NBT Bank, National Association ("NBT"). From October 20, 2015 to December 31, 2018 ACL PS acquired and held unsecured consumer loans as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone Financial, LLC ("Springstone"), a wholly-owned subsidiary of LendingClub Corporation. ACL Consumer Loan Trust V ("ACL Trust V"), a subsidiary of ACLL, formed on October 16, 2015, holds unsecured consumer loans purchased from Avant II, LLC ("Avant") for the period November 17, 2015 to December 31, 2018. ACL Consumer Loan Trust VI ("ACL Trust VI"), a subsidiary of ACLLH, formed on April 27, 2016, and American Consumer Lending VI, LLC, a subsidiary of ACLL, (collectively with ACL Trust VI, referred to as the "ACL VI Subsidiaries"), formed on November 30, 2015, holds unsecured consumer loans purchased from LendingClub Corporation for the period May 1, 2016 to December 31, 2018. Murray Hill Securitization Holdings Limited ("Murray Hill"), a subsidiary of ACLL, formed on July 24, 2015, holds interest in Murray Hill Marketplace Trust 2016-LC1, a securitization of unsecured consumer loans purchased from LendingClub Corporation for the period October 13, 2016 to December 31, 2018. Murray Hill also holds residual interests in securitizations. Lending Club Corporation and Springstone are hereafter collectively referred to as "Lending Club". American Consumer Lending VII, LLC, a subsidiary of ACLL, formed on October 5, 2017, holds unsecured consumer loans purchased from Prosper and NBT during the period July 28, 2015 to December 31, 2018.

NPH Guarantor, LLC was contributed to NMF on January 13, 2015 by the Company, its initial sole member. NPH Guarantor, LLC is the indemnitor of the ACL III Subsidiaries and ACL PS revolving credit facilities outlined in Note 11. There was no activity in NPH Guarantor, LLC from inception through December 31, 2018.

2. Significant Accounting Policies

a. *Principles of Reporting and Use of Estimates*

The accompanying combined consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reported periods.

Management makes significant estimates regarding the allocation of a property's purchase price to the tangible and intangible assets and liabilities acquired, revenue recognition, and determining whether an asset is impaired. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment.

As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates.

b. *Basis of Consolidation and Transfers of Financial Assets*

The accompanying combined consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. All intercompany balances and transactions have been eliminated. A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are required to be presented as a separate component of equity in the combined consolidated balance sheet and the presentation of net income (loss) is modified to present the net income (loss) attributed to controlling and non-controlling interests.

For a variable interest entity ("VIE"), an entity is subject to consolidation if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs that meet certain scope characteristics are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analysis. We are required on an ongoing basis to assess whether we are the primary beneficiary of a VIE.

We may periodically enter into transactions in which we sell financial assets. Upon a transfer of financial assets, we may retain or acquire senior or subordinated interests in the related assets. In connection with such transactions, a determination must be made as to whether we, as the transferor, have surrendered control

over transferred financial assets. That determination must consider our continuing involvement in the transferred financial assets, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial components approach under applicable GAAP limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/ or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

From time to time, we may securitize unsecured consumer loans we hold if such securitization allows us access to better financing terms. Depending upon the structure of the securitization transaction, these transactions will be accounted for as either a "sale" and the loans will be removed from the combined consolidated balance sheet or, as a "financing" with the loans and financing reported on our combined consolidated balance sheet. Significant judgment may be exercised by us in determining whether a transaction should be recorded as a "sale" or a "financing."

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the entity used to facilitate the transactions was a VIE and, if so, whether the VIE should be consolidated. Based on our evaluations, we have concluded that one of our securitizations is a VIE that should be consolidated. The Company has determined that the other securitizations that we participated in should not be consolidated since, among other things, we concluded that the transfer of the underlying assets qualifies as a sale.

c. ***Purchase Accounting and Acquisitions of Real Estate***

Prior to the Company's adoption of ASU 2017-01 in January 2018, the Company recorded the acquisition of real estate that will be used for the production of income as a business combination. All assets acquired and liabilities assumed in a business combination were measured at their acquisition date fair values. Acquisition costs were expensed as incurred. Upon adoption of ASU 2017-01, the Company records the acquisition of real estate that will be used for the production of income as an asset acquisition, with all assets acquired and liabilities assumed recorded at their acquisition date fair values. Acquisition costs are capitalized and allocated to the acquired tangible assets, consisting of land, building and improvements, furniture, fixtures and equipment. The Company assesses the acquisition date fair values of all tangible assets, and identified lease intangibles, consisting of in-place leases, tenant relationships, deferred leasing costs, and above-market and below-market leases.

Real estate assets, including land, building and improvements, and furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Costs associated with the development, construction and improvement of the Company's real estate assets are capitalized as incurred. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred, while major replacements and betterments, which improve or extend the useful life of the asset, are capitalized and depreciated over the estimated useful lives.

The Company records depreciation expense using the straight-line method over the useful lives of the respective assets. The estimated useful lives are as follows:

Category	Term
Building	10 to 51 years
Improvements	1 to 12 years
Furniture, fixtures, and equipment	3 to 17 years

Depreciation expense for the years ended December 31, 2018 and 2017 was $74,446,077 and $62,490,185, respectively, and is included in depreciation and amortization expense in the accompanying combined consolidated statements of operations.

The value of acquired land, buildings and improvements is estimated by formal appraisals, observed comparable sales transactions and information gathered during pre-acquisition due diligence activities. The valuation approach considers the value of the property as if it were vacant. The values of furniture, fixtures and equipment are estimated by calculating their replacement cost and reducing that value by factors based upon estimates of their remaining useful lives.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value allocable to the above-market or below-market component of an acquired in-place lease is determined based upon the present value, using a market discount rate, of the difference between (i) the contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above or below-market leases are amortized on a straight-line basis as an increase or reduction to rental income over the remaining non-cancelable term of the respective leases. Amortization of above and below-market rents resulted in a net increase in rental income of $0 and $295,293 for the years ended December 31, 2018 and 2017, respectively.

The value of in-place leases and deferred leasing costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to seventeen years. The amount allocated to acquire in-place leases is determined by calculating the estimated time to fill a hypothetically empty property to its stabilization level based on historical observed move-in rates for each property. The intangible assets are calculated by estimating the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. The amount allocated to deferred leasing costs is determined by what the Company would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease. The value of tenant relationships is amortized over the remaining initial lease term and expected renewals, which is thirty seven years. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Acquired intangible assets generally have no residual value. Amortization expense related to these assets was $10,354,764 and $18,712,293 for years ended December 31, 2018 and 2017, respectively.

d. ***Impairment of Real Estate***

The Company reviews the carrying value of its real estate assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such reviews indicate that the asset may be impaired, given that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount is written down to its fair value. Estimating future cash flows and fair values is highly subjective and such estimates could differ materially from actual results. For the years ended December 31, 2018 and 2017, the Company did not record any impairment charges related to real estate assets.

e. ***Assets Held for Sale and Discontinued Operations***

The Company classifies certain real estate assets as held for sale on the combined consolidated balance sheets once the criteria, as defined by GAAP, have been met. Real estate assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. The Company reports discontinued operations when the disposal of real estate assets represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. No disposal met the definition of discontinued operations as of December 31, 2018 and 2017.

f. ***Environmental Matters***

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. The Company recognizes a liability for environmental matters if it is probable a liability has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2018 and 2017, the Company is not aware of any environmental matters that would have an impact on the combined consolidated financial statements.

g. ***Fair Value Measurements***

In accordance with FASB ASC 820, "*Fair Value Measurement*," fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. in the

principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date. The Company uses the most observable inputs that are available to measure fair value. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's views about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 - unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk, where applicable, in the Company's assessment of fair value.

The Company carries its mortgages payable, debt related to consolidated VIE, and senior secured term loan at cost, net of unamortized discount, debt issuance costs, and associated amortization, on the accompanying combined consolidated balance sheets. The fair values of the Company's mortgages payable are estimated using a discounted cash flow analysis based upon indications of market pricing for similar types of instruments with the same remaining maturities and other valuation techniques as appropriate. Although the Company has determined that the majority of inputs used to value its debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its debt utilize Level 3 inputs, such as estimates of current credit spreads. The fair value of debt related to consolidated VIE is estimated as the amount of the outstanding principal of the debt, and is considered a level 3 measurement. The fair value of senior secured term loans is calculated using an enterprise value waterfall, the key unobservable input being fair value of the underlying collateral, and is considered a level 3 measurement. Accordingly, mortgages payable, debt related to consolidated VIE, and the senior secured term loan have been classified as Level 3 fair value measurements. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,667,785,077, $9,798,386, and $638,553,250, respectively, as of December 31, 2018. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,461,708,253, $88,124,945, and $553,079,958, respectively, as of December 31, 2017. Additionally, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, due to/due from affiliates, security deposits, prepaid rent, and accounts payable approximate their fair values. See Note 8 for additional disclosure around the Company's fair value measurements of the unsecured consumer loan portfolio, residual interests in securitizations, and revolving credit facilities.

h. ***Fair Value of Financial Instruments***

Pursuant to Accounting Standards Codification ("ASC") 825, *Financial Instruments* ("ASC 825"), which provides entities with an option to report selected financial assets and liabilities at fair value, the Company has made an election to measure its unsecured consumer loans, residual interest in securitizations, and revolving credit facilities at fair value on the combined consolidated balance sheets. We elected to use the fair value option to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Under this election, unsecured consumer loans charged off, recoveries, realized gains (losses), net increase or decrease in unrealized appreciation (depreciation) of the unsecured consumer loans, residual interest in securitizations, and revolving credit facilities are recorded as fair value adjustments on the combined consolidated statements of operations.

i. ***Revenue Recognition***

Rental revenues from residential, student housing, and self-storage tenants are recognized on a contractual basis, as lease periods for these investments are short-term in nature. The Company recognizes reimbursement for utilities and other expenses recoveries as other revenue when earned. Rental revenues from industrial and commercial tenants are recognized on a straight-line basis over the term of the lease. The industrial and commercial leases contain rental increases at specified intervals. The Company records as an asset, and includes in rental revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying combined consolidated balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the respective lease terms.

Minimum future rental receipts under the noncancelable portion of commercial and industrial tenant leases, assuming no new or re-negotiated leases, for the next five years is as follows: $1,074,349 (2019), $1,074,525 (2020), $1,040,719 (2021), $1,040,857 (2022), $504,372 (2023), and $1,136,751 (Thereafter).

Interest income is recognized on an accrual basis, in accordance with the terms of the loan agreement, to the extent that such amounts are expected to be collected. Generally, our unsecured consumer loans are placed on non-accrual status when the loan is greater than 60 days contractually delinquent or charged off, which may occur if a borrower were to declare bankruptcy prior to a loan being 60 days delinquent, at which point the associated interest receivable balance is reversed against the interest income on the combined consolidated statements of operations. For residual interests in securitizations, interest income is recognized using the effective interest method. Under this method, we recognize as interest income, over the life of the securities, the excess of the cash flows expected to be collected over the securities' carrying value. We update our estimates of expected cash flows quarterly and recognize changes in the calculated effective interest rate on a prospective basis.

j. ***Cash and Cash Equivalents***

The Company considers all highly liquid instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents includes funds deposited with financial institutions and short-term, highly liquid overnight investment in money market funds. As of December 31, 2018 and 2017, $28,371 and $53,315 of the cash and cash equivalents, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds, with the remainder held in deposit accounts, substantially all of which exceeded applicable insurance limits.

k. ***Restricted Cash***

Restricted cash consists of cash escrowed under the operating agreements and mortgage agreements for debt service, real estate taxes, property insurance, and capital improvements and other restricted deposits. In addition, restricted cash includes funds deposited with Texas Capital Bank, Bank of New York Mellon, U.S. Bank National Association, and NBT in relation to the revolving credit facilities outlined in Note 10. As of December 31, 2018 and 2017, $7,270,299 and $18,917,518 of the restricted cash, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds.

l. ***Unsecured Consumer Loans***

Unsecured consumer loans consist of individual loans purchased from various originators of unsecured consumer loans ("Lending Platforms") under terms of the Company's agreement with the respective platforms, who are sellers of the unsecured consumer loans that continue to service such loans. Unsecured consumer loans made through the Lending Platforms are issued by WebBank, an FDIC-insured, Utah chartered industrial bank, except for loans issued by NBT. After funding a loan, WebBank sells the loan to the Lending Platform, without recourse, in exchange for the principal amount of the loan. Loans issued by NBT are purchased by the Company as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone. All loans purchased are unsecured obligations of individual borrowers with a fixed interest rate and loan terms set between 12 to 84 months. Unsecured consumer loans are recorded on the date purchased by the Company, which is generally at least fifteen days after origination. Unsecured consumer loans are charged off in the month that the loan becomes greater than 120 days contractually delinquent or in the month that the borrower has entered bankruptcy, at which point the outstanding principal amount is written off against the principal of the unsecured consumer loans on the consolidated balance sheets which results in a fair value adjustment on the combined consolidated statements of operations. Recoveries on charged off loans and sales of charged off loans to third parties are recorded as received, net of fees.

m. ***Due from Lending Platforms***

Avant, LendingClub and Prosper are online marketplace Lending Platforms from which we purchase unsecured consumer loans. The Due from Avant, Inc. balance represents amounts owed to the Company related to reimbursements of bank fees and other miscellaneous credits. The Due from LendingClub Corporation and Due from Prosper Funding LLC amounts presented on the combined consolidated balance sheets, represent cash deposited at LendingClub and Prosper, respectively.

n. ***Allowance for Doubtful Accounts***

The Company continuously monitors collections from its tenants and recognizes an allowance for uncollectible accounts based on a specific tenant collection issues that the Company has identified. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

o. ***Asset Management and Management Services***

Management fee expenses are recognized when incurred in accordance with the terms of each respective management agreement.

p. ***Debt Issuance Costs and Unamortized Debt Discounts***

The Company defers costs incurred in connection with obtaining financing and amortizes the costs using the straight-line method, which approximates the effective interest rate method, over the terms of the related debt as a component of interest expense. The Company also recognizes a debt discount or premium in connection with mortgages assumed at fair value in accordance with ASC 805. Debt issuance costs and unamortized debt discounts have been presented as a direct deduction to our mortgages payable, mortgages payable related to real estate assets held for sale, debt related to consolidated VIE, and senior secured term loans in the accompanying combined consolidated balance sheets.

At December 31, 2018 and 2017, the Company had net debt issuance costs and debt discounts of $24,994,907 and $10,741,102, respectively. Amortization of debt issuance costs and debt discounts of $3,019,896 and $7,555,059 are included in interest expense in the combined consolidated statements of operations for the years ended December 31, 2018 and 2017, respectively.

q. ***Non-controlling Interests***

Non-controlling interests are comprised of the Company's joint venture partners' interests in the joint ventures in real estate properties that the Company consolidates. The Company reports its joint venture partners' interests in its consolidated real estate joint ventures and other subsidiary interests held by third parties as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss and equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are generally allocated pro rata based on the respective ownership percentages until the venture reaches certain performance measures, at which time the other venture party will be entitled to preferred distributions (profit interests).

r. ***Income Taxes***

The Company elected to be taxed as a REIT for U.S. federal income tax purposes, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Company believes it operates in such a manner as to qualify for treatment as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its taxable income. A REIT is subject to a number of organizational and operational requirements, including, among others, a requirement that it currently distributes at least 90% of its taxable income to stockholders, subject to certain adjustments. If the Company fails to qualify as a REIT in any taxable year without the benefit of certain relief provisions, it will be subject to federal and state income taxes on its taxable income at regular corporate income tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state or local taxes on its income, property or net worth and federal taxes and excise taxes on its undistributed income. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") will be fully subject to federal, state and local income taxes.

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, "Income Taxes." Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities. For the years

ended December 31, 2018 and 2017, several of the Company's subsidiaries were considered taxable corporations for U.S. federal and state income tax purposes. The taxable U.S. corporate subsidiaries are subject to corporate level U.S. federal, state and local income tax on their net taxable income.

As of December 31, 2018, the Company's U.S. taxable subsidiaries had a U.S. federal net operating loss carryforward of $32,904,348, which may be carried forward and applied against future federal taxable income, which will begin to expire beginning with the tax year ended December 31, 2034. The Company's taxable subsidiaries also had state net operating loss carryforwards of $16,735,990, which may be carried forward and applied against future applicable state taxable income, which will begin to expire over various periods (depending on each jurisdiction), beginning with the tax year ended December 31, 2024.

s. ***Concentration of Counterparty Risk and Credit Risk***

In the normal course of its business, the Company encounters counterparty risk and credit risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, principal and interest outstanding on unsecured consumer loans, and amounts deposited with each of the Company's Lending Platforms. Counterparty risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

t. ***Servicing, Collection and Upfront Fees***

The Company incurs a monthly servicing fee for each outstanding unsecured consumer loan, which is payable to the Lending Platforms for managing payments from borrowers and maintaining loan account portfolios. The Company incurs collection fees on amounts recovered from delinquent loans, which is payable to the Lending Platforms. The Company incurs an upfront fee on unsecured consumer loans purchased from Avant. All servicing, collection and upfront fees are expensed as incurred.

u. ***Recent Accounting Pronouncements***

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18") to require that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents, in addition to changes in cash and cash equivalents. That is, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash will not be presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The ASU includes examples of the revised presentation guidance, and additional presentation and disclosure requirements apply. The ASU is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The amendments should be applied retrospectively to each period presented. 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. The adoption of the amended guidance in ASU 2016-18 did not have a significant effect on our consolidated financial statements and disclosures.

v. ***Reclassifications***

Certain reclassifications have been made to prior periods to conform with current reporting. These reclassifications had no effect on the previously reported net loss.

3. Recent Real Estate Transactions

Acquisition of Real Estate Assets Held for Investment

During 2018 and 2017, the Company acquired the following properties:

- On October 30, 2018, the Company, together with a joint venture partner, acquired Lorring Park, a multi-family property located in Forestville, Maryland for an aggregate purchase price of $58,521,100 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $47,680,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,678,029.
- On September 21, 2018, the Company, together with a joint venture partner, acquired Ashwood Ridge, a multi-family property located in Jonesboro, Georgia for an aggregate purchase price of $9,600,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $7,300,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $0.
- On August 30, 2018, the Company, together with a joint venture partner, acquired Crown Pointe, a multi-family property located in Danbury, Connecticut for an aggregate purchase price of $108,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $89,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,005,036.
- On August 8, 2018, the Company, together with a joint venture partner, acquired Falling Creek, a multi-family property located in Richmond, Virginia for an aggregate purchase price of $25,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $19,335,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $744,100.
- On July 20, 2018, the Company, together with a joint venture partner, acquired Villages of Wildwood, a multi-family property located in Fairfield, Ohio for an aggregate purchase price of $46,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $39,525,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $825,242.
- On June 1, 2018, the Company, together with a joint venture partner, acquired Olentangy Commons, a multi-family property located in Columbus, Ohio for an aggregate purchase price of $113,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $92,876,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,886,823.
- On May 9, 2018, the Company, together with a joint venture partner, acquired Laurel Pointe and Bradford Ridge, two multi-family properties located in Forest Park, Georgia for an aggregate purchase price of $45,505,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $36,400,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $5,000,000.
- On January 9, 2018, the Company, together with a joint venture partner, acquired Steeplechase, a multi-family property located in Largo, Maryland for an aggregate purchase price of $44,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $36,668,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $793,764.
- On November 8, 2017, the Company, together with a joint venture partner, acquired Silver Oaks and Sutton Place, two multi-family properties located in Southfield, Michigan for an aggregate purchase price of $68,500,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $58,229,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,285,027.
- On October 31, 2017, the Company, together with a joint venture partner, acquired Villages of Baymeadows and Casa del Mar, two multi-family properties located in Jacksonville, Florida for an aggregate purchase price of $111,000,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $88,800,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $2,187,085.
- On January 30, 2017, the Company, together with a joint venture partner, acquired Seasons, a multi-family property located in Laurel, Maryland for an aggregate purchase price of $187,250,000 exclusive of acquisition

and closing costs. For the purchase of this property, the joint venture obtained bank financing of $153,580,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,351,279.

Acquisition of Non-controlling Interest in Real Estate Joint Ventures

- On June 30, 2017, the Company paid $2,030,023 in cash consideration to acquire the 5% non-controlling limited partner interest in the Resort joint venture, which owns multi-family property with a total of 1,520 units located in Pembroke, Florida. The Company now owns all of the interests in the Resort joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $439,084 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

- On June 30, 2017, the Company paid $413,416 in cash consideration to acquire the 7% non-controlling limited partner interest in the Bartram Park joint venture, which owns multi-family property with a total of 323 units located in Jacksonville, Florida. The Company now owns all of the interests in the Bartram Park joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $40,418 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

- On June 30, 2017, the Company paid $188,244 in cash consideration to acquire the 7% non-controlling limited partner interest in the Atlantic Beach joint venture, which owns multi-family property with a total of 204 units located in Atlantic Beach, Florida. The Company now owns all of the interests in the Atlantic Beach joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $2,598 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

The below listed 2018 acquisitions have been accounted for as asset acquisitions, while the 2017 acquisitions have been accounted for as business combinations. The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the date of acquisition. The Company allocated the purchase price, plus capitalized acquisition costs, of the properties acquired during 2018 and 2017 as follows:

Property	Land	Building	Improvements	FF&E	Lease Intangibles	Total Purchase Price
2018 Acquisitions:						
Steeplechase	$ 3,418,694	$ 37,894,167	$ 2,430,222	$ 998,855	$ 894,174	$ 45,636,112
Laurel Pointe	2,616,452	27,519,537	1,949,317	865,233	903,697	33,854,236
Bradford Ridge	1,495,759	9,865,644	795,616	392,504	315,549	12,865,072
Ashwood Ridge	1,396,696	7,646,172	499,566	244,668	232,058	10,019,160
Olentangy Commons	7,945,269	97,637,479	4,463,475	3,078,881	1,137,127	114,262,231
Villages of Wildwood	5,500,080	36,949,740	1,964,305	1,726,550	954,845	47,095,520
Falling Creek	3,182,739	19,996,811	439,720	1,476,205	583,775	25,679,250
Crown Pointe	16,133,196	87,170,476	2,734,961	1,772,091	2,560,946	110,371,670
Corring Park	4,114,949	52,215,802	1,332,255	2,438,886	1,629,896	61,731,788
Total 2018:	**$ 45,803,834**	**$ 376,895,828**	**$ 16,609,437**	**$ 12,993,873**	**$ 9,212,067**	**$ 461,515,039**
2017 Acquisitions:						
Seasons	$ 31,584,720	$ 141,172,597	$ 4,873,936	$ 6,488,490	$ 3,130,257	$ 187,250,000
Villages of Baymeadows	11,550,923	73,946,082	4,620,369	3,278,646	2,303,980	95,700,000
Casa del Mar	1,650,205	12,427,468	346,339	529,695	346,293	15,300,000
Sutton Place	5,075,895	41,896,273	1,198,475	2,628,588	1,200,769	52,000,000
Silver Oaks	2,257,376	12,185,833	469,454	1,058,769	528,568	16,500,000
Total 2017:	**$ 52,119,119**	**$ 281,628,253**	**$ 11,508,573**	**$ 13,984,188**	**$ 7,509,867**	**$ 366,750,000**

The weighted average amortization period of acquired in-place leases was approximately 6 months and 7 months for the years ended December 31, 2018 and 2017, respectively.

Summarized information regarding properties sold during the years ended December 31, 2018 and 2017, is set forth in the table below:

Property	Disposition Date	Asset Type	Gross Sale Price	Gain on Sale
2018 Dispositions:				
Central Park	1/11/2018	Multifamily	$ 52,750,000	$ 19,761,152
St. Marin	2/22/2018	Multifamily	94,000,000	27,934,801
Matthews Reserve	8/29/2018	Multifamily	33,800,000	13,875,452
Amberly Place	10/12/2018	Multifamily	102,150,000	49,521,799
City West	11/15/2018	Multifamily	44,000,000	22,677,782
Island Club	12/14/2018	Multifamily	24,800,000	13,956,387
Total 2018:			**$ 351,500,000**	**$ 147,727,373**
2017 Dispositions:				
Bexley	1/18/17	Multifamily	$ 54,975,000	$ 28,424,279
Mission Gate	6/15/17	Multifamily	65,400,000	21,600,326
Plantations at Hillcrest	8/29/17	Multifamily	9,860,000	3,368,212
Total 2017:			**$ 130,235,000**	**$ 53,392,817**

4. Real Estate Assets

The Company's ownership interests in real estate properties range from 67% to 100% via either direct ownership or ownership of a property owning entity. Through its ownership interests, the Company controls and therefore consolidates the properties and property owning entities. The interest owned by the other joint venture partner is reflected as non-controlling interest in these combined consolidated financial statements.

The Company's real estate assets consisted of the following as of December 31, 2018 and 2017:

Property	Acquisition Date	Ownership Percentage	Asset Type	Location	Real Estate Assets, Net of Accumulated Depreciation	
					2018	2017
File of Chicken	10/24/2012	100.0%	Industrial	Forest Park, GA	$ 4,707,023	$ 4,892,715
Amberly	1/17/2013	97.7%	Multifamily	Tampa, FL	—	52,566,237
Lofton Place	4/30/2013	93.2%	Multifamily	Tampa, FL	22,427,510	21,921,527
Arlington Park	5/8/2013	93.5%	Multifamily	Marietta, GA	12,538,144	12,764,967
The Resort	6/24/2013	100.0%	Multifamily	Pembroke Pines, FL	204,408,680	207,308,659
Cordova Regency	11/15/2013	99.3%	Multifamily	Pensacola, FL	11,959,762	12,080,285
Crestview at Oakleigh	11/15/2013	99.3%	Multifamily	Pensacola, FL	15,110,790	15,267,261
Inverness Lakes	11/15/2013	99.3%	Multifamily	Mobile, AL	25,349,425	25,272,831
Kings Mill	11/15/2013	99.3%	Multifamily	Pensacola, FL	17,665,507	17,866,529
Plantations at Pine Lake	11/15/2013	99.3%	Multifamily	Tallahassee, FL	15,687,856	15,669,691
Verandas at Rocky Ridge	11/15/2013	99.3%	Multifamily	Vestavia Hills, AL	15,413,215	15,170,791
Matthews Reserve	11/19/2013	90.0%	Multifamily	Matthews, NC	—	19,692,084
City West	11/19/2013	90.0%	Multifamily	Orlando, FL	—	20,439,818
Vinings Corner	11/19/2013	90.0%	Multifamily	Smyrna, GA	30,752,948	31,122,724
Central Park	11/19/2013	90.0%	Multifamily	Altamonte Springs, FL	—	32,125,940
St. Marin	11/19/2013	90.0%	Multifamily	Coppell, TX	—	65,209,141
Eastwood Village	12/12/2013	92.6%	Multifamily	Stockbridge, GA	22,150,639	22,311,620
Monterey Village	12/12/2013	92.6%	Multifamily	Jonesboro, GA	9,742,626	9,943,657
Hidden Creek	12/12/2013	92.6%	Multifamily	Morrow, GA	4,004,118	4,058,555
Meadow Springs	12/12/2013	92.6%	Multifamily	College Park, GA	10,792,548	11,020,760
Meadow View	12/12/2013	92.6%	Multifamily	College Park, GA	11,777,532	12,062,242
Peachtree Landing	12/12/2013	92.6%	Multifamily	Fairburn, GA	14,489,647	14,535,180
Indigo	12/31/2013	100.0%	Multifamily	Jacksonville, FL	31,463,541	32,180,349
Crestview at Cordova	1/17/2014	99.3%	Multifamily	Pensacola, FL	7,121,615	7,116,695
Island Club	1/31/2014	100.0%	Multifamily	Atlantic Beach, FL	—	10,954,632
Taco Bell, OK	6/4/2014	100.0%	Commercial	Yukon, OK	1,249,316	1,100,282
Taco Bell, MO	6/4/2014	100.0%	Commercial	Marshall, MO	1,296,757	1,353,280
Chesterfield	8/19/2014	85.0%	Self-Storage	Chesterfield, MI	4,637,282	4,812,905

Property	Acquisition Date	Ownership Percentage	Asset Type	Location	Real Estate Assets, Net of Accumulated Depreciation	
					2018	2017
Wyoming	5/19/2014	85.0%	Self-Storage	Wyoming, MI	4,019,356	4,156,299
Grand Rapids	8/19/2014	85.0%	Self-Storage	Grand Rapids, MI	5,868,365	6,089,700
Westland	[illegible]	85.0%	Self-Storage	Westland, MI	[illegible]	[illegible]
State Street	8/28/2014	85.0%	Self-Storage	Ann Arbor, MI	3,541,615	3,675,310
Jackson	[illegible]	[illegible]	Self-Storage	Ann Arbor, MI	7,224,688	7,511,854
Kalamazoo	8/28/2014	85.0%	Self-Storage	Kalamazoo, MI	2,012,388	2,053,611
Canterbury	[illegible]	[illegible]	Multifamily	Fort Wayne, IN	[illegible]	[illegible]
Abbie Lakes	9/30/2014	79.1%	Multifamily	Canal Winchester, OH	11,373,400	11,811,398
Brooksedge	[illegible]	79.1%	Multifamily	Reynoldsburg, OH	[illegible]	11,001,033
Reserve at Abbie Lakes	9/30/2014	79.1%	Multifamily	Canal Winchester, OH	25,897,491	25,234,473
Lakes Edge	[illegible]	[illegible]	Multifamily	Pickerington, OH	11,296,249	9,606,510
Sunbury Ridge	9/30/2014	79.1%	Multifamily	Columbus, OH	12,995,078	12,473,445
Stonebridge	[illegible]	[illegible]	Multifamily	Blacklick, OH	[illegible]	[illegible]
Jefferson Chase	9/30/2014	79.1%	Multifamily	Blacklick, OH	12,135,282	13,023,799
Lake Ridge	10/29/2014	79.1%	Multifamily	Hilliard, OH	6,810,090	7,153,500
Okemos	1/16/2015	85.0%	Self-Storage	Okemos, MI	5,802,655	6,046,456
Lansing West	[illegible]	[illegible]	Self-Storage	Lansing West, MI	1,411,813	1,460,419
Novi	1/16/2015	85.0%	Self-Storage	Novi, MI	5,442,779	5,622,397
Lake Orion	[illegible]	85.0%	Self-Storage	Lake Orion, MI	5,724,872	5,846,264
Ypsilanti	1/16/2015	85.0%	Self-Storage	Ypsilanti, MI	3,005,813	3,074,576
Orchard Village	[illegible]	[illegible]	Multifamily	Aurora, IL	[illegible]	[illegible]
Sterling Crimson	9/28/2016	67.0%	Student Housing	Tuscaloosa, AL	47,531,964	48,783,585
Hawks Ridge	[illegible]	[illegible]	Student Housing	Iowa City, IA	[illegible]	[illegible]
Islander Village	9/28/2016	67.0%	Student Housing	Corpus Christi, TX	12,630,745	12,631,770
Campus Quarters	[illegible]	[illegible]	Student Housing	Corpus Christi, TX	[illegible]	[illegible]
District on Luther	9/28/2016	67.0%	Student Housing	College Station, TX	36,937,333	37,441,476
West 22	[illegible]	[illegible]	Student Housing	Kennesaw, GA	[illegible]	[illegible]
Legacy	9/28/2016	67.0%	Student Housing	Statesboro, GA	7,303,224	7,348,757
University Crossing	[illegible]	[illegible]	Student Housing	Manhattan, KS	[illegible]	[illegible]
Union Place	12/7/2016	85.0%	Multifamily	Franklin, MA	60,880,357	62,276,510
Seasons	[illegible]	[illegible]	Multifamily	Laurel, MD	[illegible]	[illegible]
Villages of Baymeadows	10/31/2017	92.5%	Multifamily	Jacksonville, FL	91,970,457	[illegible]
Casa del Mar	[illegible]	[illegible]	Multifamily	Jacksonville, FL	[illegible]	[illegible]
Silver Oaks	11/8/2017	92.5%	Multifamily	Southfield, MI	16,106,049	16,083,584
Sutton Place	[illegible]	[illegible]	Multifamily	Southfield, MI	[illegible]	[illegible]
Steeplechase	1/10/2018	92.5%	Multifamily	Largo, MD	44,087,491	—
Laurel Pointe	[illegible]	[illegible]	Multifamily	Forest Park, GA	31,930,021	—
Bradford Ridge	5/9/2018	69.2%	Multifamily	Forest Park, GA	12,204,323	—
Ashwood Ridge	9/21/2018	69.2%	Multifamily	Jonesboro, GA	9,700,116	—
Olentangy Commons	6/1/2018	92.5%	Multifamily	Columbus, OH	113,167,994	—
Villages of Wildwood	[illegible]	[illegible]	Multifamily	Fairfield, OH	47,002,097	—
Falling Creek	8/8/2018	90.0%	Multifamily	Richmond, VA	24,736,446	—
Crown Pointe	[illegible]	[illegible]	Multifamily	Danbury, CT	106,845,758	—
Lorring Park	10/30/2018	80.0%	Multifamily	Forestville, MD	59,969,092	—
Total net real estate assets					$ 1,832,195,185	$ 1,606,023,513

5. Lease Intangibles

Lease intangibles consist of the following:

	As of December 31, 2018			As of December 31, 2017		
	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
In-place leases	$ 55,716,988	$ (53,099,859)	$ 2,617,129	$ 49,192,424	$ (45,514,029)	$ 3,678,395
Above-market leases	—	—	—	106,002	(106,002)	—
Below-market leases	—	—	—	(527,848)	527,848	—
Tenant relationships	239,208	(39,689)	199,519	239,208	(33,253)	205,955
Deferred leasing costs	635,325	(218,634)	416,691	635,325	(180,122)	455,203
Total	$ 56,591,521	$ (53,358,182)	$ 3,233,339	$ 49,645,111	$ (45,305,558)	$ 4,339,553

Future amortization expense for the Company's lease intangibles is as follows: $2,218,374 (2019), $95,686 (2020), $95,686 (2021), $95,686 (2022), $95,686 (2023), and $632,221 (thereafter).

6. Real Estate Assets Held for Sale

As of December 31, 2018, the real estate assets held by the Vinings Corner property met the criteria to be classified as held for sale. The Company entered into a purchase and sale agreement with an unrelated third party on October 15, 2018. The sale closed on January 18, 2019, resulting in the recognition of a gain in the amount of $28,159,258.

Below is a summary of the major classes of real estate assets classified as held for sale:

Real Estate Assets Held for Sale	December 31, 2018	December 31, 2017
Land	$ 3,357,357	$ 6,140,942
Building and improvements	32,131,944	100,570,131
Furniture, fixtures, and equipment	1,494,666	2,359,724
Less: accumulated depreciation	(6,731,219)	(11,675,715)
Total net real estate assets held for sale	**$ 30,252,748**	**$ 97,395,082**

7. Unsecured Consumer Loans and Residual Interests in Securitizations

The Company purchased $106,476,634 and $520,691,146 aggregate principal of unsecured consumer loans from LendingClub and NBT during the year ended December 31, 2018 and 2017 respectively.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP1 ("LCIT 2016-NP1") with a fair value of $5,665,256 representing a 59.32% interest in LCIT 2016-NP1. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, we do not consolidate the Club 2017 Securitization trust, which we determined was a VIE, associated with this securitization.

During the year ended December 31, 2018, the Company purchased a trust certificate in LendingClub Issuance Trust, Series 2016-NP2 ("LCIT 2016-NP2") with a fair value of $10,458,275 representing a 72.60% interest in LCIT 2016-NP2. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, we do not consolidate the Club 2017 Securitization trust, which we determined was a VIE, associated with this securitization.

On March 21, 2018, the Company sold 28,474 of unsecured consumer loans (with a cost of $200,001,980 and accrued interest of $2,261,777) previously purchased from LendingClub to Consumer Loan Underlying Bond (CLUB) Depositor, LLC ("Club 2018-NP-1") for proceeds of $166,701,211 net of related transaction expenses, and a trust certificate with a fair value of $32,965,958 representing a 56.36% interest in the Club 2018-NP1. On the date of sale, the Company reversed the unrealized loss of $(334,812) and the accrued interest of $(2,261,777), recording realized losses of $(334,812). The Company acquired an additional residual interest in the securitization for $928,822, increasing the total interest in the Club 2018-NP1 to 57.95%.

On June 22, 2017, the Company sold 21,926 of its LendingClub loans with a total cost of $151,472,878 held in ACL III, ACL IV and ACL VI to the Consumer Loan Underlying Bond Grantor Trust 2017-NP1 ("CLUB 2017-

NPI") for proceeds of $153,266,941, net of related transactions expenses, and a trust certificate representing 42.71% interest in the CLUB 2017-NP1 trust series, realizing a gain of $1,794,063. On October 22, 2017, the Company purchased an additional 4.94% interest in the equity certificate of the CLUB 2017-NP1 trust series for $3,480,000.

The Company's portfolio of unsecured consumer loans consists of a large number of small balance homogeneous loans. As of December 31, 2018, the portfolio consisted of 42,206 loans having an average outstanding principal balance of $4,650 and a maximum balance of $50,000 at the time of origination. As of December 31, 2018, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 23.8% based on outstanding principal of the unsecured consumer loans. As of December 31, 2017, the portfolio consisted of 105,315 loans having an average outstanding principal balance of $6,076 and maximum balance of $50,000. As of December 31, 2017, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 24.8% based on outstanding principal of the unsecured consumer loans.

The ability of the borrowers of the unsecured consumer loans to repay the Company are affected by their continuing financial stability. The credit risk of the unsecured consumer loans and the residual interest in securitizations is considered to be higher than for secured loans.

The Lending Platforms classify the unsecured consumer loans into separately identified pools by rating ("Rating"), which indicates the expected level of risk associated with the loan. Each Rating corresponds to an estimated average annualized loss rate range as of the time the Rating is given. The estimated annual loss rate for each loan is based primarily on a proprietary custom risk model developed by each of the Lending Platforms using their respective historical data, borrower specific factors and Fair Isaac Corporation score ("FICO score") obtained from a credit reporting agency. As part of the Rating determination, the Lending Platforms also consider borrower specific factors such as, but not limited to, credit related inquiries in the last six months and debt-to-income ratio.

Ratings are not consistent between Lending Platforms; as such the Company stratifies its unsecured consumer loans into separately identified pools based on the FICO score obtained from a credit reporting agency and as provided by each Lending Platform at origination. The stratified pools are designated "Super Prime," "Prime" or "Near Prime," and defined as follows: Super Prime loans as loans to borrowers with a FICO score of 720 or greater, Prime Loans as loans to borrowers with a FICO score of between 660 and 719 and Near Prime loans as loans to borrowers with a FICO score of between 600 and 659.

The following table summarizes the Company's unsecured consumer loans held as of December 31, 2018:

Category	Outstanding Principal	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	$ 14,681,433	$ 14,254,372	4.0% - 24.1%	12.5%
Prime	40,595,103	38,015,262	4.0% - 36.0%	17.2%
Near Prime	140,986,722	128,808,361	6.0% - 36.0%	26.8%
Total Loans	**$ 196,263,258**	**$ 181,077,995**		**23.8%**

The following table summarizes the unsecured consumer loans held as of December 31, 2017:

Category	Outstanding Principal	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	$ 28,643,862	$ 27,730,473	4.0% - 30.0%	13.3%
Prime	90,104,451	85,268,067	4.0% - 36.0%	16.0%
Near Prime	521,138,923	483,149,470	6.0% - 36.0%	26.9%
Total Loans	**$ 639,887,236**	**$ 596,148,010**		**24.8%**

* *Based on outstanding principal of the unsecured consumer loans.*

The following table summarizes the delinquency status of the unsecured consumer loans:

	December 31, 2018			December 31, 2017		
Delinquency Status	**Outstanding Principal**	**Fair Value**	**% of Total**	**Outstanding Principal**	**Fair Value**	**% of Total**
Current	$ 169,202,967	$ 167,074,145	86.22 %	$ 573,760,325	$ 565,138,510	94.80 %
1 - 30 days	12,803,482	10,594,053	6.52 %	29,821,122	23,949,424	4.02 %
31 - 60 days	5,399,530	1,952,646	2.75 %	13,497,725	3,697,017	0.62 %
61 - 90 days	4,451,532	954,000	2.27 %	11,988,876	2,140,942	0.36 %
91 - 120 days	4,405,747	503,151	2.24 %	10,819,188	1,222,117	0.20 %
Total Loans	$ 196,263,258	$ 181,077,995	100.00%	$ 639,887,236	$ 596,148,010	100.00%

8. Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the price that we would receive upon selling an asset or pay to transfer a liability in an orderly transaction to an independent buyer in the principal or most advantageous market in which that financial instrument is transacted.

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.

Unsecured Consumer Loans, Residual Interests in Securitizations, and Revolving Credit Facilities at Fair Value

All of our financial instruments measured at fair value on a recurring basis were classified as Level 3 as of December 31, 2018 and 2017. We did not transfer any assets or liabilities in or out of Level 3 during the years ended December 31, 2018 and 2017. Transfers between levels, should they occur, will be recognized at the beginning of the quarter during which the asset or liability was transferred.

The unsecured consumer loans, residual interests in securitizations, and revolving credit facilities do not trade in an active market with readily observable prices. For the unsecured consumer loans and residual interests in securitizations, fair value is estimated by using a discounted cash flow methodology based upon significant unobservable inputs, such as loss adjusted discount rates and projected loss rates. The loss adjusted discount rates are used to discount the estimated future cash flows expected to be received from the underlying unsecured consumer loans, which includes both future principal and interest payments. The projected loss rates are based on the perceived credit risk inherent in each Rating of the unsecured loan portfolio. For the revolving credit facilities, fair value is estimated as the amount of the outstanding principal at the credit facilities as of December 31, 2018. See Notes 7 and 9 for details of the unsecured consumer loans.

The following table shows the fair value of our unsecured consumer loans, residual interest in securitizations, and revolving credit facilities disaggregated into the three levels of the ASC 820, *Fair Value Measurement* ("ASC 820") valuation hierarchy as of December 31, 2018.

	Level 1	Level 2	Level 3	Total
Assets				
Unsecured consumer loans	$ —	$ —	$ 181,077,995	$ 181,077,995
Residual interests in securitizations	—	—	63,160,648	63,160,648
Total investments at fair value	**$ —**	**$ —**	**$ 244,238,643**	**$ 244,238,643**
Liabilities				
Revolving credit facilities	$ —	$ —	$ 46,972,955	$ 46,972,955

The following table shows the fair value of our unsecured consumer loans and revolving credit facilities disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
Assets				
Unsecured consumer loans	$ —	$ —	$ 596,148,010	$ 596,148,010
Residual interests in securitizations	—	—	33,689,314	33,689,314
Total investments at fair value	$ —	$ —	$ 629,837,324	$ 629,837,324
Liabilities				
Revolving credit facilities	$ —	$ —	$ 264,130,359	$ 264,130,359

Refer to Note 7 for details of the unsecured consumer loans.

The following table shows the aggregate changes in the fair value of our Level 3 unsecured consumer loans and residual interests in securitizations during the years ended December 31, 2018 and 2017.

	Unsecured Consumer Loans	Residual Interests in Securitizations
Fair Value at December 31, 2016	$ 759,589,421	$ —
Purchases	520,691,146	33,949,823
Sales	(153,266,941)	—
Principal payments	(407,993,257)	—
Proceeds from recoveries and sales of charged off loans	(10,683,136)	—
Accretion of residual interests	—	1,945,931
Carrying value before fair value adjustments	$ 708,337,233	$ 35,895,754
Fair value adjustments:		
Net increase in unrealized depreciation	(6,645,971)	(2,206,440)
Realized gain on sale into securitization	1,794,063	—
Charge offs	(118,020,451)	—
Recoveries	10,683,136	—
Fair value adjustments	$ (112,189,223)	$ (2,206,440)
Fair Value at December 31, 2017	$ 596,148,010	$ 33,689,314
Purchases	106,476,634	50,018,312
Sales	(199,667,169)	—
Principal payments	(261,888,655)	(24,280,221)
Proceeds from recoveries and sales of charged off loans	(12,855,452)	—
Accretion of residual interests	—	5,005,776
Carrying value before fair value adjustments	$ 228,213,368	$ 64,433,181
Fair value adjustments:		
Net decrease (increase) in unrealized depreciation	28,577,756	(1,272,533)
Realized loss on sale into securitization	(334,812)	—
Charge-offs	(88,233,769)	—
Recoveries	12,855,452	—
Fair value adjustments	$ (47,135,373)	$ (1,272,533)
Fair Value at December 31, 2018	$ 181,077,995	$ 63,160,648

For the year ended December 31, 2018, the net increase in unrealized depreciation on the unsecured consumer loans was $(10,279,606) for unsecured consumer loans still held as of December 31, 2018. For the year ended December 31, 2017, the net increase in unrealized depreciation on the unsecured consumer loans was $(47,413,109) for unsecured consumer loans still held as of December 31, 2017.

The unsecured consumer loans noted a net decrease in unrealized depreciation of $28,577,756 and a net increase in unrealized depreciation of $(6,645,971), for the years ended December 31, 2018 and 2017, respectively. The

residual interests in securitizations noted net increases in unrealized depreciation of $(1,272,533) and $(2,206,440) for the years ended December 31, 2018 and 2017, respectively. The unrealized depreciation which is part of the fair value adjustments included in net income (loss) on the combined consolidated statements of operations is primarily attributable to instrument-specific changes in estimated future credit losses (i.e. default losses). Pools of unsecured consumer loans, based on purchase month and Rating, that are projected to have higher future default losses than previously estimated have lower expected future cash flows over the remaining life, which reduces the estimated fair value. Conversely, the pools of unsecured consumer loans that are projected to have lower future default losses than previously estimated have higher expected future cash flows over the remaining life, which increases the estimated fair value. Changes in the unobservable inputs, such as loss adjusted discount rates and projected loss rates, may have a significant impact on the fair value of unsecured consumer loans.

The following table shows the aggregate changes in the fair value of our Level 3 revolving credit facilities during the years ended December 31, 2018 and 2017.

		Revolving Credit Facilities
Fair Value at December 31, 2016	$	**217,579,369**
Borrowings		357,756,148
Principal payments		(311,205,158)
Carrying value before fair value adjustments	$	**264,130,359**
Net change in fair value		—
Fair Value at December 31, 2017	$	**264,130,359**
Borrowings		58,893,493
Principal payments		(276,050,897)
Carrying value before fair value adjustments	$	**46,972,955**
Net change in fair value		—
Fair Value at December 31, 2018	$	**46,972,955**

Financial Instruments Not Recorded at Fair Value

The fair values of the Company's assets and liabilities, which qualify as financial instruments, approximate the carrying amounts presented on the combined consolidated balance sheets, except for debt related to consolidated VIE and senior secured term loans, which have been presented in the table below:

	December 31, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Liabilities				
Debt related to consolidated VIE	$ 9,798,386	$ 9,798,386	$ 87,198,587	$ 88,124,945
Senior secured term loans	$ 625,782,185	$ 638,553,250	$ 552,753,007	$ 553,079,958

The ranges of unobservable inputs used in the fair value measurement of our Level 3 financial instruments as of December 31, 2018 and 2017 were as follows:

December 31, 2018

Assets/Liabilities	Fair Value	Valuation Technique	Unobservable Input	Weighted Average	Range
Unsecured consumer loans	$ 181,077,995	Discounted cash flow	Loss-adjusted discounted rate	10.91%	3.00% - 13.63%
			Projected prepay rate	3.61%	0.00% - 24.08%
			Projected loss rate	2.64%	0.00% - 15.62%
			Recovery rate	9.34%	7.50% - 11.00%
Residual interests in securitizations	$ 63,160,648	Discounted cash flow	Forecasted prepay % of current balance	35.94%	12.58% - 46.29%
			Forecasted default % of current balance	16.73%	9.75% - 21.50%
			Severity	89.00%	89.00% - 89.00%
			Discount rate	13.00%	12.00% - 15.00%
Revolving credit facilities	$ 46,972,955	Par	Unsecured consumer loans collateral	—	—

December 31, 2017

Assets/Liabilities	Fair Value	Valuation Technique	Unobservable Input	Weighted Average	Range
Unsecured consumer loans	$596,148,010	Discounted cash flow	Loss-adjusted discounted rate	11.48%	3.00% - 14.50%
			Projected loss rate	7.82%	0.01% - 22.71%
			Recovery rate	9.48%	7.50% - 11.00%
Residual interests in securitizations	$31,689,314	Discounted cash flow	Cumulative prepay % of cutoff balance	20.84%	20.64% - 21.05%
			Cumulative default % of cutoff balance	22.34%	21.27% - 23.40%
			Severity	90.00%	90.00% - 90.00%
			Discount rate	14.01%	14.01% - 14.01%
Revolving credit facilities	$264,130,359	Yield analysis	Market yield	4.10%	1.90% - 7.30%

9. Variable Interest Entity

Special Purpose Entities ("SPEs") are entities designed to fulfill a specific limited need of the entity that organizes it and are often used to facilitate transactions that involve securitizing financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on more favorable terms than available on such assets on an unsecuritized basis. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through the SPEs issuance of debt or equity instruments. Investors in a VIE usually have recourse only to the assets in the SPE and, depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or additional credit enhancement provided by the subordination of mezzanine debt.

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the SPE used to facilitate the transaction was a VIE and, if so, whether it should be consolidated. The Company's variable

interests in VIE's includes debt and equity interests that arose from securitization activities. We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and reassess such determination on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over a VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of being considered the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of, or a right to receive benefits from, the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Through December 31, 2018, we completed one securitization transaction associated with our financing of unsecured consumer loans in which the Company was determined to be the primary beneficiary of the VIE. In creating the securitization vehicle, we were involved in the decisions made during the establishment and design of the entity and hold variable interests consisting of debt and equity securities retained that could potentially be significant to the securitized vehicle. The assets of the securitized vehicle deemed a VIE, consist of unsecured consumer loans, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIE do not have recourse to our general credit, and the assets of the VIE are not available to satisfy any other debt. We have not provided financial or other support during the years ended December 31, 2018 and 2017 to the VIE that was not previously contractually required to provide.

The following table summarizes the key details of the VIE we consolidated as of December 31, 2018:

		October 2016 Securitization
Name of securitization trust consolidated as a VIE		MH 2016-LC1
Principal value of unsecured consumer loans sold into the securitization trust	$	314,135,226
Current principal value of unsecured consumer loans in securitization trust	$	17,722,637
Face amount of Class A Note issued by the VIE and sold to a third-party investor[1]	$	204,187,000
Stated interest rate for Class A Note issued		4.19%
Face amount of Class B Note issued by the VIE and sold to a third-party investor[1]	$	39,266,000
Stated interest rate for Class B Note issued		6.15%
Face amount of Class C Note issued by the VIE and sold to the Company[2]	$	39,266,000
Stated interest rate for Class C Note issued		10.00%
Year of final contractual maturity of Class A, B, and C Notes		2022
Cash received upon sale of the Class A and B notes sold to third-party investor	$	243,441,829
Face/Par value of residual interest certificate received by the Company[2]	$	42,290,561
Cumulative gross securitization expenses incurred	$	4,615,830

(1) The Class A Notes will also benefit from the additional credit enhancement provided by the subordination of the Class B Notes and the Class C Notes and the Class B Notes also benefit from the additional credit enhancement provided by the subordination of the Class C Notes.

(2) Amount reflects 100% of the Class C Note the Company received which is subordinate to and provides credit support for the sequential Class A and B notes sold to third-party investors. The Company retained the Class C Note until it was sold to a third-party investor on February 2, 2017, for cash proceeds of $39,723,448 net of related transaction expenses. The Class C Note and the associated interest expense was eliminated in consolidation with the associated trust for the period during which the Company held the security.

We consolidate the underlying trust associated with our MH 2016-LC1 Securitization. As a result, the notes that were sold to third-party investors is presented on our consolidated balance sheet as "Debt (net of debt issuance costs) related to consolidated VIE" and the unsecured consumer loans held by the trust that collateralize the securities issued by the trust are included as a component of "Unsecured consumer loans, at fair value" on our consolidated balance sheet. The third-party beneficial interest holders in the VIE have no recourse against us, except that we

may have an obligation to repurchase assets from the VIE in the event that we breach certain representations and warranties in relation to the unsecured consumer loans sold to the VIE. Other than the foregoing, we have no obligation to provide, nor have we provided, any other explicit or implicit support to this or any other VIE that we consolidate.

Future scheduled principal payments of the debt related to the consolidated VIE, based on expected cash flows of the securitized unsecured consumer loans, as adjusted for projected losses and prepayments on such loans, at December 31, 2018 were $9,798,386.

The table below reflects the assets and liabilities recorded in our consolidated balance sheet related to our consolidated VIEs as of the dates presented. The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation. As of December 31, 2018 and 2017, the Company held all the equity interests of the VIE.

		December 31, 2018		December 31, 2017
Restricted cash and cash equivalents	$	4,956,275	$	11,181,297
Unsecured consumer loans at fair value		16,841,433		93,182,654
Due from LendingClub Corporation		179,529		1,098,778
Interest receivable		312,317		1,693,096
TOTAL ASSETS	**$**	**22,289,554**	**$**	**107,155,825**
Debt (net of debt issuance costs) related to consolidated VIE [(a)]		9,798,386		87,198,587
Accrued expenses		106,211		132,704
Interest payable		51,979		130,701
Servicing fee payable		14,555		74,602
TOTAL LIABILITIES	**$**	**9,971,131**	**$**	**87,536,594**

(a) Debt related to consolidated VIE includes a Class C Note with a maturity date of November 25, 2022, outstanding principal balance of $9,798,386, and interest rate of 10.90%. As of December 31, 2018 and 2017, $0 and $926,358, respectively, of unamortized debt issuance costs are recorded as a direct deduction to the debt.

The following table reflects the income and expense amounts recorded in our consolidated statements of operations related to our consolidated VIE for the periods presented:

	For the Years Ended			
		December 31, 2018		December 31, 2017
Interest income	$	12,017,214	$	43,322,359
Other income		212,404		177,589
Fair value adjustments		(7,586,884)		(35,403,039)
Gain on sale of interest in consolidated VIE		—		457,448
Total net revenues	**$**	**4,642,734**	**$**	**8,554,357**
Interest and credit facility expenses		4,991,623		12,555,034
Servicing, collection and upfront fees		835,952		2,186,989
Net loss	**$**	**(1,184,841)**	**$**	**(6,187,666)**

The following table reflects the amounts included on our consolidated statements of cash flows related to our consolidated VIEs for the periods presented:

	For the Years Ended	
	December 31, 2018	December 31, 2017
Cash Flows from Operating Activities:		
Net loss	$ (1,184,841)	$ (6,187,666)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Fair value adjustments of unsecured consumer loans	7,586,884	35,403,039
Realized gain on sale of interest in consolidated VIE (Note 6)	—	(457,448)
Amortization of debt issuance costs - related to debt of the consolidated VIE	926,358	3,110,373
Changes in assets and liabilities:		
Decrease in interest receivable	1,380,779	2,708,061
(Decrease) increase in interest payable	(78,722)	49,947
(Decrease) increase in accrued expenses	(26,493)	48,350
(Decrease) in servicing fee payable	(60,047)	(129,036)
Net Cash Provided by Operating Activities	**8,543,918**	**34,545,620**
Cash Flows from Investing Activities:		
Principal payments received on unsecured consumer loans	65,517,749	136,085,839
Proceeds from recoveries and sales of charged off loans	3,234,163	2,970,952
Proceeds from sale of debt related to consolidated VIE	—	39,723,448
Decrease in due from LendingClub Corporation	919,249	717,693
Net Cash Provided by Investing Activities	**69,671,161**	**179,497,932**
Cash Flows from Financing Activities:		
Borrowings under debt related to consolidated VIE	—	—
Principal payments under debt related to consolidated VIE	(78,326,559)	(164,050,600)
Debt issuance costs	—	—
Member contributions	—	—
Member distributions	(6,113,542)	(58,407,878)
Net Cash Used in Financing Activities	**$ (84,440,101)**	**$ (222,458,478)**
Net decrease in cash, cash equivalents, and restricted cash	(6,225,022)	(8,414,926)
Cash, cash equivalents, and restricted cash, beginning of year	11,181,297	19,596,223
Cash, cash equivalents, and restricted cash, end of year	**$ 4,956,275**	**$ 11,181,297**
Supplemental Disclosures		
Cash paid for interest expense	$ 4,065,265	$ 9,427,435
Non-Cash Investing and Financing Activities:		
Increase in borrowings under debt related to consolidated VIE	$ —	$ 39,266,000

Residual Interests in Securitization

In securitizations structured as a sale, in which the Company is not considered a primary beneficiary, we have sold pools of loans to trusts in exchange for cash and certificates evidencing our residual ownership interests in the trusts and the transactions were accounted for as sales under GAAP.

Our maximum exposure to loss related to the Company's residual interests in the Club 2018 securitization and the Club 2017 securitization is calculated as the maximum potential charge that we would recognize in earnings if that investment were to become worthless.

The following table presents the carrying amounts and classification of the assets and liabilities recorded on our consolidated balance sheets related to our variable interests in unconsolidated VIEs and the associated maximum exposure to loss.

	December 31, 2018	December 31, 2017
Residual Interests in LCIT 2016-NP1, at Fair Value	$ 5,182,285	$ —
Residual Interests in LCIT 2016-NP1, at Amortized Cost	$ 5,330,943	$ —
Residual Interests in LCIT 2016-NP2, at Fair Value	$ 5,891,003	$ —
Residual Interests in LCIT 2016-NP2, at Amortized Cost	$ 6,148,313	$ —
Residual Interests in Club 2018-NP-1, at Fair Value	$ 37,101,320	$ —
Residual Interests in Club 2018-NP-1, at Amortized Cost	$ 37,907,950	$ —
Residual Interests in Club 2017-NP-1, at Fair Value	$ 14,986,040	$ 33,689,314
Residual Interests in Club 2017-NP-1, at Amortized Cost	$ 17,252,412	$ 35,895,754

10. Revolving Credit Facilities

The ACL III Subsidiaries Facility, the ACL IV Subsidiaries Facility, the ACL PS Facility, and the ACL VII Facility are collectively referred to as "Revolving Credit Facilities".

The Revolving Credit Facilities require us to hold unsecured consumer loans as collateral in order to borrow under the credit facilities. During the terms of the Revolving Credit Facilities, all principal and interest payments on the unsecured consumer loans held as collateral are used to pay facility expenses, interest expenses or applied to reduce the outstanding balance on the Revolving Credit Facilities. The remaining balance will become due upon maturity.

The Revolving Credit Facilities contain restrictions pertaining to the unsecured consumer loans considered as eligible collateral. Restrictions on eligible collateral include, but are not limited to, the maximum and minimum size, maximum interest rate, original term and credit score of the borrower related to the unsecured consumer loans. The Revolving Credit Facilities also contains certain requirements relating to the portfolio of loans and portfolio performance, including, but are not limited to, minimum FICO score of borrowers, average aggregate principal amount payable, maximum delinquencies and charge-offs, maximum leverage ratios, minimum interest coverage ratios, minimum annual net income, violations of which could result in the early termination of the Revolving Credit Facilities. Borrowings on the Revolving Credit Facilities are generally limited to 50.0% to 80.0% of the outstanding eligible principal balance of the portfolio of unsecured consumer loans. The ACL IV Subsidiaries Facility include portfolio excess concentration tests which if greater than specified concentration limits decrease the amount of eligible collateral. As of December 31, 2018 the Company was in compliance with the requirements of the Revolving Credit Facilities.

During the years ended December 31, 2018 and 2017, we accrued $93,746 and $3,368,677 respectively, of agent fees, unused line fees and debt issuance costs on the Revolving Credit Facilities, which are recorded as interest expense on the combined consolidated statements of operations.

The following table presents a summary of our Revolving Credit Facilities terms and payable as of December 31, 2018 and 2017:

	As of December 31, 2018		
Lender	Interest Rate	Unused Line Fee	Outstanding Principal
Texas Capital Bank[1]	1-Mo Libor + 3.00%	—%	$ 33,405,226
Macquarie	1-Mo Libor + 3.00%	—%	13,567,729
Total outstanding principal			**$ 46,972,955**

(1) Effective as of 6/6/2018 the Company can no longer increase borrowing under this agreement, is paying down the loan on a monthly basis, the interest rate was lowered to 1 month Libor + 3.00%. The unused line fee was eliminated.

	As of December 31, 2017		
Lender	**Interest Rate**	**Unused Line Fee**	**Outstanding Principal**
Texas Capital Bank	1-Mo Libor + 3.50%	0.25% - 0.375%	$ 63,666,892
Macquarie	1-Mo Libor + 3.00%	—%	61,833,665
Morgan Stanley	1-Mo Libor + 3.25% or 1-Mo Libor + 3.40%	0.10% - 0.60%	137,448,614
Pacific Western Bank	1-Mo Libor + 4.00%	0.25% - 0.50%	1,181,188
Total outstanding principal			**$264,130,359**

11. Mortgages Payable

The Company has outstanding mortgages payable that bear interest at either a fixed or variable rate. Each mortgage payable is secured by a respective real estate property and certain cash reserve accounts required by the borrowing agreements, which are included as restricted cash on the accompanying combined consolidated balance sheets. The following table presents a summary of our mortgages payable as of December 31, 2018 and 2017:

Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2018	Outstanding Principal 12/31/2017
Amberly - Loan 1 [1]	3.75%	2/1/2023	Interest Only	$ —	$ 39,000,000
Amberly - Loan 2 [1]	4.97%	2/1/2023	Interest Only	—	7,100,000
Lofton Place - Loan 1	3.97%	5/1/2023	Amortizing	16,795,806	16,965,000
Lofton Place - Loan 2	4.71%	5/1/2023	Amortizing	3,303,028	3,358,509
Arlington Park	4.08%	6/1/2023	Amortizing	9,570,355	9,650,000
The Resort - Loan 1	4.17%	7/1/2023	Amortizing	151,019,658	153,500,360
The Resort - Loan 2	4.80%	7/1/2023	Amortizing	23,361,394	23,653,982
Cordova Regency - Loan 1	4.55%	12/1/2023	Interest Only	9,026,000	9,026,000
Cordova Regency - Loan 2	4.61%	12/1/2023	Interest Only	2,349,000	2,349,000
Crestview at Oakleigh - Loan 1	4.55%	12/1/2023	Interest Only	11,488,000	11,488,000
Crestview at Oakleigh - Loan 2	4.61%	12/1/2023	Interest Only	2,357,000	2,357,000
Inverness Lakes - Loan 1	4.55%	12/1/2023	Interest Only	19,400,000	19,400,000
Inverness Lakes - Loan 2	4.61%	12/1/2023	Interest Only	5,300,000	5,300,000
Kings Mill - Loan 1	4.55%	12/1/2023	Interest Only	13,622,000	13,622,000
Kings Mill - Loan 2	4.61%	12/1/2023	Interest Only	3,926,000	3,926,000
Plantations at Pine Lake - Loan 1	4.55%	12/1/2023	Interest Only	11,817,000	11,817,000
Plantations at Pine Lake - Loan 2	4.61%	12/1/2023	Interest Only	2,275,000	2,275,000
Verandas at Rocky Ridge	4.55%	12/1/2023	Interest Only	10,205,000	10,205,000
Matthews Reserve - Loan 1 [2]	4.46%	12/1/2023	Interest Only	—	17,571,000
Matthews Reserve - Loan 2 [2]	5.61%	12/1/2023	Amortizing	—	2,917,260
City West - Loan 1 [3]	4.46%	12/1/2023	Interest Only	—	18,533,000
City West - Loan 2 [3]	5.59%	12/1/2023	Amortizing	—	6,328,309
Vinings Corner - Loan 1	4.46%	12/1/2023	Amortizing	36,223,866	36,640,000
Vinings Corner - Loan 2	5.50%	12/1/2023	Amortizing	6,171,466	6,261,611
Central Park - Loan 1 [4]	4.46%	12/1/2023	Interest Only	—	27,421,000
Central Park - Loan 2 [4]	5.55%	12/1/2023	Amortizing	—	2,322,[illegible]56
St. Marin - Loan 1 [5]	4.46%	12/1/2023	Interest Only	—	53,863,000
St. Marin - Loan 2 [5]	5.52%	12/1/2023	Amortizing	—	8,520,289
Lakewood Village - Loan 1	4.60%	1/1/2024	Amortizing	19,193,889	19,509,315
Monterey Village - Loan 1	4.60%	1/1/2024	Amortizing	8,918,723	9,065,527
Hidden Creek - Loan 1	4.60%	1/1/2024	Amortizing	3,511,112	3,569,082
Meadow Springs - Loan 1	4.60%	1/1/2024	Amortizing	9,873,592	10,038,919
Meadow View - Loan 1	4.60%	1/1/2024	Amortizing	10,808,812	10,986,577
Peachtree Landing - Loan 1	4.60%	1/1/2024	Amortizing	13,159,716	13,386,101
Indigo	4.49%	7/1/2023	Amortizing	36,908,725	37,402,362
Crestview at Cordova - Loan 1	4.43%	12/1/2020	Amortizing	4,614,974	4,684,794
Crestview at Cordova - Loan 2	4.43%	12/1/2020	Amortizing	3,080,300	3,188,709

National Property REIT Corp.
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Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2018	Outstanding Principal 12/31/2017
Island Club - Loan 1 [5]	4.36%	1/1/2019	Amortizing	—	7,000,938
Island Club - Loan 2 [5]	5.14%	1/1/2019	Amortizing	—	1,526,032
Chesterfield	4.51%	9/6/2024	Interest Only	4,350,000	4,350,000
Wyoming	4.51%	9/6/2024	Interest Only	3,600,000	3,600,000
Grand Rapids	4.51%	9/6/2024	Interest Only	5,460,000	5,460,000
Woodland	4.45%	9/6/2024	Interest Only	3,480,000	3,480,000
State Street	4.45%	9/6/2024	Interest Only	3,345,000	3,345,000
Jackson	4.45%	9/6/2024	Interest Only	6,695,000	6,695,000
Kalamazoo	4.45%	9/6/2024	Interest Only	1,775,000	1,775,000
Canterbury Green - Loan 1	4.21%	10/1/2024	Interest Only	65,825,000	65,825,000
Canterbury Green - Loan 2	5.13%	10/1/2024	Amortizing	8,157,479	8,283,996
Abbie Lakes	4.20%	10/1/2024	Interest Only	10,440,000	10,440,000
Brookside	4.20%	10/1/2024	Interest Only	11,000,000	11,000,000
Reserve at Abbie Lakes	4.20%	10/1/2024	Interest Only	20,142,000	20,142,000
Lakes Edge	4.20%	10/1/2024	Interest Only	10,080,000	10,080,000
Sunbury Ridge	4.20%	10/1/2024	Interest Only	10,480,000	10,480,000
Stonebridge	4.20%	10/1/2024	Interest Only	15,480,000	15,480,000
Jefferson Chase	4.20%	10/1/2024	Interest Only	12,240,000	12,240,000
Lake Ridge	4.11%	11/1/2024	Interest Only	8,040,000	8,040,000
Okemos	4.19%	3/6/2025	Interest Only	5,620,000	5,620,000
Lansing West	4.19%	3/6/2025	Interest Only	1,305,000	1,305,000
Novi	4.19%	3/6/2025	Interest Only	5,025,000	5,025,000
Lake Orion	4.19%	3/6/2025	Interest Only	5,225,000	5,225,000
Ypsilanti	4.19%	3/6/2025	Interest Only	2,630,000	2,630,000
Orchard Village	4.43%	12/1/2025	Interest Only	26,450,000	26,450,000
Sterling Crimson - Loan 1	4.20%	10/1/2026	Interest Only	41,250,000	41,250,000
Hawk's Ridge	4.20%	10/1/2026	Interest Only	24,825,000	24,825,000
Islander Village	4.20%	10/1/2026	Interest Only	10,800,000	10,800,000
Campus Quarters	4.20%	10/1/2026	Interest Only	14,175,000	14,175,000
District on Luther	4.20%	10/1/2026	Interest Only	32,058,000	32,058,000
West 22 - Loan 1	4.20%	10/1/2026	Interest Only	44,727,000	44,727,000
Legacy [6]	4.73%	1/1/2029	Interest Only	7,180,000	5,517,703
University Crossing [7]	4.91%	2/1/2026	Interest Only	15,115,189	17,487,362
Union Place	4.39%	1/1/2029	Interest Only	51,800,000	51,800,000
Eastwood Village - Loan 2	4.39%	1/1/2024	Amortizing	3,167,050	3,220,011
Monterey Village - Loan 2	4.39%	1/1/2024	Amortizing	1,960,312	1,993,307
Hidden Creek - Loan 2	4.39%	1/1/2024	Amortizing	1,145,851	1,165,019
Meadow Springs - Loan 2	4.39%	1/1/2024	Amortizing	2,331,290	2,380,328
Meadow View - Loan 2	4.39%	1/1/2024	Amortizing	2,053,063	2,087,408
Peachtree Landing - Loan 2	4.39%	1/1/2024	Amortizing	2,065,623	2,100,178
Seasons	4.59%	2/1/2029	Interest Only	153,580,000	153,580,000
Abbie Lakes - Loan 2	5.82%	10/1/2024	Interest Only	2,615,000	2,615,000
Brookside - Loan 2	5.82%	10/1/2024	Interest Only	2,502,000	2,502,000
Reserve at Abbie Lakes - Loan 2	5.83%	10/1/2024	Interest Only	3,114,000	3,114,000
Lakes Edge - Loan 2	5.84%	10/1/2024	Interest Only	4,400,000	4,400,000
Sunbury Ridge - Loan 2	5.82%	10/1/2024	Interest Only	3,635,000	3,635,000
Stonebridge - Loan 2	5.81%	10/1/2024	Interest Only	2,848,000	2,848,000
Jefferson Chase - Loan 2	5.82%	10/1/2024	Interest Only	4,960,000	4,960,000
Lake Ridge - Loan 2	5.82%	11/1/2024	Interest Only	1,560,000	1,560,000
7915 Baymeadows Circle Owner LLC	4.14%	11/1/2027	Interest Only	76,560,000	76,560,000
8025 Baymeadows Circle Owner LLC	4.14%	11/1/2027	Interest Only	12,240,000	12,240,000
23275 Riverside Drive Owner LLC	4.03%	12/1/2029	Interest Only	44,044,000	44,044,000
23741 Pond Road Owner LLC	4.03%	12/1/2029	Interest Only	14,185,000	14,185,000
150 Steeplechase Way Owner	4.07%	2/1/2028	Interest Only	36,668,000	—
West 22 - Loan 2	5.00%	10/1/2026	Amortizing	3,919,665	—
Sterling Crimson - Loan 2	5.04%	10/1/2026	Amortizing	1,559,209	—

Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2018	Outstanding Principal 12/31/2017
Laurel Pointe Holdings, LLC	4.52%	6/1/2028	Interest Only	26,400,000	—
Bradford Ridge Holdings, LLC	4.54%	6/1/2028	Interest Only	10,000,000	—
Olentangy Commons Owner LLC	4.43%	6/1/2030	Interest Only	92,475,000	—
Villages of Wildwood Holdings LLC	4.46%	8/1/2030	Interest Only	39,525,000	—
Falling Creek Holdings LLC	4.52%	9/1/2030	Interest Only	19,335,000	—
Reserve at Abbie Lakes - Loan 3	5.88%	10/1/2024	Amortizing	5,313,344	—
Sunbury Ridge - Loan 3	5.96%	10/1/2024	Amortizing	1,244,418	—
Abbie Lakes - Loan 3	5.94%	10/1/2024	Amortizing	1,177,610	—
Brooksedge - Loan 3	5.90%	10/1/2024	Amortizing	2,432,957	—
Jefferson Chase - Loan 3	5.90%	10/1/2024	Amortizing	2,395,343	—
Lake Ridge - Loan 3	5.91%	11/1/2024	Amortizing	2,293,357	—
Crown Pointe Passthrough LLC	4.14%	9/1/2030	Interest Only	89,400,000	—
Canterbury Green - Loan 3	6.16%	10/1/2024	Amortizing	12,597,741	—
Ashwood Ridge Holdings LLC	4.68%	10/1/2025	Interest Only	7,300,000	—
Loring Park Apts, LLC	4.83%	11/1/2030	Interest Only	47,680,000	—
Total outstanding principal				$ 1,659,875,276	$ 1,455,940,738
Less: unamortized discount and debt issuance costs				(12,223,842)	(10,414,151)
Total mortgages payable, net of unamortized discount and debt issuance costs				$ 1,647,651,434	$ 1,445,526,587

(1) Amberly Place was disposed of on October 12, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(2) Matthews Reserve was disposed of on August 30, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(3) City West was disposed of on November 15, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(4) Central Park was disposed of on January 11, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(5) St. Marin was disposed of on February 22, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(6) Island Club was disposed of on December 14, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(7) Interest at a variable rate indexed to the one month USD LIBOR interest rate, plus 216 basis points. Rate noted is as of December 31, 2018.
(8) During the year ended December 31, 2018, the Legacy loan was refinanced and was converted to a fixed interest rate of 4.22%. For the year ended December 31, 2017, Legacy interest was at a variable rate indexed to the one month USD LIBOR interest rate, plus 249 basis points.

On December 14, 2018, in connection with the sale of the Island Club property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $8,372,852. As a result, the Company recognized a loss on early extinguishment of debt of $253,114, which is included within interest expense on the combined consolidated statements of operations.

On November 15, 2018, in connection with the sale of the City West property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $22,965,349. As a result, the Company recognized a loss on early extinguishment of debt of $1,793,873, which is included within interest expense on the combined consolidated statements of operations.

On October 12, 2018, in connection with the sale of the Amberly Place property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $46,227,804. As a result, the Company recognized a loss on early extinguishment of debt of $2,114,967, which is included within interest expense on the combined consolidated statements of operations.

On August 30, 2018, in connection with the sale of the Matthews Reserve property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $19,738,402. As a result, the Company recognized a loss on early extinguishment of debt of $1,879,410, which is included within interest expense on the combined consolidated statements of operations.

On February 22, 2018, in connection with the sale of the St. Marin property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $62,309,441. As a result, the Company recognized a loss on early extinguishment of debt of $294,656, which is included within interest expense on the combined consolidated statements of operations.

On January 11, 2018, in connection with the sale of the Central Park property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $29,793,156. As a result, the Company recognized a loss on early extinguishment of debt of $3,681,326, which is included within interest expense on the combined consolidated statements of operations.

On August 29, 2017, in connection with the sale of the Plantation at Hillcrest property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $4,769,699. As a result, the Company recognized a loss on early extinguishment of debt of $421,555, which is included within interest expense on the combined consolidated statements of operations.

On June 15, 2017, in connection with the sale of the Mission Gate property, as described in Note 3, *Recent Real Estate Transactions*, the associated outstanding mortgage balance in the amount of $41,715,014 was assumed by the acquirer. As a result, the Company recognized a loss on early extinguishment of debt of $240,968, which is included within interest expense on the combined consolidated statements of operations.

On January 18, 2017, in connection with the sale of the Bexley property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $32,429,255. As a result, the Company recognized a loss on early extinguishment of debt of $4,685,165, which is included within interest expense on the combined consolidated statements of operations.

Future scheduled principal payments of mortgage payable are as follows: $8,818,832 (2019), $35,508,555 (2020), $14,055,628 (2021), $17,512,663 (2022), $340,951,284 (2023), and $1,243,028,314 (thereafter).

12. Income Taxes

Income taxes consisted of the following for the years ended:

	December 31, 2018	December 31, 2017
Current federal tax benefit	$ —	$ —
Current state tax expense	(31,936)	(198,777)
Net deferred federal tax expense	—	—
Net deferred state tax expense	—	—
Income tax expense	**$ (31,936)**	**$ (198,777)**

Income tax expense for the years ended December 31, 2018 and 2017 differs from the amount determined by applying the statutory federal rate of 21.0% and 34.0%, respectively, to income (loss) before income tax expense generated by the Company's taxable REIT subsidiaries as follows:

	December 31, 2018		December 31, 2017	
	Amount	Rate	Amount	Rate
Income tax (expense) benefit at federal tax rate	**$(2,407,491)**	**(21.0)%**	**$ 4,988,886**	**(34.0)%**
Change in valuation allowance	399,050	3.5 %	(137,586)	1.0 %
Tax benefit from fair value adjustment prior to sale to affiliate	624,097	5.4 %	4,094,379	(27.9)%
Income (loss) not subject to entity level tax	1,377,637	12.0 %	(4,392,399)	29.9 %
State income taxes, net of federal tax effect	(25,229)	(0.2)%	(131,194)	0.9 %
Change in federal tax rate	—	— %	(4,620,865)	31.5 %
Income tax expense	**$ (31,936)**	**(0.3)%**	**$ (198,777)**	**1.4 %**

Deferred tax assets consist of the following:

	December 31, 2018	December 31, 2017
Deferred federal tax benefit	$ 6,905,671	$ 7,464,471
Deferred state tax benefit	1,027,262	867,512
Total deferred tax assets	**$ 7,932,933**	**$ 8,331,983**
Valuation allowance	(7,932,933)	(8,331,983)
Deferred tax assets after valuation allowance	$ —	$ —

The tax effected cumulative temporary differences that give rise to the deferred tax assets as of December 31, 2018 and 2017 are the debt issuance costs on the revolving credit facilities, interest income on delinquent loans which are not charged off and the federal and state net operating losses from prior periods. Deferred tax assets are recognized subject to our judgment that realization is more likely than not. As of December 31, 2018 and 2017, the Company provided a full allowance on the deferred tax assets as it is more likely than not that these assets will not result in future tax benefits.

ASC 740, Income Taxes ("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 December 31, 2018 and 2017, we did not have a liability for any unrecognized tax benefits. 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 ongoing analysis of tax laws, regulations and interpretations thereof. We file tax returns for U.S. Federal, various states and foreign jurisdictions. The statute of limitation is open for all jurisdictions for tax years beginning in 2015.

The Company's policy is to classify interest and penalties on tax positions, if any, as expenses. For the years ended December 31, 2018 and 2017, no interest and penalties have been accrued.

13. Equity

As of December 31, 2018 and 2017, the Company authorized 100,000,000 common shares, par value $0.001. NPH is the Company's sole common stockholder. As of December 31, 2018 and 2017, the Company paid an aggregate of $687,735,264 and $452,273,635 of dividends on common shares, respectively.

As of December 31, 2018 and 2017, the Company had 125 shares outstanding in connection with a private placement of 12.5% Series A Cumulative Non-Voting Preferred Stock, par value $0.001 per share (Series A Preferred Stock), respectively. In general, holders of Series A Preferred Stock are entitled to receive cumulative dividends semiannually at a per annum rate equal to 12.5% of the total purchase price of $1,000 per share plus accumulated and unpaid dividends. The Series A Preferred Stock is redeemable by the Company for $1,000 per share plus accumulated and unpaid dividends. Upon liquidation and dissolution of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference in the amount of the share's purchase price, plus all accumulated and unpaid dividends. Series A Preferred Stock are not convertible or exchangeable for any other property or securities of the Company. As of December 31, 2018 and 2017, the Company paid an aggregate of $204,249 and $188,624 of dividends on Series A preferred shares, respectively.

14. Related Party Transactions

On December 31, 2013, the Company entered into a management assistance agreement with Prospect Administration LLC ("Prospect") to provide significant managerial assistance to the Company on behalf of PSEC. On January 1, 2018, the management assistance agreement was amended to increase the annual fee from $1,300,000 to $2,100,000.

In accordance with the Investment Company Act of 1940, PSEC must make available "significant managerial assistance" to the Company. Prospect provides assistance with significant guidance and counsel concerning the management, operations, and business objectives and policies to the Company. Services may include arranging financing, managing relationships with financing sources, restructuring existing debt and evaluating acquisition and divestiture opportunities. Prospect also exercises a controlling influence over the policies of the Company. On a quarterly basis, the Company pays a managerial assistance fee to Prospect for time and effort in assisting and providing commercial and mezzanine lending, investment banking, and private equity investing services. The Company incurred managerial assistance fees of $2,100,000 and $1,300,000, respectively, for the years ended December 31, 2018 and 2017, which are included in management fees in the accompanying combined consolidated statements of operations.

On a quarterly basis, the Company pays Prospect for professional services provided related to legal counsel, taxation, and general accounting. For the years ended December 31, 2018 and 2017, the Company incurred professional service fees of $439,135 and $1,735,894, respectively, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations. As of December 31, 2018 and 2017, $141,159 and $122,179, respectively, is due to Prospect and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2018, $1,431 and $51,554 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2017, $11,477 and $19,707 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

The Company generally incurs a 2% to 3% structuring fee for the PSEC equity portion of each acquired property. The structuring fee is paid to PSEC for structuring and providing guidance for each purchase transaction. For the years ended December 31, 2018 and 2017, the Company incurred structuring fees of $1,899,547 and $1,883,103, respectively.

On February 9, 2016, the Company entered into an Amended and Restated Services Agreement with First Financial Partners, Inc. ("FFP"), whose principal and sole owner is Mr. Stock, a director of the Company, regarding the Company's engagement of FFP as an independent contractor to provide transaction and execution services. For the year ended December 31, 2018 and 2017, the Company incurred professional service fees and related expenses of $0 and $20,000, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations.

The Company also entered into property management agreements with the non-controlling interest joint venture partners to manage the operations of the properties. The Company pays a monthly management fee of 2% - 6% of the gross monthly rents to the property managers. For the years ended December 31, 2018 and 2017, property management fees were $7,327,679 and $7,176,724, respectively, and are included in management fees in the combined consolidated statement of operations.

The Company also pays a monthly asset management fee up to 1.25% of the gross monthly rents to the property managers. For the years ended December 31, 2018 and 2017, asset management fees were $1,728,477 and $927,961, respectively. These amounts are included in the management fee line item in the accompanying combined consolidated statements of operations.

As of December 31, 2018 and 2017, $1,824,262 and $721,003 of management fees and asset management fees, respectively, were payable to property managers, and is included in due to affiliates in the accompanying combined consolidated balance sheets.

The property management agreements also stipulate that a construction management fee of 4% - 6% of project cost is to be paid to the property managers. For the years ended December 31, 2018 and 2017, capitalized construction management fees were $1,328,612 and $812,899, respectively, and is included within building and improvements in the accompanying combined consolidated balance sheets.

The Company generally incurs an acquisition fee from 0.5% to 1% of the purchase price of each acquired property. The acquisition fee is paid to the Property Managers for services rendered in connection with the investigation, selection, sourcing, due diligence and acquisition of a property or investment. For the years ended December 31, 2018 and 2017, the Company incurred acquisition fees of $2,126,500 and $2,567,250, respectively. The amount related to the year ended December 31, 2018 has been capitalized and included in real estate assets in the accompanying combined consolidated balance sheet. The amount related to the year ended December 31, 2017 is included in acquisition costs in the accompanying combined consolidated statements of operations.

In connection with the acquisitions of several properties during the year ended December 31, 2018, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. During year ended 2018 and 2017, respectively, $1,494,000 and $0 were paid to the non-controlling joint venture partners. As of December 31, 2018, $3,383,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2018, $3,076,785 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

In connection with the acquisitions of several properties during the year ended December 31, 2017, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. No performance measures have been met as of December 31, 2017. As of December 31, 2017, $4,141,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2017, $3,691,000 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

The Company noted that certain expenses are paid for by the property managers and have yet to be reimbursed. As of December 31, 2018 and 2017, unreimbursed advances and other amounts due to related parties were $823,288 and $136,307, respectively, and are recorded by the Company as due to affiliates on the combined consolidated balance sheets.

15. Senior Secured Term Loans - Related Party

NPRC Credit Agreement

On April 1, 2014, the Company entered into a credit agreement (the "Credit Agreement") with PSEC in the form of a senior secured term loan. On December 31, 2018, the Company refinanced and amended the Credit Agreement. The Credit Agreement consists of a senior secured term loan A ("TLA") and senior secured term loan B ("TLB"), collectively referred to as the "Term Loans". The refinancing resulted in an increase in the outstanding Term Loans from $498,202,638 to $638,553,250.

The amendment increased the interest rate floor, reduced the interest rate margins, extended the maturity dates, and replaced Net Operating Income Interest with Residual Profit Interest. The additional borrowings of $140,350,612 was used as an equity distribution to NPH. The maturity date of the senior secured term loans under the amended Credit Agreement is December 31, 2023. As of December 31, 2018 and 2017, the total commitment was $1,250,000,000 and $1,500,000,000, respectively.

The Credit Agreement refinancing resulted in $12,771,065 of structuring fees, which was capitalized as a direct offset to the Term Loan balance on the combined consolidated balance sheets. For the years ended December 31, 2018 and 2017, the Company also incurred $39,384 and $459,158 of structuring fees for borrowings under the senior secured term loans, respectively. The structuring fees are deferred and amortized over the life of the senior secured term loan. For the years ended December 31, 2018 and 2017, $541,055 and $1,399,491 were amortized and recorded within interest expense on the combined consolidated statements of operations, respectively.

The Credit Agreement does not require payments on the outstanding principal until maturity, with prepayments allowed but subject to a prepayment penalty. During the year ended December 31, 2017, the Company has voluntarily pre-paid in aggregate $23,750,000 of the Term Loan A commitment under the Credit Agreement. As a result, the Company recognized a prepayment premium of $237,500, which is included within interest expense on the combined consolidated statements of operations.

Upon restructuring, the Residual Profit Interest replaced the Net Operating Income Interest whereby the Company incurred net operating income interest equivalent to 500 basis points of the net operating income earned during the applicable period. The Company is required to make payments for Residual Profit Interest equivalent to 25% of the Residual Profit earned during the applicable period. The Company determines the Residual Profit as all Gross Receipts received by the Company less the sum of Operating Expenses, interest expense, structuring fees, M&A fees, and cost basis in connection to the sale of any real estate property during the applicable period.

Cash interest and residual profit interest are payable in cash quarterly. PIK interest due quarterly is added to the outstanding principal balance of the loan or paid in cash, in whole or in part, at the option of the Company.

ACL Credit Agreement

On June 30, 2014, ACLLH, a wholly owned subsidiary of the Company, entered into a credit agreement with PSEC in the form of a senior secured term loan. On December 15, 2015, ACLL, a wholly owned subsidiary of the Company entered into a credit agreement (collectively referred to as the "ACL Credit Agreement") with PSEC in the form of senior secured term loan.

During the year ended December 31, 2018, the Company made non-cash contributions of $111,851,664 to NMF through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $111,851,664. The outstanding principal balance was repaid in full.

During the year ended December 31, 2017, the Company made non-cash contributions of $73,558,293 to NMF through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $73,558,293.

Upon the Company's refinancing of the Credit Agreement on December 31, 2018, the ACL Credit Agreement was terminated.

Following tables present a summary of our senior secured term loan terms and payable as of December 31, 2018 and 2017:

Senior Secured Term Loan	As of December 31, 2018 Cash Rate [1]	PIK Rate	Outstanding Principal
Term Loan A	3-Mo Libor + 5.50%	5.00%	$433,553,250
Term Loan B	3-Mo Libor + 2.00%	5.50%	205,000,000
Total outstanding principal			$638,553,250
Less: unamortized debt issuance costs			(12,771,065)
Total senior secured term loans, net of debt issuance costs			$625,782,185

(1) Rates are accrued at minimum LIBOR floor of 200 basis points

Senior Secured Term Loan	As of December 31, 2017 Cash Rate [1]	PIK Rate	Outstanding Principal
Term Loan A	1-Mo Libor + 4.00%	10.50%	$293,202,638
Term Loan E	1-Mo Libor + 9.00%	5.00%	113,239,760
Term Loan C (ACLLII)	1-Mo Libor + 9.00%	5.00%	14,273,602
Term Loan C (ACLL)	1-Mo Libor + 9.00%	5.00%	132,578,062
Total outstanding principal			$553,294,062
Less: unamortized debt issuance costs			(541,055)
Total senior secured term loans, net of debt issuance costs			$552,753,007

(1) Rates are accrued at minimum LIBOR floor of 200 basis points

For the year ended December 31, 2018, the Company incurred $47,579,438, $36,296,683, and $7,070,522 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2018, a total of $36,600,419 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2018, $935 of cash interest, $0 of PIK interest and $655,958 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

For the year ended December 31, 2017, the Company incurred $50,045,938, $37,922,021, and $6,279,251 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2017, a total of $36,842,136 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2017, $446,209 of cash interest, $303,736 of PIK interest and $582,483 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

16. Commitments and Contingencies

The Company believes that it has complied with the requirements of the mortgage payable by obtaining the requisite third party insurance coverage for losses that may be incurred at the properties. Losses for amounts below the threshold of the deductible amounts specified in certain of the Company's insurance policies are self-insured; however, management does not believe that this exposure will have a material adverse effect on the Company's combined consolidated financial position or results of operations.

Periodically, the Company may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of the business. The Company does not believe that there are any proceedings threatened or pending, if determined adversely, that would have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

17. Subsequent Events

In January 2019, Cobb County ("County") initiated condemnation actions to acquire by eminent domain 70 units of the Arlington Park at Wildwood Apartments property for the purpose of constructing a road. The County filed motions for immediate possession of the units with the court, so that the County could move forward with construction. Compensation of $10,351,000 has been received from the County based upon the County's initial appraisal. The Company has paid off the remaining portion of the Company's existing property loan principal and interest payable balances of $9,557,465 and $34,404, respectively, with the compensation received from the County. The Company is currently in the process of undergoing a third party appraisal with the goal of increasing the amount of compensation from the County.

On January 9, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Beachwood, Ohio for an aggregate purchase price of $96,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,520,000.

On January 18, 2019, the Company sold the Vinings Corner property to an unaffiliated third party for a gross sales price of $59,100,000. The Company recognized a gain of $28,159,258 in connection with the sale.

On January 28, 2019, NMF terminated its credit facility agreement with Morgan Stanley.

On March 27, 2019, NMF distributed $38,441,042 to the Company, which was used to pay down the TLB.

On March 27, 2019 NMF amended and restated its credit facility agreement with Texas Capital Bank, in which GIFS Capital Company, LLC and Credit Suisse AG, Cayman Islands Branch, sold and assigned all of their respective interests in the loan to Texas Capital Bank.

On March 28, 2019, the Company's Board of Directors approved and authorized a dividend to the sole common stockholder in the amount of $1,000,000, which was was paid in cash.

On May 21, 2019, the Company sold the Lofton Place property to an unaffiliated third party for a gross sales price of $43,150,000. The Company recognized a gain of $19,819,136 in connection with the sale.

On June 21, 2019, NMF terminated its credit facility agreement with Macquarie.

On June 28, 2019, the Company sold the South Atlanta portfolio to an unaffiliated third party for a gross sales price of $164,000,000. The Company recognized a gain of $82,165,579 in connection with the sale.

On June 28, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Orlando, Florida for an aggregate purchase price of $26,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $21,200,000.

On July 9, 2019, NMF fully paid off the outstanding revolving credit facility loan with Texas Capital Bank.

On July 12, 2019, the Company entered into a purchase and sale agreement with an unaffiliated third party to sell Indigo for a gross sales price of $57,750,000.

On July 24, 2019, the Company entered into a purchase and sale agreement with an unaffiliated third party to sell The Resort for a gross sales price of $322,000,000.

On July 30, 2019, the Company, together with a joint venture partner, acquired a multi-family property located in Atlanta, Georgia for an aggregate purchase price of $96,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $79,104,000.

The Company has evaluated subsequent events through August 1, 2019, the date of which these financial statements were available to be issued, and has determined that, except for the above, there have not been any additional events that have occurred that would require adjustments to, or disclosures in, the combined consolidated financial statements.

National Property REIT Corp.

Combined Consolidated Financial Statements
For the years ended December 31, 2017 and 2016
(With Independent Auditor's Report Thereon)

National Property REIT Corp.
Combined Consolidated Financial Statements
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BDO
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Independent Auditor's Report

Board of Directors
National Property REIT Corp.
New York, New York

We have audited the accompanying combined consolidated financial statements of National Property REIT Corp. and its subsidiaries, which comprise the combined consolidated balance sheets as of December 31, 2017 and 2016, and the related combined consolidated statements of operations, changes in (deficit) equity, and cash flows for the years then ended, and the related notes to the combined consolidated financial statements.

Management's Responsibility for the Combined Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these combined consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Property REIT Corp. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

August 20, 2018

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National Property REIT Corp.
Combined Consolidated Balance Sheets

	December 31,	
	2017	2016
ASSETS		
Real estate assets		
Land	$ 202,694,929	$ 160,760,742
Building and improvement	1,410,337,215	1,253,599,431
Furniture, fixtures, and equipment	76,336,485	51,645,443
Total real estate assets held for investment	1,689,368,629	1,465,805,616
Less: accumulated depreciation	(180,740,198)	(136,092,392)
Net real estate assets held for investment	1,508,628,431	1,329,713,224
Real estate assets held for sale, net	97,395,082	25,938,275
Total real estate assets, net	1,606,023,513	1,355,651,499
Cash and cash equivalents	34,116,795	32,609,382
Restricted cash ($11,181,297 and $19,596,223 as of December 31, 2017 and 2016, respectively, related to consolidated variable interest entity ("VIE"))	65,036,495	59,721,126
Accounts receivable, net	5,098,527	2,931,470
Interest receivable ($1,693,096 and $4,401,157 as of December 31, 2017 and 2016, respectively, related to consolidated VIE)	9,818,312	10,383,189
Due from LendingClub Corporation ($1,098,778 and $1,816,471 as of December 31, 2017 and 2016, respectively, related to consolidated VIE)	5,848,661	7,075,357
Due from Prosper Funding LLC	755,878	810,457
Due from Avant, Inc.	2,214	1,708
Due from affiliates	36,663	848,619
Prepaid expenses and other assets	10,131,187	3,724,480
Unsecured consumer loans at fair value ($93,182,651 and $267,642,484 as of December 31, 2017 and 2016, respectively, related to consolidated VIE)	596,148,010	759,589,421
Residual interests in securitizations, at fair value	33,689,314	—
Deferred leasing costs, net	308,969	—
Lease intangibles, net	4,339,553	15,246,687
TOTAL ASSETS	$ 2,371,357,091	$ 2,248,596,405
LIABILITIES AND DEFICIT		
Liabilities		
Mortgages payable, net of unamortized discount and debt issuance costs	$ 1,351,820,354	$ 1,168,615,083
Mortgages payable related to real estate assets held for sale, net of unamortized discount and debt issuance costs	91,706,233	32,141,193
Revolving credit facilities, at fair value	264,130,359	217,579,369
Debt (net of debt issuance costs) related to consolidated VIE	87,198,587	208,873,814
Senior secured term loans, net of debt issuance costs	552,753,007	624,003,996
Accounts payable and accrued expenses	34,072,910	22,773,859
Security deposits	4,399,000	4,210,248
Due to affiliates	6,778,472	6,675,096
Prepaid rent and other liabilities	3,814,477	4,030,191
Total liabilities	2,386,673,399	2,288,903,851
Commitments and contingencies (Note 17)		
Deficit		
Preferred stock, $0.001 par value, Series A Cumulative Non-Voting, 12.5%, $125,000 liquidation preference, 125 shares authorized, issued and outstanding	109,950	109,950
Common stock, $0.001 par value; 100,000,000 common shares authorized, 2,653,825 and 1,843,535 issued and outstanding, respectively	2,654	1,844
Additional paid-in-capital	281,621,029	176,308,017
Accumulated deficit	(308,567,214)	(243,242,111)
Non-controlling interest	11,517,263	26,514,854
Total deficit	(15,316,308)	(40,307,446)
TOTAL LIABILITIES AND DEFICIT	$ 2,371,357,091	$ 2,248,596,405

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Operations

	Years Ended December 31,	
	2017	**2016**
Revenues		
Rental income	$ 205,583,493	$ 162,613,343
Interest income	164,141,373	145,731,804
Other income	28,006,701	23,128,670
Total revenues	397,731,567	331,473,817
Costs and expenses		
Property operating expenses	97,203,632	76,807,980
Management fees	16,881,394	14,594,401
Depreciation and amortization	81,202,478	59,643,813
General and administrative expenses	16,223,502	23,563,097
Total costs and expenses	211,511,006	174,609,291
Other (expense) income		
Acquisition costs	(5,139,102)	(7,583,131)
Interest expense	(188,963,955)	(158,128,068)
Fair value adjustments	(114,395,663)	(98,479,188)
Gain on sale of real estate assets	53,392,817	16,673,356
Gain on sale of interest in consolidated VIE	457,448	—
Total other (expense) income, net	(254,648,455)	(247,517,031)
Net loss before income tax	(68,427,894)	(90,652,505)
Income tax expense	(198,777)	(14,757)
Net loss	(68,626,671)	(90,667,262)
Loss attributable to non-controlling interest	3,317,193	4,718,760
Dividends attributable to preferred shares	(15,625)	(65,588)
Net loss attributable to common shares	$ (65,325,103)	$ (86,014,090)

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Changes in (Deficit) Equity

	Preferred Shares	Common Shares	Additional Paid-In-Capital	Accumulated Deficit	Total Stockholders' (Deficit) Equity	Non-Controlling Interest	Total (Deficit) Equity
Balance at December 31, 2015	$ 322,400	$ 970	$ 149,171,459	$ (157,228,021)	$ (7,733,192)	$ 14,107,188	$ 6,373,996
Issuance of common shares	—	874	87,023,403	—	87,024,277	—	87,024,277
Contribution from non-controlling interest	—	—	—	—	—	28,645,727	28,645,727
Dividends on common shares	—	—	(59,886,845)	—	(59,886,845)	—	(59,886,845)
Dividends on preferred shares	—	—	—	(65,588)	(65,588)	—	(65,588)
Distributions to non-controlling interest	—	—	—	—	—	(11,519,301)	(11,519,301)
Redemption of preferred shares	(212,450)	—	—	—	(212,450)	—	(212,450)
Net loss	—	—	—	(85,948,502)	(85,948,502)	(4,718,760)	(90,667,262)
Balance at December 31, 2016	$ 109,950	$ 1,844	$ 176,308,017	$ (243,242,111)	$ (66,822,300)	$ 26,514,854	$ (40,307,446)
Issuance of common shares	—	820	147,749,553	—	147,750,373	—	147,750,373
Contribution from non-controlling interest	—	—	—	—	—	7,462,045	7,462,045
Dividends on common shares	—	—	(41,954,441)	—	(41,954,441)	—	(41,954,441)
Dividends on preferred shares	—	—	—	(15,625)	(15,625)	—	(15,625)
Distributions to non-controlling interest	—	—	—	—	—	(16,992,860)	(16,992,860)
Purchase of subsidiary shares from non-controlling interest	—	—	(482,100)	—	(482,100)	(2,149,583)	(2,631,683)
Net loss	—	—	—	(65,309,478)	(65,309,478)	(3,317,193)	(68,626,671)
Balance at December 31, 2017	$ 109,950	$ 2,664	$ 281,621,029	$ (308,567,214)	$ (26,833,571)	$ 11,517,263	$ (15,316,308)

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Combined Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2017	2016
Cash Flows from Operating Activities:		
Net loss	$ (68,626,671)	$ (90,667,262)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	62,490,185	53,102,382
Amortization of in-place leases	18,712,293	6,541,431
Amortization of above-market leases	74,201	31,801
Amortization of below-market leases	(369,494)	(158,354)
Amortization of deferred leasing costs	212,008	—
Amortization of debt issuance costs and debt discounts and premiums	7,555,059	5,158,141
Interest paid in kind	776,149	—
Gain on sale of real estate assets	(53,392,817)	(16,673,356)
Gain on involuntary conversions	(117,379)	(175,552)
Loss on early extinguishment of debt	5,585,188	—
Fair value adjustments of unsecured consumer loans	112,189,223	98,479,188
Fair value adjustments of residual interests in securitizations	2,206,440	—
Realized gain on sale of interest in consolidated VIE	(457,448)	—
Income from accretion on residual interests in securitizations	(1,945,931)	—
Changes in operating assets and liabilities:		
Restricted cash	(4,836,920)	(6,451,166)
Accounts receivable, net	(2,167,057)	1,965,395
Interest receivable	564,877	(3,013,880)
Due to (due from) affiliates, net	915,332	2,795,691
Prepaid expenses and other assets	(6,406,707)	398,698
Accounts payable and accrued expenses	1,297,051	3,765,012
Security deposits and other liabilities	(26,962)	2,927,201
Deferred leasing costs	(520,977)	—
Net cash provided by operating activities	**73,709,643**	**58,025,370**
Cash Flows from Investing Activities:		
Restricted cash	(4,391,558)	3,892,625
Acquisition of real estate assets	(359,240,133)	(295,129,565)
Additions to real estate assets	(29,180,937)	(15,294,175)
Additions to lease intangibles	(7,509,867)	(19,620,435)
Proceeds from disposition of real estate assets	87,101,619	18,777,803
Proceeds from insurance settlement	326,987	1,055,949
Purchases of unsecured consumer loans	(520,691,146)	(580,599,910)
Principal payments received on unsecured consumer loans	407,993,257	328,436,658
Proceeds from sale of unsecured consumer loans	122,797,118	—
Proceeds from recoveries and sales of charged-off loans	10,683,136	5,469,337
Purchase of residual interest in securitization	(3,480,000)	—
Proceeds from sale of debt related to consolidated VIE	39,723,448	—
Decrease in Due from LendingClub Corporation	1,226,696	36,152,728
Decrease in Due from Prosper Funding LLC	51,589	3,450,034
(Increase) decrease in Due from Avant, Inc.	(506)	91,964
Net cash used in investing activities	**(254,590,297)**	**(513,316,987)**
Cash Flows from Financing Activities:		
Restricted cash	3,916,109	(11,885,591)
Proceeds from mortgages payable	326,243,000	323,458,994
Repayments of mortgages payable	(41,000,538)	(1,033,817)
Proceeds from revolving credit facilities	357,756,148	290,181,851
Repayments of revolving credit facilities	(311,205,158)	(422,177,317)
Borrowings under debt related to consolidated VIE	—	243,441,829
Principal payments under debt related to consolidated VIE	(164,058,600)	(30,543,455)
Proceeds from senior secured term loan	62,366,322	189,101,448
Repayments of senior secured term loan	(135,333,793)	(141,404,677)
Debt issuance costs	(4,955,924)	(11,844,783)
Payment of debt extinguishment costs	(4,965,308)	—
Proceeds from issuance of common stock	147,750,373	87,024,277
Capital distributions	(41,954,441)	(59,886,845)
Dividends on preferred shares	(15,625)	(65,588)
Redemption of preferred stock	—	(212,450)

National Property REIT Corp.
Combined Consolidated Statements of Cash Flows (Continued)

	Years Ended December 31,	
	2017	2016
Acquisition of subsidiary interest from non-controlling interest	(2,631,683)	—
Contributions from non-controlling interest	7,462,045	28,645,727
Distributions to non-controlling interests	(16,992,860)	(11,519,301)
Increase in due to (due from) affiliates, net	—	1,318,827
Net cash provided by financing activities	182,388,067	472,599,129
Net increase in cash and cash equivalents	1,507,413	17,307,512
Cash and cash equivalents, beginning of year	32,609,382	15,301,870
Cash and cash equivalents, end of year	$ 34,116,795	$ 32,609,382

	Year Ended December 31,	
	2017	2016
Supplemental Disclosures		
Cash paid during the period for:		
Interest expenses	$ 178,950,978	$ 152,445,626
Income taxes	$ 209,116	$ 370,379
Non-cash investing and financing activities:		
Mortgage loan assumed by purchaser upon sale of property	$ 41,640,462	$ —
Accrued additions to real estate assets	$ 466,067	$ 183,412
Residual interest acquired in securitization	$ 30,469,823	$ —
Increase in borrowings under debt related to consolidated VIE	$ 39,266,000	$ —

See Notes to Combined Consolidated Financial Statements

National Property REIT Corp.
Notes to Combined Consolidated Financial Statements

1. Organization

References herein to the "Company", "we", "us", or "our" refer to National Property REIT Corp. ("NPRC"), formerly known as National Property Holdings Corp., unless the context specifically requires otherwise.

The Company is a Maryland corporation and is a real estate investment trust ("REIT") for U.S. federal income tax purposes. The Company was formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets and engage in any and all other activities as may be necessary, incidental or convenient to carry out the foregoing. The Company intends to acquire real estate assets, including, but not limited to, industrial, commercial, student housing, self-storage, and multi-family properties. The Company commenced operations on December 31, 2013.

NPH Property Holdings, LLC ("NPH"), a Delaware limited liability company, owns all of the outstanding common stock of the Company. NPH is a wholly owned subsidiary of Prospect Capital Corporation ("PSEC"). On December 31, 2013, PSEC contributed to the Company, through NPH, ownership interests in entities that own real estate properties. In exchange for the contribution of assets, NPH received shares of the Company's common stock. These entities were NPH McDowell, LLC ("Oxford"), APH Carroll 41, LLC ("Bexley"), and 146 Forest Parkway, LLC ("146 FP"). On October 23, 2014, United Property REIT Corp. ("UPRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in Michigan Storage, LLC ("Michigan"), an entity that owns a portfolio of self-storage real estate properties. UPH Property Holdings, LLC ("UPH"), a Delaware limited liability company, owned all of the outstanding common stock of UPRC. UPH was a wholly owned subsidiary of PSEC. On November 26, 2014, American Property REIT Corp. ("APRC"), an affiliated entity indirectly owned by PSEC, contributed to the Company, ownership interest in APH Carroll Resort, LLC ("The Resort"), an entity that owns a multi-family real estate property. On May 1, 2015, APRC contributed to the Company, ownership interest in 5100 Live Oaks Blvd, LLC ("Amberly"), an entity that owns a multi-family real estate property. APH Property Holdings, LLC ("APH"), a Delaware limited liability company, owned all of the outstanding common stock of APRC. APH was a wholly owned subsidiary of PSEC. These entity contribution transactions are collectively referred to as the "Common Control Transfer".

On May 23, 2016, APRC and UPRC (collectively referred to as the "Affiliated REITs") were merged ("Merger") with and into the Company, with the Company continuing as the surviving corporation. The Affiliated REITs were formed to hold for investment, operate, finance, lease, manage, and sell a portfolio of real estate assets. At the date of Merger, the Affiliated REITs held an investment portfolio of real estate assets owned directly or through joint ventures by making a majority equity investment in property-owning entities. The real estate investments acquired during the Merger are collectively known as the "Merger Investments".

In accordance with FASB ASC 805, "Business Combinations," the Merger and Common Control Transfer transactions noted above were executed between entities under common control. The assets and liabilities of each of the entities acquired through these transactions were recorded at their historical carrying amounts, and the results of operations of these entities have been recognized in the accompanying combined consolidated statements of operations for all periods presented. NPRC's combined consolidated balance sheets as of December 31, 2017 and 2016 reflect the historical carryover basis in the assets and liabilities acquired. The Company has also retrospectively adjusted its financial statements to combine the operating results of the Company and the entities acquired from the date common control began.

National Marketplace Finance, LLC (formerly known as Prospect Finance Company, LLC) ("NMF") is a subsidiary of the Company, and currently owns the online originated unsecured consumer loan portfolio. NMF holds the interests in ACL Loan Holdings, Inc. ("ACLLH") and American Consumer Lending Limited ("ACLL").

ACLLH was formed to hold the indirect interest in ACL Consumer Loan Trust ("ACL Trust"), which was contributed to ACLLH on June 30, 2014 by the Company, its initial sole member. ACL Trust and American Consumer Lending (Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust, referred to as the "ACL Subsidiaries"), holds unsecured consumer loans purchased from Prosper Funding LLC ("Prosper").

ACL Consumer Loan Trust III ("ACL Trust III"), a subsidiary of ACLLH, formed on June 10, 2014, and American Consumer Lending III (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust III, referred to as the "ACL III Subsidiaries"), formed on June 13, 2014, holds unsecured consumer loans purchased from LendingClub Corporation. ACL Consumer Loan Trust IV ("ACL Trust IV"), a subsidiary of ACLLH, formed on March 23, 2015, and American Consumer Lending IV (Near-Prime), LLC, a subsidiary of ACLL, (collectively with ACL Trust IV, referred to as the "ACL IV Subsidiaries"), formed on January 15, 2015, holds unsecured consumer loans originated by and purchased from LendingClub Corporation. ACL Patient Solutions Trust ("ACL PS"), a subsidiary of ACLLH, formed on October 14, 2015, and ACL Patient Solutions Holdings, LLC, a subsidiary of ACLL, formed on October 5, 2015, holds unsecured consumer loans from NBT Bank, National Association

("NBT"). From October 20, 2015 to December 31, 2017 ACL PS acquired and held unsecured consumer loans as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone Financial, LLC ("Springstone"), a wholly-owned subsidiary of LendingClub Corporation. ACL Consumer Loan Trust V ("ACL Trust V"), a subsidiary of ACLL, formed on October 16, 2015, holds unsecured consumer loans purchased from Avant II, LLC ("Avant") for the period November 17, 2015 to December 31, 2017. ACL Consumer Loan Trust VI ("ACL Trust VI"), a subsidiary of ACLLH, formed on April 27, 2016, and American Consumer Lending VI, LLC, a subsidiary of ACLL, (collectively with ACL Trust VI, referred to as the "ACL VI Subsidiaries"), formed on November 30, 2015, holds unsecured consumer loans purchased from LendingClub Corporation for the period May 1, 2016 to December 31, 2017. Murray Hill Securitization Holdings Limited ("Murray Hill"), a subsidiary of ACLL, formed on July 24, 2015, holds interest in Murray Hill Marketplace Trust 2016-LC1, a securitization of unsecured consumer loans purchased from LendingClub Corporation for the period October 13, 2016 to December 31, 2017. Lending Club Corporation and Springstone are hereafter collectively referred to as "Lending Club". American Consumer Lending VII, LLC, a subsidiary of ACLL, formed on October 5, 2017, holds unsecured consumer loans purchased from Prosper and NBT during the period July 28, 2015 to December 31, 2017.

NPH Guarantor, LLC was contributed to NMF on January 13, 2015 by the Company, its initial sole member. NPH Guarantor, LLC is the indemnitor of the ACL III Subsidiaries and ACL PS revolving credit facilities outlined in Note 11. There was no activity in NPH Guarantor, LLC from inception through December 31, 2017.

2. Significant Accounting Policies

a. *Principles of Reporting and Use of Estimates*

The accompanying combined consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the combined consolidated financial statements and the reported amounts of revenues and expenses during the reported periods.

Management makes significant estimates regarding the allocation of a property's purchase price to the tangible and intangible assets and liabilities acquired, revenue recognition, and determining whether an asset is impaired. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment.

As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates.

b. *Basis of Consolidation and Transfers of Financial Assets*

The accompanying combined consolidated financial statements include our accounts and those of our subsidiaries, which are wholly-owned or controlled by us. All intercompany balances and transactions have been eliminated. A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity in a subsidiary not attributable, directly or indirectly, to the Company. Non-controlling interests are required to be presented as a separate component of equity in the combined consolidated balance sheet and the presentation of net loss is modified to present the loss attributed to controlling and non-controlling interests.

For a variable interest entity ("VIE"), an entity is subject to consolidation if the equity investors either do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support, are unable to direct the entity's activities or are not exposed to the entity's losses or entitled to its residual returns. VIEs that meet certain scope characteristics are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities of a VIE that most significantly impact the VIEs economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. This determination can sometimes involve complex and subjective analysis. We are required on an ongoing basis to assess whether we are the primary beneficiary of a VIE.

We may periodically enter into transactions in which we sell financial assets. Upon a transfer of financial assets, we may retain or acquire senior or subordinated interests in the related assets. In connection with such transactions, a determination must be made as to whether we, as the transferor, have surrendered control over transferred financial assets. That determination must consider our continuing involvement in the transferred financial assets, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. The financial

components approach under applicable GAAP limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/ or when the transferor has continuing involvement with the transferred financial asset. It defines the term "participating interest" to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale.

From time to time, we may securitize unsecured consumer loans we hold if such securitization allows us access to better financing terms. Depending upon the structure of the securitization transaction, these transactions will be accounted for as either a "sale" and the loans will be removed from the combined consolidated balance sheet or, as a "financing" with the loans and financing reported on our combined consolidated balance sheet. Significant judgment may be exercised by us in determining whether a transaction should be recorded as a "sale" or a "financing."

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the entity used to facilitate the transactions was a VIE and, if so, whether the VIE should be consolidated. Based on our evaluations, we have concluded that one of our securitizations is a VIE that should be consolidated. The Company has determined that the other securitization that we participated in should not be consolidated since, among other things, we concluded that the transfer of the underlying assets qualifies as a sale.

c. ***Purchase Accounting and Acquisitions of Real Estate***

In accordance with FASB ASC 805, "*Business Combinations*", the Company records the acquisition of real estate that will be used for the production of income as a business combination. All assets acquired and liabilities assumed in a business combination were measured at their acquisition date fair values. Acquisition costs are expensed as incurred. The Company assesses the acquisition date fair values of all tangible real estate assets, and identified lease intangibles, consisting of in-place leases, tenant relationships, deferred leasing costs, and above-market and below-market leases.

Real estate assets, including land, building, improvements, and furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Costs associated with the development, construction and improvement of the Company's real estate assets are capitalized as incurred. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred, while major replacements and betterments, which improve or extend the useful life of the asset, are capitalized and depreciated over the estimated useful lives.

The Company records depreciation expense using the straight-line method over the useful lives of the respective assets. The estimated useful lives are as follows:

Category	Term
Building	18 to 51 years
Improvements	1 to 12 years
Furniture, fixtures, and equipment	3 to 17 years

Depreciation expense for the years ended December 31, 2017 and 2016 was $62,490,185 and $53,102,382, respectively, and is included in depreciation and amortization expense in the accompanying combined consolidated statements of operations.

The value of acquired land, buildings and improvements is estimated by formal appraisals, observed comparable sales transactions and information gathered during pre-acquisition due diligence activities. The valuation approach considers the value of the property as if it were vacant. The values of furniture, fixtures and equipment are estimated by calculating their replacement cost and reducing that value by factors based upon estimates of their remaining useful lives.

The value allocated to acquired lease intangibles is based on management's evaluation of the specific characteristics of each tenant's lease. Characteristics considered by management in allocating these values include the nature and extent of the existing business relationships with the tenant, growth prospects for developing new business with the tenant, the remaining term of the lease and the tenant's credit quality, among other factors.

The value allocable to the above-market or below-market component of an acquired in-place lease is determined based upon the present value, using a market discount rate, of the difference between (i) the

contractual rents to be paid pursuant to the lease over its remaining term, and (ii) management's estimate of rents that would be paid using fair market rates over the remaining term of the lease. The amounts allocated to above or below-market leases are amortized on a straight-line basis as an increase or reduction to rental income over the remaining non-cancelable term of the respective leases. Amortization of above and below-market rents resulted in a net increase in rental income of $295,293 and $126,553 for the year ended December 31, 2017 and 2016, respectively.

The value of in-place leases and deferred leasing costs are amortized to expense over the remaining term of the respective leases, which range from less than a year to seventeen years. The amount allocated to acquire in-place leases is determined by calculating the estimated time to fill a hypothetically empty apartment complex to its stabilization level based on historical observed move-in rates for each property. The intangible assets are calculated by estimating the net cash flows of the in-place leases to be realized, as compared to the net cash flows that would have occurred had the property been vacant at the time of acquisition and subject to lease-up. The amount allocated to deferred leasing costs is determined by what the Company would have paid to a third party to secure a new tenant reduced by the expired term of the respective lease. The value of tenant relationships is amortized over the remaining initial lease term and expected renewals, which is thirty seven years. The amount allocated to tenant relationships is the benefit resulting from the likelihood of a tenant renewing its lease. Acquired intangible assets generally have no residual value. Amortization expense related to these assets was $18,712,293 and $6,541,431 for years ended December 31, 2017 and 2016, respectively.

d. ***Impairment of Real Estate***

The Company reviews the carrying value of its real estate assets and intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such reviews indicate that the asset may be impaired, given that the carrying amount of an asset exceeds the sum of its expected future cash flows, on an undiscounted basis, the asset's carrying amount is written down to its fair value. Estimating future cash flows and fair values is highly subjective and such estimates could differ materially from actual results. For the years ended December 31, 2017 and 2016, the Company did not record any impairment charges related to real estate assets.

e. ***Assets Held for Sale and Discontinued Operations***

The Company classifies certain real estate assets as held for sale on the combined consolidated balance sheets once the criteria, as defined by GAAP, have been met. Real estate assets to be disposed of are reported at the lower of their carrying amount or fair value minus cost to sell and are no longer depreciated. The Company reports discontinued operations when the disposal of real estate assets represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. No disposal met the definition of discontinued operations as of December 31, 2017 and 2016.

f. ***Environmental Matters***

Under various federal, state and local environmental laws, statutes, ordinances, rules and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances at, on, in or under such property as well as certain other potential costs relating to hazardous or toxic substances. These liabilities may include government fines and penalties and damages for injuries to persons and adjacent property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence or disposal of such substances. The Company recognizes a liability for environmental matters if it is probable a liability has been incurred and the amount of loss can be reasonably estimated. As of December 31, 2017 and 2016, the Company is not aware of any environmental matters that would have an impact on the combined consolidated financial statements.

g. ***Fair Value Measurements***

In accordance with FASB ASC 820, "*Fair Value Measurement and Disclosures*," fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market considering the highest and best use of an asset or nonperformance risk related to a liability, at the measurement date. The Company uses the most observable inputs that are available to measure fair value. Observable inputs are inputs that the market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's views about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 establishes a fair value hierarchy that distinguishes between market

participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 - quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 - observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 - unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk, where applicable, in the Company's assessment of fair value.

The Company carries its mortgages payable, debt related to consolidated VIE, and senior secured term loan at cost, net of unamortized discount, debt issuance costs, and associated amortization, on the accompanying combined consolidated balance sheets. The fair values of the Company's mortgages payable are estimated using a discounted cash flow analysis based upon indications of market pricing for similar types of instruments with the same remaining maturities and other valuation techniques as appropriate. Although the Company has determined that the majority of inputs used to value its debt fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its debt utilize Level 3 inputs, such as estimates of current credit spreads. The fair value of debt related to consolidated VIE is calculated using a yield analysis, the key unobservable input being the market yield, and is considered a level 3 measurement. The fair value of senior secured term loans is calculated using an enterprise value waterfall, the key unobservable input being fair value of the underlying collateral, and is considered a level 3 measurement. Accordingly, mortgages payable, debt related to consolidated VIE, and the senior secured term loan have been classified as Level 3 fair value measurements. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,461,708,253, $88,124,945, and $553,079,958, respectively, as of December 31, 2017. Management estimates the fair values of the mortgages payable, debt related to consolidated VIE, and senior secured term loan were $1,218,418,641, $212,909,545, and $625,485,383, respectively, as of December 31, 2016. Additionally, the carrying amounts of cash and cash equivalents, restricted cash, accounts receivable, due to/due from affiliates and accounts payable approximate their fair values. See Note 9 for additional disclosure around the Company's fair value measurements of the unsecured consumer loan portfolio, residual interests in securitizations, and revolving credit facilities.

h. ***Fair Value of Financial Instruments***

Pursuant to Accounting Standards Codification ("ASC") 825, *Financial Instruments* ("ASC 825"), which provides entities with an option to report selected financial assets and liabilities at fair value, the Company has made an election to measure its unsecured consumer loans, residual interest in securitizations, and revolving credit facilities at fair value on the combined consolidated balance sheets. We elected to use the fair value option to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Under this election, unsecured consumer loans charged off, recoveries, realized gains (losses), net increase or decrease in unrealized appreciation (depreciation) of the unsecured consumer loans, residual interest in securitizations, and revolving credit facilities are recorded as fair value adjustments on the combined consolidated statements of operations.

i. ***Revenue Recognition***

Rental revenues from residential, student housing, and self-storage tenants are recognized on a contractual basis, as lease periods for these investments are short-term in nature. The Company recognized reimbursement for utilities and other expenses recoveries as other revenue when earned. Rental revenues from industrial and commercial tenants are recognized on a straight-line basis over the term of the lease. The industrial and commercial leases contain rental increases at specified intervals. The Company records as an asset, and includes in rental revenues, deferred rent receivable that will be received if the tenant makes all rent payments required through the expiration of the initial term of the lease. Deferred rent receivable in the accompanying combined consolidated balance sheets includes the cumulative difference between rental revenue recorded on a straight-line basis and rents received from the tenants in accordance with the respective lease terms.

Minimum future rental receipts under the noncancelable portion of commercial and industrial tenant leases, assuming no new or re-negotiated leases, for the next five years is as follows: $1,057,295 (2018), $1,057,295 (2019), $1,057,295 (2020), $1,033,808 (2021), and $1,033,808 (2022).

Interest Income is recognized on an accrual basis, in accordance with the terms of the loan agreement, to the extent that such amounts are expected to be collected. Generally, our unsecured consumer loans are placed on non-accrual status when the loan is greater than 60 days contractually delinquent or charged off, which may occur if a borrower were to declare bankruptcy prior to a loan being 60 days delinquent, at which point the associated interest receivable balance is reversed against the interest income on the combined consolidated statements of operations. For residual interests in securitizations, interest income is recognized using the effective interest method. Under this method, we recognize as interest income, over the life of the securities, the excess of the cash flows expected to be collected over the securities' carrying value. We update our estimates of expected cash flows quarterly and recognize changes in the calculated effective interest rate on a prospective basis.

j. ***Cash and Cash Equivalents***

The Company considers all highly liquid instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents includes funds deposited with financial institutions and short-term, highly liquid overnight investment in money market funds. As of December 31, 2017 and 2016, $53,315 and $48,496 of the cash and cash equivalents, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds, with the remainder held in deposit accounts, substantially all of which exceeded applicable insurance limits.

k. ***Restricted Cash***

Restricted cash consists of cash escrowed under the operating agreements and mortgage agreements for debt service, real estate taxes, property insurance, and capital improvements and other restricted deposits. In addition, restricted cash includes funds deposited with Texas Capital Bank, Bank of New York Mellon, U.S. Bank National Association, Pacific Western Bank, Credit Suisse AG, Capital One, National Association ("Capital One"), and NBT in relation to the revolving credit facilities outlined in Note 11. As of December 31, 2017 and 2016, $18,917,518 and $25,091,496 of the restricted cash, respectively, disclosed on the combined consolidated balance sheets represents investments in money market funds.

l. ***Unsecured Consumer Loans***

Unsecured consumer loans consist of individual loans purchased from various originators of unsecured consumer loans ("Lending Platforms") under terms of the Company's agreement with the respective platforms, who are sellers of the unsecured consumer loans that continue to service such loans. Unsecured consumer loans made through the Lending Platforms are issued by WebBank, an FDIC-insured, Utah chartered industrial bank, except for loans issued by NBT. After funding a loan, WebBank sells the loan to the Lending Platform, without recourse, in exchange for the principal amount of the loan. Loans issued by NBT are purchased by the Company as part of a loan purchase and sale agreement between ACL PS, NBT and Springstone. All loans purchased are unsecured obligations of individual borrowers with a fixed interest rate and loan terms set between 12 to 84 months. Unsecured consumer loans are recorded on the date purchased by the Company, which is generally at least fifteen days after origination. Unsecured consumer loans are charged off in the month that the loan becomes greater than 120 days contractually delinquent or in the month that the borrower has entered bankruptcy, at which point the outstanding principal amount is written off against the principal of the unsecured consumer loans on the consolidated balance sheets which results in a fair value adjustment on the combined consolidated statements of operations. Recoveries on charged off loans and sales of charged off loans to third parties are recorded as received, net of fees.

m. ***Due from Lending Platforms***

Avant, LendingClub and Prosper are online marketplace Lending Platforms from which we purchase unsecured consumer loans. The Due from Avant, Inc. balance represents amounts owed to the Company related to reimbursements of bank fees and other miscellaneous credits. The Due from LendingClub Corporation and Due from Prosper Funding LLC amounts presented on the combined consolidated balance sheets, represent cash deposited at LendingClub and Prosper, respectively, for purchasing unsecured consumer loans. As of December 31, 2017 and 2016, $0 and $782,775, respectively, of the Due from LendingClub Corporation relates to cash on deposit that is committed to unsecured consumer loans that are in the process of being purchased.

n. ***Allowance for Doubtful Accounts***

The Company continuously monitors collections from its tenants and recognizes an allowance for uncollectible accounts based on a specific tenant collection issues that the Company has identified. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts.

o. ***Asset Management and Management Services***

Management fee expenses are recognized when incurred in accordance with the terms of each respective management agreement.

p. ***Debt Issuance Costs***

The Company defers costs incurred in connection with obtaining financing and amortizes the costs using the straight-line method, which approximates the effective interest rate method, over the terms of the related debt as a component of interest expense. Debt issuance costs have been presented as a direct deduction to our mortgages payable, mortgages payable related to real estate assets held for sale, debt related to consolidated VIE, and senior secured term loans in the accompanying combined consolidated balance sheets. At December 31, 2017 and 2016, the Company had net debt issuance costs of $10,520,077 and $14,667,442, respectively. Amortization of debt issuance costs of $5,894,021 and $3,906,014 are included in interest expense in the combined consolidated statements of operations for the years ended December 31, 2017 and 2016, respectively.

q. ***Non-controlling Interests***

Non-controlling interests are comprised of the Company's joint venture partners' interests in the joint ventures in real estate properties that the Company consolidates. The Company reports its joint venture partners' interests in its consolidated real estate joint ventures and other subsidiary interests held by third parties as non-controlling interests. The Company records these non-controlling interests at their initial fair value, adjusting the basis prospectively for their share of the respective consolidated investments' net income or loss and equity contributions and distributions. These non-controlling interests are not redeemable by the equity holders and are presented as part of permanent equity. Income and losses are generally allocated pro rata based on the respective ownership percentages until the venture reaches certain performance measures, at which time the other venture party will be entitled to preferred distributions (profit interests). No performance measures have been met as of December 31, 2017 and 2016.

r. ***Income Taxes***

The Company elected to be taxed as a REIT for U.S. federal income tax purposes, under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the Code). The Company believes it operates in such a manner as to qualify for treatment as a REIT for federal income tax purposes. Accordingly, the Company generally will not be subject to federal income tax, provided that distributions to its stockholders equal at least the amount of its taxable income. A REIT is subject to a number of organizational and operational requirements, including, among others, a requirement that it currently distributes at least 90% of its taxable income to stockholders, subject to certain adjustments. If the Company fails to qualify as a REIT in any taxable year without the benefit of certain relief provisions, it will be subject to federal and state income taxes on its taxable income at regular corporate income tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state or local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income. In addition, taxable income from non-REIT activities managed through the Company's taxable REIT subsidiaries ("TRS") will be fully subject to federal, state and local income taxes.

The Company accounts for TRS income taxes under the liability method as required by ASC Topic 740, "Income Taxes." Under the liability method, deferred income taxes are recognized for the temporary differences between the GAAP basis and tax basis of the TRS income, assets and liabilities. For the years ended December 31, 2017 and 2016, several of the Company's subsidiaries were considered taxable corporations for U.S. federal and state income tax purposes. The taxable U.S. corporate subsidiaries are subject to corporate level U.S. federal, state and local income tax on their net taxable income.

As of December 31, 2017, the Company's U.S. taxable subsidiaries had a U.S. federal net operating loss carryforward of $33,913,905, which may be carried forward and applied against future federal taxable income, which will begin to expire beginning with the tax year ended December 31, 2034. The Company's taxable subsidiaries also had state net operating loss carryforwards of $16,666,410, which may be carried

forward and applied against future applicable state taxable income, which will begin to expire over various periods (depending on each jurisdiction), beginning with the tax year ended December 31, 2024.

s. ***Concentration of Credit Risk***

In the normal course of its business, the Company encounters credit risk. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, principal and interest outstanding on unsecured consumer loans, amounts deposited with each of the Company's Lending Platforms. Credit risk represents the risk that we would incur if the counterparties failed to perform pursuant to the terms of their agreements with us.

t. ***Servicing, Collection and Upfront Fees***

The Company incurs a monthly servicing fee for each outstanding unsecured consumer loan, which is payable to the Lending Platforms for managing payments from borrowers and maintaining loan account portfolios. The Company incurs collection fees on amounts recovered from delinquent loans, which is payable to the Lending Platforms. The Company incurs an upfront fee on unsecured consumer loans purchased from Avant. All servicing, collection and upfront fees are expensed as incurred.

3. Recent Real Estate Transactions

Acquisition of Non-controlling Interest in Real Estate Joint Ventures

On June 30, 2017, the Company paid $2,030,023 in cash consideration to acquire the 5% non-controlling limited partner interest in the Resort joint venture, which owns multi-family property with a total of 1,520 units located in Pembroke, Florida. The Company now owns all of the interests in the Resort joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $439,084 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

On June 30, 2017, the Company paid $413,416 in cash consideration to acquire the 7% non-controlling limited partner interest in the Bartram Park joint venture, which owns multi-family property with a total of 323 units located in Jacksonville, Florida. The Company now owns all of the interests in the Bartram Park joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $40,418 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

On June 30, 2017, the Company paid $188,244 in cash consideration to acquire the 7% non-controlling limited partner interest in the Atlantic Beach joint venture, which owns multi-family property with a total of 204 units located in Atlantic Beach, Florida. The Company now owns all of the interests in the Atlantic Beach joint venture and its underlying apartment community. As the Company consolidated the joint venture into its financial statements prior to this transaction, the transaction has been accounted for as an equity transaction. In accordance with GAAP, the Company recognized the $2,598 of consideration paid in excess of the non-controlling interest balance as a reduction of additional paid-in capital within the combined consolidated statements of changes in equity.

Acquisition of Real Estate Assets Held for Investment

During 2017 and 2016, the Company acquired the following properties:

- On November 8, 2017, the Company, together with a joint venture partner, acquired two multi-family properties located in Southfield, Michigan for an aggregate purchase price of $68,500,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $58,229,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $1,285,027.
- On October 31, 2017, the Company, together with a joint venture partner, acquired two multi-family properties located in Jacksonville, Florida for an aggregate purchase price of $111,000,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $88,800,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $2,187,085.
- On January 30, 2017, the Company, together with a joint venture partner, acquired a multi-family property located in Laurel, Maryland for an aggregate purchase price of $187,250,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $153,580,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $3,351,279.

- On December 7, 2016, the Company, together with a joint venture partner, acquired a multi-family property located in Franklin, Massachusetts for an aggregate purchase price of $64,750,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $51,800,000. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $2,298,750.
- On September 28, 2016, the Company, together with a joint venture partner, acquired eight student housing properties located at Division I universities in five states around the country for an aggregate purchase price of $250,000,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $189,047,521. On the date of acquisition, the fair value of the non-controlling interest in the joint venture was $25,816,538.

The acquisitions listed below have been accounted for as a business combination. The purchase price was allocated to the acquired assets and liabilities based on their estimated fair values at the date of acquisition. The Company allocated the purchase price of the properties acquired during 2017 and 2016 as follows:

Property	Land	Building	Improvements	FF&E	Lease Intangibles[1]	Total Purchase Price
2017 Acquisitions:						
Seasons	$ 31,584,720	$ 141,172,597	$ 4,873,936	$ 6,488,490	$ 3,130,257	$ 187,250,000
Villages of Baymeadows	11,550,923	73,946,082	4,620,369	3,278,646	2,303,980	95,700,000
Casa del Mar	1,650,205	12,427,468	346,339	579,695	346,293	15,300,000
Sutton Place	5,075,895	41,896,273	1,198,475	2,678,588	1,200,769	52,000,000
Silver Oaks	2,257,376	12,185,833	469,454	1,058,769	528,568	16,500,000
Total 2017:	**$ 52,119,119**	**$ 281,628,253**	**$ 11,508,573**	**$ 13,984,188**	**$ 7,509,867**	**$ 366,750,000**
2016 Acquisitions:						
Union Place	$ 3,088,568	$ 56,490,906	$ 1,982,661	$ 2,391,149	$ 796,716	$ 64,750,000
Sterling Crimson	6,048,111	41,376,757	1,427,454	1,523,260	3,120,057	53,495,639
Hawks Ridge	3,840,070	25,920,474	796,544	1,082,156	2,467,245	34,106,489
Islander Village	706,433	11,026,080	579,008	489,252	830,536	13,631,309
Campus Quarters	1,152,021	14,496,265	1,010,067	690,541	1,056,019	18,404,913
District on Luther	4,074,120	28,615,840	2,539,865	1,741,491	4,888,944	41,860,260
West 22	8,256,151	40,800,746	3,533,815	1,511,188	3,523,264	57,625,164
Legacy	864,016	4,800,088	486,732	798,159	1,046,419	7,995,414
University Crossing	3,264,060	15,264,279	1,220,056	1,241,183	1,891,234	22,880,812
Total 2016:	**$ 31,293,550**	**$ 238,791,435**	**$ 13,576,202**	**$ 11,468,379**	**$ 19,620,434**	**$ 314,750,000**

(1) Lease intangibles include intangible assets and liabilities related to above and below market rents, net.

The weighted average amortization period of acquired in-place leases, above-market leases, and below-market leases was approximately 7 months and 10 months for the years ended and December 31, 2017 and 2016, respectively.

Summarized information regarding properties sold during the years ended December 31, 2017 and 2016, is set forth in the table below:

Property	Disposition Date	Asset Type	Gross Sale Price	Gain on Sale
2017 Dispositions:				
Bexley	1/18/17	Multifamily	$ 54,975,000	$ 28,424,279
Mission Gate	6/15/17	Multifamily	65,400,000	21,600,326
Plantations at Hillcrest	8/29/17	Multifamily	9,860,000	3,368,212
Total 2017:			$ 130,235,000	$ 53,392,817
2016 Dispositions:				
Abbington	10/28/16	Multifamily	$ 37,000,000	$ 16,698,046
Total 2016:			37,000,000	16,698,046

4. Real Estate Assets

The Company's ownership interests in real estate properties range from 64% to 100% via either direct ownership or ownership of a property owning entity. Through its ownership interests, the Company controls and therefore consolidates the properties and property owning entities. The interest owned by the other joint venture partner is reflected as non-controlling interest in these combined consolidated financial statements.

The Company's real estate assets consisted of the following as of December 31, 2017 and 2016:

Property	Acquisition Date	Ownership Percentage	Asset Type	Location	Real Estate Assets, Net of Accumulated Depreciation 2017	2016
Filet of Chicken	10/24/2012	100.0%	Industrial	Forest Park, GA	$ 4,592,705	$ 5,096,368
Amberly	1/17/2013	97.7%	Multi-Family	Tampa, FL	52,566,237	54,460,459
Lofton Place	4/30/2013	93.2%	Multi-Family	Tampa, FL	21,921,527	22,554,509
Arlington Park	5/8/2013	93.3%	Multi-Family	Marietta, GA	12,464,967	12,746,302
The Resort	6/24/2013	100.0%	Multi-Family	Pembroke Pines, FL	207,908,639	212,081,321
Bexley	11/1/2013	94.0%	Multi-Family	Marietta, GA	—	25,948,275
Cordova Regency	11/15/2013	99.3%	Multi-Family	Pensacola, FL	12,040,285	12,208,727
Crestview at Oakleigh	11/15/2013	99.3%	Multi-Family	Pensacola, FL	15,267,264	15,731,239
Inverness Lakes	11/15/2013	99.3%	Multi-Family	Mobile, AL	25,272,811	25,572,717
Kings Mill	11/15/2013	99.3%	Multi-Family	Pensacola, FL	17,866,529	18,334,194
Plantations at Pine Lake	11/15/2013	99.3%	Multi-Family	Tallahassee, FL	15,669,691	16,005,576
Verandas at Rocky Ridge	11/15/2013	99.3%	Multi-Family	Vestavia Hills, AL	13,170,791	13,476,825
Matthews Reserve	11/19/2013	90.0%	Multi-Family	Matthews, NC	19,692,083	19,964,498
City West	11/19/2013	90.0%	Multi-Family	Orlando, FL	20,439,848	20,629,785
Vinings Corner	11/19/2013	90.0%	Multi-Family	Smyrna, GA	31,122,724	31,977,619
Central Park	11/19/2013	90.0%	Multi-Family	Altamonte Springs, FL	22,125,940	22,821,665
Mission Gate	11/19/2013	90.0%	Multi-Family	Plano, TX	—	43,496,256
St. Marin	11/19/2013	90.0%	Multi-Family	Coppell, TX	65,269,141	66,828,052
Eastwood Village	12/12/2013	92.6%	Multi-Family	Stockbridge, GA	22,311,630	22,885,639
Monterey Village	12/12/2013	92.6%	Multi-Family	Jonesboro, GA	9,943,657	10,228,950
Hidden Creek	12/12/2013	92.6%	Multi-Family	Morrow, GA	4,058,655	4,276,288
Meadow Springs	12/12/2013	92.6%	Multi-Family	College Park, GA	11,020,760	11,289,629
Meadow View	12/12/2013	92.6%	Multi-Family	College Park, GA	12,062,242	12,327,181
Peachtree Landing	12/12/2013	92.6%	Multi-Family	Fairburn, GA	14,835,180	15,050,087
Indigo	12/31/2013	100.0%	Multi-Family	Jacksonville, FL	32,180,749	33,286,983
Plantations at Hillcrest	1/17/2014	99.3%	Multi-Family	Mobile, AL	—	6,137,284
Crestview at Cordova	1/17/2014	99.3%	Multi-Family	Pensacola, FL	7,116,695	7,456,426
Island Club	1/31/2014	100.0%	Multi-Family	Atlantic Beach, FL	10,981,632	11,490,530
Taco Bell, OK	5/9/2014	100.0%	Commercial	Yukon, OK	1,100,282	1,150,519
Taco Bell, MO	6/4/2014	100.0%	Commercial	Marshall, MO	1,353,280	1,414,204
Chesterfield	8/19/2014	85.0%	Self-Storage	Chesterfield, MI	4,812,905	4,997,172
Wyoming	8/19/2014	85.0%	Self-Storage	Wyoming, MI	4,156,299	4,300,085
Grand Rapids	8/19/2014	85.0%	Self-Storage	Grand Rapids, MI	6,089,200	6,311,002
Westland	8/28/2014	85.0%	Self-Storage	Westland, MI	4,127,305	4,308,322

Property	Acquisition Date	Ownership Percentage	Asset Type	Location	Real Estate Assets, Net of Accumulated Depreciation 2017	2016
State Street	8/28/2014	85.0%	Self-Storage	Ann Arbor, MI	3,675,310	3,812,414
Jackson	8/28/2014	85.0%	Self-Storage	Ann Arbor, MI	7,511,854	7,736,621
Kalamazoo	8/28/2014	85.0%	Self-Storage	Kalamazoo, MI	2,053,511	2,120,045
Canterbury	9/29/2014	93.5%	Multi-Family	Fort Wayne, IN	68,673,075	72,497,490
Abbie Lakes	9/30/2014	72.7%	Multi-Family	Canal Winchester, OH	11,811,398	12,428,735
Brooksedge	9/30/2014	72.7%	Multi-Family	Reynoldsburg, OH	11,001,035	11,253,895
Reserve at Abbie Lakes	9/30/2014	72.7%	Multi-Family	Canal Winchester, OH	25,234,473	25,638,673
Lakes Edge	9/30/2014	72.7%	Multi-Family	Pickerington, OH	9,666,991	10,260,160
Sunbury Ridge	9/30/2014	72.7%	Multi-Family	Columbus OH	12,479,445	12,953,291
Stonebridge	9/30/2014	72.7%	Multi-Family	Blacklick, OH	16,520,083	17,496,236
Jefferson Chase	9/30/2014	72.7%	Multi-Family	Blacklick, OH	13,023,799	13,715,354
Lake Ridge	10/29/2014	72.7%	Multi-Family	Hilliard, OH	7,153,900	7,700,911
Okemos	1/16/2015	85.0%	Self-Storage	Okemos, MI	6,096,456	6,316,497
Lansing West	1/16/2015	85.0%	Self-Storage	Lansing West, MI	1,460,419	1,515,228
Novi	1/16/2015	85.0%	Self Storage	Novi, MI	5,622,597	5,820,717
Lake Orion	1/16/2015	85.0%	Self-Storage	Lake Orion, MI	5,846,264	6,050,458
Ypsilanti	1/16/2015	85.0%	Self-Storage	Ypsilanti, MI	3,074,576	3,106,306
Orchard Village	11/5/2015	80.0%	Multi-Family	Aurora, IL	32,991,405	33,334,083
[illegible] Crimson	9/28/2016	64.2%	Student Housing	Tuscaloosa, AL	48,783,585	50,039,115
Hawks Ridge	9/28/2016	64.2%	Student Housing	Iowa City, IA	31,176,466	31,393,944
Islander Village	9/28/2016	64.2%	Student Housing	Corpus Christi, TX	13,631,770	13,735,013
Campus Quarters	9/28/2016	64.2%	Student Housing	Corpus Christi, TX	16,696,526	17,225,595
District on Luther	9/28/2016	64.2%	Student Housing	College Station, TX	37,141,476	36,680,313
West 22	9/28/2016	64.2%	Student Housing	Kennesaw, GA	52,204,745	53,725,369
Legacy	9/28/2016	64.2%	Student Housing	Statesboro, GA	7,348,757	6,917,923
University Crossing	9/28/2016	64.2%	Student Housing	Manhattan, KS	21,771,161	20,805,094
Union Place	12/7/2016	85.0%	Multi-Family	Franklin, MA	62,276,510	63,815,909
Seasons	1/30/2017	92.5%	Multi-Family	Laurel, MD	183,241,984	—
Villages of Baymeadows	10/31/2017	92.5%	Multi-Family	Jacksonville, FL	93,047,904	—
Casa del Mar	10/31/2017	92.5%	Multi-Family	Jacksonville, FL	15,058,462	—
Sutton Place	11/8/2017	92.5%	Multi-Family	Southfield, MI	50,894,042	—
Silver Oaks	11/8/2017	92.5%	Multi-Family	Southfield, MI	16,093,564	—
Total net real estate assets					$ 1,606,023,995	$ 1,355,658,499

5. Lease Intangibles

Lease intangibles consist of the following:

	As of December 31, 2017			As of December 31, 2016		
	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
In-place leases	$ 49,192,424	$ (45,514,029)	$ 3,678,395	$ 47,182,020	$ (32,346,147)	$ 14,835,873
Above-market leases	106,002	(106,002)	—	106,002	(31,801)	74,201
Below-market leases	(527,848)	527,848	—	(527,848)	158,354	(369,494)
Tenant relationships	239,208	(33,253)	205,955	$ 239,208	$ (26,817)	212,391
Deferred leasing costs	635,325	(180,122)	455,203	635,325	(141,609)	493,716
Total	$ 49,645,111	$ (45,305,558)	$ 4,339,553	$ 47,634,707	$ (32,388,020)	$ 15,246,687

Future amortization expense for the Company's lease intangibles is as follows: $3,169,033 (2018), $95,686 (2019), $95,686 (2020), $95,686 (2021), $95,686 (2022), and $787,776 (thereafter).

6. Real Estate Assets Held for Sale

As of December 31, 2017, the real estate assets held by the Central Park property met the criteria to be classified as held for sale. The Company entered into a purchase and sale agreement with an unrelated third party on November 14, 2017. The sale closed on January 18, 2018, resulting in the recognition of a gain in the amount of $20,015,513.

As of December 31, 2017, the real estate assets held by the St. Marin property met the criteria to be classified as held for sale. The Company entered into a purchase and sale agreement with an unrelated third party on December 5, 2017, amended on January 9, 2018. The sale closed on February 22, 2018, resulting in the recognition of a gain in the amount of $28,373,936.

Below is a summary of the major classes of real estate assets classified as held for sale:

Real Estate Assets Held for Sale	December 31, 2017	December 31, 2016
Land	$ 6,140,942	$ 3,718,768
Building and improvements	100,570,131	25,196,210
Furniture, fixtures, and equipment	2,359,724	1,276,097
Less: accumulated depreciation	(11,675,715)	(4,252,800)
Total net real estate assets held for sale	**$ 97,395,082**	**$ 25,938,275**

7. Common Control Merger

Effective May 23, 2016, the Company completed the Merger with the Affiliated REITs, with the Company continuing as the surviving corporation. The Affiliated REITs held an investment portfolio of real estate assets owned directly or through joint ventures. Substantially all of the Affiliated REITs revenues are derived from real estate operations. As the Company and the Affiliated REIT's were under common control at the time of the Merger, the results of operations have been combined from the date common control began.

Separate results for the Company, APRC and UPRC for the twelve months ended December 31, 2016 are as follows:

	For the Year Ended December 31, 2016			
	NPRC	APRC	UPRC	Total
Total revenues	$ 299,389,681	11,651,730	20,432,406	$ 331,473,817
Total costs and expenses	146,097,097	9,676,778	18,778,490	174,552,365
Total other (expense) income, net	(234,379,938)	(5,600,462)	(7,536,631)	(247,517,031)
Net loss before income tax	(81,087,354)	(3,625,510)	(5,882,715)	(90,595,579)
Income tax expense	(14,757)	—	—	(14,757)
Net loss	**$ (81,102,111)**	**(3,625,510)**	**(5,882,715)**	**$ (90,610,336)**

8. Unsecured Consumer Loans and Residual Interests in Securitizations

The Company purchased $520,691,146 and $580,599,910 aggregate principal of unsecured consumer loans from LendingClub, NBT, and Prosper during the year ended December 31, 2017 and 2016 respectively. On June 22, 2017, the Company sold 21,926 of its LendingClub loans with a total cost of $151,472,878 held in ACL III, ACL IV and ACL VI to the Consumer Loan Underlying Bond Grantor Trust 2017-NP1 ("CLUB 2017-NP1") for proceeds of $153,266,941, net of related transactions expenses, and a trust certificate representing 42.71% interest in the CLUB 2017-NP1 trust series, realizing a gain of $1,794,063. On October 22, 2017, the Company purchased an additional 4.94% interest in the equity certificate of the CLUB 2017-NP1 trust series for $3,480,000. The Company's portfolio of unsecured consumer loans consists of a large number of small balance homogeneous loans. As of December 31, 2017, the portfolio consisted of 105,315 loans having an average outstanding principal balance of $6,076 and a maximum balance of $50,000 at the time of origination. As of December 31, 2017, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 24.8% based on outstanding principal of the unsecured consumer loans. As of December 31, 2016, the portfolio consisted of 113,282 loans having an average outstanding principal balance of $7,033 and maximum balance of $50,000. As of December 31, 2016, the unsecured consumer loans were issued with stated interest rates ranging from 4.0% to 36.0% with a weighted average interest rate of 23.4% based on outstanding principal of the unsecured consumer loans.

The ability of the borrowers of the unsecured consumer loans to repay the Company are affected by their continuing financial stability. The credit risk of the unsecured consumer loans and the residual interest in securitizations is considered to be higher than for secured loans.

The Lending Platforms classify the unsecured consumer loans into separately identified pools by rating ("Rating"), which indicates the expected level of risk associated with the loan. Each Rating corresponds to an estimated average annualized loss rate range as of the time the Rating is given. The estimated annual loss rate for each loan is based primarily on a proprietary custom risk model developed by each of the Lending Platforms using their respective historical data, borrower specific factors and Fair Isaac Corporation score ("FICO score") obtained from a credit reporting agency. As part of the Rating determination, the Lending Platforms also consider borrower specific factors such as, but not limited to, credit related inquiries in the last six months and debt-to-income ratio.

Ratings are not consistent between Lending Platforms; as such the Company stratifies its unsecured consumer loans into separately identified pools based on the FICO score obtained from a credit reporting agency and as provided by each Lending Platform at origination. The stratified pools are designated "Super Prime," "Prime" or "Near Prime," and defined as follows: Super Prime loans as loans to borrowers with a FICO score of 720 or greater, Prime Loans as loans to borrowers with a FICO score of between 660 and 719 and Near Prime loans as loans to borrowers with a FICO score of between 659 and 600.

The following table summarizes the Company's unsecured consumer loans held as of December 31, 2017:

Category	Outstanding Principal	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	$ 28,643,862	$ 27,730,473	4.0% - 30.0%	13.3%
Prime	90,104,451	85,268,067	4.0% - 36.0%	16.0%
Near Prime	521,138,923	483,149,470	6.0% - 36.0%	26.9%
Total Loans	**$ 639,887,236**	**$ 596,148,010**		**24.8%**

The following table summarizes the unsecured consumer loans held as of December 31, 2016:

Category	Outstanding Principal	Fair Value	Interest Rate Range	Weighted Average Interest Rate*
Super Prime	$ 54,946,564	$ 53,641,384	4.0% - 34.0%	11.7%
Prime	156,404,965	149,536,540	5.3% - 36.0%	15.4%
Near Prime	585,331,147	556,411,497	6.0% - 36.0%	26.7%
Total Loans	**$ 796,682,676**	**$ 759,589,421**		**23.4%**

* *Based on outstanding principal of the unsecured consumer loans.*

The following table summarizes the delinquency status of the unsecured consumer loans:

	December 31, 2017			December 31, 2016		
Delinquency Status	Outstanding Principal	Fair Value	% of Total	Outstanding Principal	Fair Value	% of Total
Current	$ 573,760,325	$ 565,138,510	94.80 %	$ 732,441,199	$ 728,328,320	95.88 %
1 - 30 days	29,821,122	23,949,424	4.02 %	28,801,716	23,898,297	3.15 %
31 - 60 days	13,497,725	3,697,017	0.62 %	13,269,119	4,125,694	0.54 %
61 - 90 days	11,988,876	2,140,942	0.36 %	11,856,214	2,121,720	0.28 %
91 - 120 days	10,819,188	1,222,117	0.20 %	10,314,428	1,115,390	0.15 %
Total Loans	**$ 639,887,236**	**$ 596,148,010**	**100.00%**	**$ 796,682,676**	**$ 759,589,421**	**100.00%**

9. Fair Value of Financial Instruments

The fair value of a financial instrument is defined as the price that we would receive upon selling an asset or pay to transfer a liability in an orderly transaction to an independent buyer in the principal or most advantageous market in which that financial instrument is transacted.

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.

Unsecured Consumer Loans, Residual Interests in Securitizations, and Revolving Credit Facilities at Fair Value

All of our financial instruments measured at fair value on a recurring basis were classified as Level 3 as of December 31, 2017 and 2016. We did not transfer any assets or liabilities in or out of Level 3 during the years ended December 31, 2017 and 2016. Transfers between levels, should they occur, will be recognized at the beginning of the quarter during which the asset or liability was transferred.

The unsecured consumer loans, residual interests in securitizations, and revolving credit facilities do not trade in an active market with readily observable prices. For the unsecured consumer loans and residual interests in securitizations, fair value is estimated by using a discounted cash flow methodology based upon significant unobservable inputs, such as loss adjusted discount rates and projected loss rates. The loss adjusted discount rates are used to discount the estimated future cash flows expected to be received from the underlying unsecured consumer loans, which includes both future principal and interest payments. The projected loss rates are based on the perceived credit risk inherent in each Rating of the unsecured loan portfolio. For the revolving credit facilities, fair value is estimated using a yield analysis methodology based upon significant unobservable inputs, such as market yield. Significant increases or decreases in the unobservable inputs, such as loss adjusted discount rates, projected loss rates or market yield would result in a decrease or increase, respectively, in the fair value measurement. See Notes 8 and 9 for details of the unsecured consumer loans.

The following table shows the fair value of our unsecured consumer loans, residual interest in securitizations, and revolving credit facilities disaggregated into the three levels of the ASC 820, *Fair Value Measurement* ("ASC 820") valuation hierarchy as of December 31, 2017.

	Level 1	Level 2	Level 3	Total
Assets				
Unsecured consumer loans	$ —	$ —	$ 596,148,010	$ 596,148,010
Residual interests in securitizations	—	—	33,689,314	33,689,314
Total investments at fair value	**$ —**	**$ —**	**$ 629,837,324**	**$ 629,837,324**
Liabilities				
Revolving credit facilities	$ —	$ —	$ 264,130,359	$ 264,130,359

The following table shows the fair value of our unsecured consumer loans and revolving credit facilities disaggregated into the three levels of the ASC 820 valuation hierarchy as of December 31, 2016.

	Level 1	Level 2	Level 3	Total
Assets				
Unsecured consumer loans	$ —	$ —	$ 759,589,421	$ 759,589,421
Liabilities				
Revolving credit facilities	$ —	$ —	$ 217,579,369	$ 217,579,369

Refer to Note 8 for details of the unsecured consumer loans.

The following table shows the aggregate changes in the fair value of our Level 3 unsecured consumer loans and residual interests in securitizations during the years ended December 31, 2017 and 2016.

	Unsecured Consumer Loans	Residual Interests in Securitizations
Fair Value at December 31, 2015	$ 611,374,694	$ —
Purchases	580,599,910	—
Principal payments	(328,436,658)	—
Proceeds from recoveries and sales of charged off loans	(5,469,337)	—
Carrying value before fair value adjustments	**858,068,609**	—
Fair value adjustments:		
Net increase in unrealized depreciation	(27,931,689)	—
Charge offs	(76,016,836)	—
Recoveries	5,469,337	—
Fair value adjustments	**(98,479,188)**	—
Fair Value at December 31, 2016	**759,589,421**	—
Purchases	520,691,146	33,949,823
Sales	(153,266,941)	—
Principal payments	(407,993,257)	—
Proceeds from recoveries and sales of charged off loans	(10,683,136)	—
Accretion of residual interests	—	1,945,931
Carrying value before fair value adjustments	**708,337,233**	**35,895,754**
Fair value adjustments:		
Net increase in unrealized depreciation	(6,645,971)	(2,206,440)
Realized gain on sale into securitization	1,794,063	—
Charge-offs	(118,020,451)	—
Recoveries	10,683,136	—
Fair value adjustments	**(112,189,223)**	**(2,206,440)**
Fair Value at December 31, 2017	**$ 596,148,010**	**$ 33,689,314**

For the year ended December 31, 2017, the net increase in unrealized depreciation on the unsecured consumer loans was $(47,413,109) for unsecured consumer loans still held as of December 31, 2017. For the year ended December 31, 2016, the net increase in unrealized depreciation on the unsecured consumer loans was $(36,144,978) for unsecured consumer loans still held as of December 31, 2016.

The unsecured consumer loans noted a net increase in unrealized depreciation of $(6,645,971) and $(27,931,689), for the years ended December 31, 2017 and 2016, respectively. The residual interests in securitizations noted a net increase in unrealized depreciation of $(2,206,440) for the year ended December 31, 2017. The unrealized depreciation which is part of the fair value adjustments included in net loss on the consolidated statements of operations is primarily attributable to instrument-specific changes in estimated future credit losses (i.e. default losses). Pools of unsecured consumer loans, based on purchase month and Rating, that are projected to have higher future default losses than previously estimated have lower expected future cash flows over the remaining life, which reduces the estimated fair value. Conversely, the pools of unsecured consumer loans that are projected to have lower future default losses than previously estimated have higher expected future cash flows over the remaining life, which increases the estimated fair value. Changes in the unobservable inputs, such as loss adjusted discount rates and projected loss rates, may have a significant impact on the fair value of unsecured consumer loans. These unobservable inputs will (in isolation) have a directionally opposite impact on the fair value of unsecured consumer loans for a given change in that input.

The following table shows the aggregate changes in the fair value of our Level 3 revolving credit facilities during the year ended December 31, 2017 and 2016.

	Revolving Credit Facilities
Fair Value at December 31, 2015	$ 349,574,835
Borrowings	290,181,851
Principal payments	(422,177,317)
Carrying value before fair value adjustments	217,579,369
Net change in fair value	—
Fair Value at December 31, 2016	217,579,369
Borrowings	357,756,148
Principal payments	(311,205,158)
Carrying value before fair value adjustments	264,130,359
Net change in fair value	—
Fair Value at December 31, 2017	$ 264,130,359

Financial Instruments Not Recorded at Fair Value

The fair values of the Company's assets and liabilities, which qualify as financial instruments, approximate the carrying amounts presented on the combined consolidated balance sheets, except for debt related to consolidated VIE and senior secured term loans, which have been presented in the table below:

	December 31, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Liabilities				
Debt related to consolidated VIE	$ 87,198,587	$ 88,124,945	$ 208,872,814	$ 212,909,545
Senior secured term loans	$ 552,753,007	$ 553,079,958	$ 624,003,996	$ 625,485,383

The ranges of unobservable inputs used in the fair value measurement of our Level 3 financial instruments as of December 31, 2017 and 2016 were as follows:

December 31, 2017

Assets/Liabilities	Fair Value	Valuation Technique	Unobservable Input	Weighted Average	Range
Unsecured consumer loans	$596,148,010	Discounted cash flow	Loss-adjusted discounted rate	11.48%	3.00% - 14.50%
			Projected loss rate	7.82%	0.01% - 22.71%
			Recovery rate	9.48%	7.50% - 11.00%
Residual interests in securitizations	$ 33,689,314	Discounted cash flow	Cumulative prepay % of cutoff balance	20.84%	20.64% - 21.05%
			Cumulative default % of cutoff balance	22.34%	21.27% - 23.40%
			Severity	90.00%	90.00% - 90.00%
			Discount rate	14.01%	14.01% - 14.01%
Revolving credit facilities	$264,130,359	Yield analysis	Market yield	4.10%	1.90% - 7.30%

December 31, 2016

Assets/Liabilities	Fair Value	Valuation Technique	Unobservable Input	Weighted Average	Range
Unsecured consumer loans	$759,589,421	Discounted cash flow	Loss-adjusted discounted rate	11.2%	3.00% - 14.43%
			Projected loss rate	10.92%	0.36% - 22.58%
			Recovery rate	6.25%	6.00% - 10.00%
Revolving credit facilities	$217,579,369	Yield Analysis	Market yield	4.1%	1.9% - 9.0%

10. Variable Interest Entity

Special Purpose Entities ("SPEs") are entities designed to fulfill a specific limited need of the entity that organizes it and are often used to facilitate transactions that involve securitizing financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on more favorable terms than available on such assets on an unsecuritized basis. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through the SPEs issuance of debt or equity instruments. Investors in a VIE usually have recourse only to the assets in the SPE and, depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or additional credit enhancement provided by the subordination of mezzanine debt.

In determining the accounting treatment to be applied to securitization transactions, we evaluate whether the SPE used to facilitate the transaction was a VIE and, if so, whether it should be consolidated. The Company's variable interests in VIE's includes debt and equity interests that arose from securitization activities. We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and reassess such determination on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires significant judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power over a VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of being considered the primary beneficiary.

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of, or a right to receive benefits from, the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires significant judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Through December 31, 2017, we completed one securitization transaction associated with our financing of unsecured consumer loans in which the Company was determined to be the primary beneficiary of the VIE. In creating the securitization vehicle, we were involved in the decisions made during the establishment and design of the entity and hold variable interests consisting of debt and equity securities retained that could potentially be significant to the securitized vehicle. The assets of the securitized vehicle deemed a VIE, consist of unsecured consumer loans, which are available for the benefit of the vehicle's beneficial interest holders. The creditors of the VIE do not have recourse to our general credit, and the assets of the VIE are not available to satisfy any other debt. We have not provided financial or other support during the years ended December 31, 2017 and 2016 to the VIE that was not previously contractually required to provide.

National Property REIT Corp.
Notes to Combined Consolidated Financial Statements

The following table summarizes the key details of the VIE we consolidated as of December 31, 2017:

		October 2016 Securitization
Name of securitization trust consolidated as a VIE		MH 2016-LC1
Principal value of unsecured consumer loans sold into the securitization trust	$	314,135,226
Current principal value of unsecured consumer loans in securitization trust	$	99,415,954
Face amount of Class A Note issued by the VIE and sold to a third-party investor[1]	$	204,187,000
Stated interest rate for Class A Note issued		4.19%
Face amount of Class B Note issued by the VIE and sold to a third-party investor[1]	$	39,266,000
Stated interest rate for Class B Note issued		6.15%
Face amount of Class C Note issued by the VIE and sold to the Company[2]	$	39,266,000
Stated interest rate for Class C Note issued		10.00%
Year of final contractual maturity of Class A, B, and C Notes		2022
Cash received upon sale of the Class A and B notes sold to third-party investor	$	243,441,829
Face/Par value of residual interest certificate received by the Company[2]	$	42,290,561
Cumulative gross securitization expenses incurred (net of debt issuance costs of $915,187 as of December 31, 2017) [3]	$	3,700,643

(1) The Class A Notes will also benefit from the additional credit enhancement provided by the subordination of the Class B Notes and the Class C Notes and the Class B Notes also benefit from the additional credit enhancement provided by the subordination of the Class C Notes.

(2) Amount reflects 100% of the Class C Note the Company received, which is subordinate to and provides credit support for the sequential Class A and B notes sold to third-party investors. The Company retained the Class C Note until it was sold to a third-party investor on February 2, 2017, for cash proceeds of $39,723,148 net of related transaction expenses. The Class C Note and the associated interest expense was eliminated in consolidation with the associated trust for the period during which the Company held the security.

(3) Certain expenses incurred in connection with the securitization were capitalized as deferred charges and are amortized to interest expense based upon the actual repayments of the associated notes sold to a third party.

We consolidate the underlying trust associated with our MH 2016-LC1 Securitization. As a result, the notes that were sold to third-party investors is presented on our consolidated balance sheet as "Debt (net of debt issuance costs) related to consolidated VIE" and the unsecured consumer loans held by the trust that collateralize the securities issued by the trust are included as a component of "Unsecured consumer loans, at fair value" on our consolidated balance sheet. The third-party beneficial interest holders in the VIE have no recourse against us, except that we may have an obligation to repurchase assets from the VIE in the event that we breach certain representations and warranties in relation to the unsecured consumer loans sold to the VIE. Other than the foregoing, we have no obligation to provide, nor have we provided, any other explicit or implicit support to this or any other VIE that we consolidate.

Future scheduled principal payments of the debt related to the consolidated VIE, based on expected cash flows of the securitized unsecured consumer loans, as adjusted for projected losses and prepayments on such loans, at December 31, 2017 were as follows: $56,162,616 (2018), and $31,962,329 (2019).

The table below reflects the assets and liabilities recorded in our consolidated balance sheet related to our consolidated VIEs as of the dates presented. The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation. As of December 31, 2017 and 2016, the Company held all the equity interests of the VIE.

	December 31, 2017	December 31, 2016
Restricted cash and cash equivalents	$ 11,181,297	$ 19,596,223
Unsecured consumer loans at fair value	93,182,654	267,642,484
Due from LendingClub Corporation	1,098,778	1,816,471
Interest receivable	1,693,096	4,401,157
TOTAL ASSETS	**$ 107,155,825**	**$ 293,456,335**
Debt (net of debt issuance costs) related to consolidated VIE [(a)]	$ 87,198,587	$ 248,138,814
Accrued expenses	132,704	84,354
Interest payable	130,701	80,754
Servicing fee payable	74,602	203,658
TOTAL LIABILITIES	**$ 87,536,594**	**$ 248,507,560**

(a) Debt related to consolidated VIE includes Class A Notes, Class B Notes and Class C Notes with a maturity date of November 25, 2022, outstanding principal balances of $9,592,945, $39,266,000 and $39,266,000 and interest rates of 4.19%, 6.15% and 10.00%, respectively. As of December 31, 2017 and 2016, $926,358 and $4,036,731, respectively, of unamortized debt issuance costs are recorded as a direct deduction to the debt.

The following table reflects the income and expense amounts recorded in our consolidated statements of operations related to our consolidated VIE for the periods presented:

	For the Year Ended	
	December 31, 2017	December 31, 2016
Interest income	$ 43,322,359	$ 17,794,560
Other income	177,589	7,655
Fair value adjustments	(35,403,039)	(10,044,295)
Gain on sale of interest in consolidated VIE	457,448	—
Total net revenues	8,554,357	7,757,920
Interest and credit facility expenses	12,555,034	2,853,412
Servicing, collection and upfront fees	2,186,989	670,287
Net (loss) income	**$ (6,187,666)**	**$ 4,234,221**

The following table reflects the amounts included on our consolidated statements of cash flows related to our consolidated VIEs for the periods presented:

	For the Year Ended	
	December 31, 2017	December 31, 2016
Cash Flows from Operating Activities:		
Net (loss) income	$ (6,187,666)	$ 4,234,221
Adjustments to reconcile net loss to net cash provided by operating activities:		
Fair value adjustments of unsecured consumer loans	35,403,039	10,044,295
Realized gain on sale of interest in consolidated VIE (Note 6)	(457,448)	—
Amortization of debt issuance costs - related to debt of the consolidated VIE	3,110,373	590,270
Changes in assets and liabilities:		
Decrease (increase) in interest receivable	2,708,061	(4,401,157)
Increase in interest payable	49,947	80,754
Increase in accrued expenses	48,350	84,354
(Decrease) increase in servicing fee payable	(129,036)	203,638
Net Cash Provided by Operating Activities	**34,545,620**	**10,836,375**
Cash Flows from Investing Activities:		
Purchases of unsecured consumer loans	—	(274,716,408)
Principal payments received on unsecured consumer loans	136,085,839	36,295,629
Proceeds from recoveries and sales of charged off loans	2,970,952	—
Proceeds from sale of debt related to consolidated VIE	39,723,448	—
Decrease (increase) in due from LendingClub Corporation	717,693	(1,816,471)
Net Cash Provided (Used) in Investing Activities	**179,497,932**	**(240,237,250)**
Cash Flows from Financing Activities:		
Borrowings under debt related to consolidated VIE	—	243,441,829
Principal payments under debt related to consolidated VIE	(164,050,600)	(30,543,455)
Decrease (increase) in restricted cash and cash equivalents	8,414,926	(19,596,223)
Debt issuance costs	—	(4,615,830)
Member contributions	—	42,290,561
Member distributions	(58,407,878)	(1,576,007)
Net Cash (Used) Provided by Financing Activities	**$ (214,043,552)**	**$ 229,400,875**
Net Increase in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents at beginning of year	—	—
Cash and Cash Equivalents at end of year	$ —	$ —
Supplemental Disclosures		
Cash paid for interest expense	$ 9,427,435	$ 2,182,388
Non-Cash Investing and Financing Activities:		
Increase in borrowings under debt related to consolidated VIE	$ 39,266,000	$ —

Residual Interests in Securitization

In a securitization structured as a sale, in which the Company is not considered a primary beneficiary, we sold a pool of loans to a trust in exchange for cash and a certificate evidencing our residual ownership interest in the trust and the transaction was accounted for as a sale under GAAP.

During the year ended December 31, 2017, the Company sold 21,926 unsecured consumer loans (with a cost of $151,472,878 and accrued interest of $1,731,127) previously purchased from LendingClub to LendingClub Operated Aggregator Note (LOAN) NP I, LLC, resulting in the Club 2017-NP-1 securitization, for cash proceeds of $124,528,245 net of related transaction expenses, and a trust certificate with a fair value of $30,469,823 representing 42.71% interest in Club 2017-NP1 (the "Club 2017 Securitization"). The Company realized a gain of $1,794,063 on the sale. On September 28, 2017, the Company acquired an additional residual interest in the

securitization for $3,480,000. Gains or losses resulting from the securitizations of unsecured loans are recognized at the date of settlement and are based on the difference between the selling price, net of transaction costs, of the securitization and the amortized cost of the related unsecured consumer loans sold. We were not involved in the design or creation of the trust and our continuing involvement is typically passive in nature and does not provide us with the power to direct the activities that most significantly impact the economic performance of the securitization trust. As a result, we do not consolidate the Club 2017 Securitization trust, which we determined was a VIE, associated with this securitization.

Our maximum exposure to loss related to the Company's residual interest in the Club 2017 securitization is calculated as the maximum potential charge that we would recognize in earnings if that investment were to become worthless. The following table presents the carrying amounts and classification of the assets and liabilities recorded on our consolidated balance sheets related to our variable interests in unconsolidated VIEs and the associated maximum exposure to loss.

		December 31, 2017
Residual Interests in Club 2017-NP-1, at Fair Value	$	33,689,314
Residual Interests in Club 2017-NP-1, at Amortized Cost	$	35,895,754

11. Revolving Credit Facilities

On April 21, 2014, ACL Trust closed a three year $50,000,000 revolving credit facility relating to Prosper unsecured consumer loans ("ACL Subsidiaries Facility") with Capital One. On November 13, 2014, American Consumer Lending (Prime), LLC was added as a borrower on the ACL Subsidiaries Facility. The ACL Subsidiaries Facility includes an accordion feature which allows the commitment to be increased to $100,000,000 in the aggregate. The ACL Subsidiaries Facility accordion feature was increased to $150,000,000 and $250,000,000 in the aggregate, on April 23, 2015 and October 30, 2015, respectively. The ACL Subsidiaries Facility was increased to $75,000,000, $95,000,000, $115,000,000 and $165,000,000 on October 7, 2014, November 13, 2014, April 23, 2015 and October 30, 2015 respectively, with the addition of four new lenders. For all advances made prior to April 21, 2015, the lender withheld an interest and fee reserve ("ACL Interest Reserve"). After April 21, 2015, the Company is required to maintain a minimum interest and fee reserve amount which is calculated as a product of 125 basis points of the unpaid principal balance on the ACL Subsidiaries Facility plus the product of 100 basis points of the aggregate outstanding principal balance of the unsecured consumer loans plus $10,000. On December 15, 2016 the ACL Subsidiaries Facility accordion feature was decreased to $100,000,000 and the minimum interest and fee reserve amount was updated to be calculated as a product of 250 basis points of the unpaid principal balance on the ACL Subsidiaries Facility plus the product of 100 basis points of the aggregate outstanding principal balance of the unsecured consumer loans plus $10,000. On a monthly basis, the lender withdraws related interest payments due from the ACL Interest Reserve. On April 13, 2017 Texas Capital Bank, National Association, replaced Capital One as agent of the ACL Subsidiaries Facility. On November 22, 2017 the remaining balance of the ACL Subsidiaries Facility was paid and the facility agreement terminated. As of December 31, 2016, the outstanding balance of the ACL Subsidiaries Facility was $75,211,476.

On December 30, 2014, ACL III Subsidiaries closed a three year $50,000,000 revolving credit facility relating to LendingClub unsecured consumer loans ("ACL III Subsidiaries Facility") with Capital One. The ACL III Subsidiaries Facility includes an accordion feature which allows the commitment to be increased to $100,000,000 in the aggregate. The ACL III Subsidiaries Facility accordion feature was increased to $150,000,000 in the aggregate on December 21, 2015. The ACL III Subsidiaries Facility was increased to $75,000,000 and $95,000,000 on March 31, 2015 and December 21, 2015, respectively, with the addition of two new lenders. For all advances made prior to September 23, 2015, the lender withheld an interest and fee reserve ("ACL III Interest Reserve"). After September 23, 2015, the Company is required to maintain a minimum interest and fee reserve amount which is calculated as a product of 125 basis points of the unpaid principal balance on the ACL III Subsidiaries Facility. On August 30, 2017 the outstanding balance of the ACL III Subsidiaries Facility was transferred from Capital One to Texas Capital Bank, National Association at which time the maximum commitment amount was decreased to $80,000,000. On December 20, 2017, Pacific Western Bank and Credit Suisse AG were added as lenders to the agreement and effectively increasing the maximum commitment to $150,000,000. On a monthly basis, the lender withdraws related interest payments due from the ACL III Interest Reserve. As of December 31, 2017 and 2016, the outstanding balances of the ACL III Subsidiaries Facility were $63,666,892 and $18,542,229, respectively.

On April 9, 2015, ACL IV Subsidiaries closed a three year $75,000,000 revolving credit facility relating to LendingClub unsecured consumer loans ("ACL IV Subsidiaries Facility") with Morgan Stanley Bank, N.A. The ACL IV Subsidiaries Facility includes an accordion feature which allows the commitment to be increased to

$150,000,000 in the aggregate. The ACL IV Subsidiaries Facility accordion feature was increased to $200,000,000 in the aggregate, on July 22, 2016. The total commitments under the ACL IV Subsidiaries Facility was increased to $125,000,000 and $200,000,000 on November 20, 2015 and July 22, 2016, respectively. For all advances, the lender withholds a cash reserve. The Company is required to maintain a minimum cash reserve amount which is calculated as a product of 175 basis points of the unpaid principal balance on the ACL IV Subsidiaries Facility. The total commitment under the ACL IV Subsidiaries Facility was decreased to $150,000,000 on August 31, 2017. As of December 31, 2017 and 2016, the outstanding balances of the ACL IV Subsidiaries Facility were $137,448,614 and $96,518,614, respectively.

On December 16, 2015, ACL Trust V closed a one and half year $75,000,000 revolving credit facility relating to Avant unsecured consumer loans ("ACL Trust V Facility") with Morgan Stanley Bank, N.A. The ACL Trust V Facility includes an accordion feature which allows the commitment to be increased to $150,000,000 in the aggregate. On July 28, 2016 the revolving credit facility amount and the commitment was decreased to $25,000,000. For all advances, the lender withholds a cash reserve. The Company is required to maintain a minimum cash reserve amount which is calculated as a product of 100 basis points of the unpaid principal balance on the ACL Trust V Facility. On March 17, 2017 the remaining balance of the ACL Trust V Facility was paid and the facility agreement terminated. As of December 31, 2016, the outstanding balance of the ACL Trust V Facility was $4,736,958.

On April 20, 2016, ACL PS closed a three year $50,000,000 revolving credit facility relating to NBT unsecured consumer loans ("ACL PS Facility") with Pacific Western Bank. The ACL PS Facility includes an accordion feature which allows the commitment to be increased to $100,000,000 in the aggregate. The Company is required to maintain a minimum cash reserve amount which is calculated as a product of 100 basis points of the unpaid principal balance on the ACL PS Facility. As of December 31, 2017 and 2016, the outstanding balances of the ACL PS Facility were $1,181,188 and $22,570,092, respectively.

On November 22, 2017, ACL VII closed a four year $65,869,951 revolving credit facility relating to Prosper and NBT unsecured consumer loans ("ACL VII Facility") with Macquarie Investments US Inc. As of December 31, 2017, the outstanding balance on the ACL VII Facility was $61,833,665.

The ACL Subsidiaries Facility, the ACL III Subsidiaries Facility, the ACL IV Subsidiaries Facility, the ACL Trust V Facility, the ACL PS Facility, and the ACL VII Facility are collectively referred to as "Revolving Credit Facilities".

The Revolving Credit Facilities contain restrictions pertaining to the unsecured consumer loans considered as eligible collateral. Restrictions on eligible collateral include, but are not limited to, the maximum and minimum size, maximum interest rate, original term and credit score of the borrower related to the unsecured consumer loans. The Revolving Credit Facilities also contains certain requirements relating to the portfolio of loans and portfolio performance, including, but are not limited to, minimum FICO score of borrowers, average aggregate principal amount payable, maximum delinquencies and charge-offs, maximum leverage ratios, minimum interest coverage ratios, minimum annual net income, violations of which could result in the early termination of the Revolving Credit Facilities. Borrowings on the Revolving Credit Facilities are generally limited to 50.0% to 80.0% of the outstanding eligible principal balance of the portfolio of unsecured consumer loans. The ACL IV Subsidiaries Facility and the ACL Trust V Facility include portfolio excess concentration tests which if greater than specified concentration limits decrease the amount of eligible collateral. As of December 31, 2017 the Company was in compliance with the requirements of the Revolving Credit Facilities, which could have a material impact on the Company.

The Revolving Credit Facilities require us to hold unsecured consumer loans as collateral in order to borrow under the credit facilities. During the terms of the Revolving Credit Facilities, all principal and interest payments on the unsecured consumer loans held as collateral are used to pay facility expenses, interest expenses or applied to reduce the outstanding balance on the Revolving Credit Facilities. The remaining balance will become due upon maturity.

Interest on borrowings under the ACL Subsidiaries Facility and ACL III Subsidiaries Facility is one-month LIBOR rate plus 350 basis points with a minimum LIBOR floor of 50 basis points. Interest on borrowings under the ACL IV Subsidiaries Facility is one-month LIBOR rate plus an applicable margin. The applicable margin is calculated as the product of 275 or 350 basis points and the applicable eligible unsecured consumer loan balance divided by the aggregate eligible unsecured consumer loan balance. After July 22, 2016 the applicable margin was calculated as the product of 325 or 400 basis points and the applicable eligible unsecured consumer loan balance divided by the aggregate eligible unsecured consumer loan balance. After August 31, 2017 the applicable margin was calculated as the product of 325 or 340 basis points and the applicable eligible unsecured consumer loan balance divided by the aggregate eligible unsecured consumer loan balance. As of December 31, 2017 and 2016, the

applicable margin was 338 and 374 basis points, respectively. Interest on borrowings under the ACL PS Facility is one-month LIBOR rate plus 400 basis points. Interest on borrowings under the ACL Trust V Facility is one-month LIBOR rate plus 450 basis points. As of December 31, 2017 and 2016, the one-month LIBOR rate was 156 and 77 basis points, respectively. Interest on borrowings under the ACL VII Facility is one-month LIBOR rate plus 300 basis points. Additionally, the lender charges a monthly fee on the unused portion of the ACL Subsidiaries Facility and ACL III Subsidiaries Facility equal to the product of 35 basis points per annum and the difference (if any) of the aggregate outstanding available credit facility and the average daily outstanding drawn principal balance. The lender charges a monthly fee on the unused portion of the ACL Trust V Facility equal to the product of 75 basis points per annum and the difference (if any) of the aggregate outstanding available credit facility and the average daily outstanding drawn principal balance. The monthly fee on the unused portion of the ACL IV Subsidiaries Facility, ACL Trust V Facility, and ACL PS Facility is equal to the product of 10 to 60 basis points, 25 to 75 basis points, and 35 to 50 basis points, respectively, and the difference (if any) of the average daily outstanding available credit facility and the average daily outstanding drawn principal balance, depending on the amount of the average daily outstanding drawn principal balance versus the maximum revolving credit facility.

During the years ended December 31, 2017 and 2016, we accrued $3,368,677 and $2,274,556 respectively, of agent fees, unused line fees and debt issuance costs on the Revolving Credit Facilities, which are recorded as interest expense on the combined consolidated statements of operations.

The Company intends to refinance the Revolving Credit Facilities which have stated maturity dates within the next year.

12. Mortgages Payable

The Company has outstanding mortgages payable that bear interest at either a fixed or variable rate. Each mortgage payable is secured by a respective real estate property and certain cash reserve accounts required by the borrowing agreements, which are included as restricted cash on the accompanying combined consolidated balance sheets. The following table presents a summary of our mortgages payable as of December 31, 2017 and 2016:

Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2017	Outstanding Principal 12/31/2016
Amberly - Loan 1	3.75%	2/1/2023	Interest Only	39,600,000	39,600,000
Amberly - Loan 2	4.07%	2/1/2023	Interest Only	7,100,000	7,100,000
Lofton Place - Loan 1	3.97%	5/1/2023	Interest Only	16,965,000	16,965,000
Lofton Place - Loan 2	4.71%	5/1/2023	Amortizing	3,358,509	3,411,407
Arlington Park	4.08%	6/1/2023	Interest Only	9,650,000	9,650,000
The Resort - Loan 1	4.17%	7/1/2023	Amortizing	153,800,760	156,361,822
The Resort - Loan 2	4.80%	7/1/2023	Amortizing	23,653,982	24,312,933
Bexley - Loan 1[1]	5.50%	4/1/2021	N/A	—	15,955,158
Bexley - Loan 2[1]	4.46%	4/1/2021	N/A	—	5,711,498
Bexley - Loan 3[1]	4.91%	4/1/2021	N/A	—	20,798,677
Cordova Regency - Loan 1	4.55%	12/1/2023	Interest Only	9,025,000	9,025,000
Cordova Regency - Loan 2	4.61%	12/1/2023	Interest Only	2,349,000	2,349,000
Crestview at Oakleigh - Loan 1	4.55%	12/1/2023	Interest Only	11,485,000	11,485,000
Crestview at Oakleigh - Loan 2	4.61%	12/1/2023	Interest Only	2,357,000	2,357,000
Inverness Lakes - Loan 1	4.55%	12/1/2023	Interest Only	19,400,000	19,400,000
Inverness Lakes - Loan 2	4.61%	12/1/2023	Interest Only	5,300,000	5,300,000
Kings Mill - Loan 1	4.55%	12/1/2023	Interest Only	13,627,000	13,627,000
Kings Mill - Loan 1	4.61%	12/1/2023	Interest Only	3,928,000	3,928,000
Plantations at Pine Lake - Loan 1	4.55%	12/1/2023	Interest Only	11,817,000	11,817,000
Plantations at Pine Lake - Loan 2	4.61%	12/1/2023	Interest Only	2,275,000	2,275,000
Verandas at Rocky Ridge	4.55%	12/1/2023	Interest Only	10,205,000	10,205,000
Matthews Reserve - Loan 1	4.46%	12/1/2023	Interest Only	17,571,000	17,571,000
Matthews Reserve - Loan 2	5.61%	12/1/2023	Amortizing	2,347,260	2,378,507
City West - Loan 1	4.46%	12/1/2023	Interest Only	18,533,000	18,533,000
City West - Loan 2	5.59%	12/1/2023	Amortizing	4,728,309	4,791,107
Vinings Corner - Loan 1	4.46%	12/1/2023	Interest Only	26,640,000	26,640,000
Vinings Corner - Loan 2	5.90%	12/1/2023	Amortizing	6,281,011	6,345,738
Central Park - Loan 1	4.46%	12/1/2023	Interest Only	27,471,000	27,471,000

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Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2017	Outstanding Principal 12/31/2016
Central Park - Loan 2	5.55%	12/1/2023	Amortizing	2,322,156	2,353,251
Mission Gate - Loan 1 [4]	4.46%	12/1/2023	N/A	—	36,148,000
Mission Gate - Loan 2 [4]	5.55%	12/1/2023	N/A	—	5,528,910
St. Marin - Loan 1	4.46%	12/1/2023	Interest Only	53,865,000	53,865,000
St. Marin - Loan 2	5.53%	12/1/2023	Amortizing	8,520,289	8,634,847
Eastwood Village - Loan 1	4.60%	1/1/2024	Amortizing	19,505,315	19,780,146
Monterey Village - Loan 1	4.60%	1/1/2024	Amortizing	9,065,527	9,195,463
Hidden Creek - Loan 1	4.60%	1/1/2024	Amortizing	3,569,082	3,617,572
Meadow Springs - Loan 1	4.60%	1/1/2024	Amortizing	10,038,910	10,175,845
Meadow View - Loan 1	4.60%	1/1/2024	Amortizing	10,986,577	11,138,592
Peachtree Landing - Loan 1	4.60%	1/1/2024	Amortizing	13,346,104	13,572,152
Indigo	4.49%	7/1/2022	Amortizing	27,402,362	27,871,074
Plantations at Hillcrest [1]	4.43%	12/1/2020	N/A	—	4,534,357
Crestview at Cordova - Loan 1	4.43%	12/1/2020	Amortizing	4,684,794	4,813,349
Crestview at Cordova - Loan 2	4.43%	12/1/2020	Amortizing	3,158,709	3,230,570
Island Club - Loan 1	4.36%	1/1/2019	Amortizing	7,000,938	7,136,427
Island Club - Loan 2	5.14%	1/1/2019	Amortizing	1,526,022	1,553,572
Chesterfield	4.51%	9/6/2024	Interest Only	4,350,000	4,350,000
Wyoming	4.51%	9/6/2024	Interest Only	3,600,000	3,600,000
Grand Rapids	4.51%	9/6/2024	Interest Only	5,460,000	5,460,000
Westland	4.45%	9/6/2024	Interest Only	3,480,000	3,480,000
State Street	4.45%	9/6/2024	Interest Only	3,345,000	3,345,000
Jackson	4.45%	9/6/2024	Interest Only	6,695,000	6,695,000
Kalamazoo	4.45%	9/6/2024	Interest Only	1,775,000	1,775,000
Canterbury Green - Loan 1	4.21%	10/1/2024	Interest Only	65,525,000	65,823,754
Canterbury Green - Loan 2	5.13%	10/1/2024	Amortizing	8,283,996	8,405,359
Abbie Lakes	4.20%	10/1/2024	Interest Only	10,440,000	10,440,000
Brookridge	4.20%	10/1/2024	Interest Only	11,000,000	11,000,000
Reserve at Abbie Lakes	4.20%	10/1/2024	Interest Only	20,142,000	20,142,000
Lakes Edge	4.20%	10/1/2024	Interest Only	10,080,000	10,080,000
Sunbury Ridge	4.20%	10/1/2024	Interest Only	10,480,000	10,480,000
Stonebridge	4.20%	10/1/2024	Interest Only	15,480,000	15,480,000
Jefferson Chase	4.20%	10/1/2024	Interest Only	12,240,000	12,240,000
Lake Ridge	4.11%	11/1/2024	Interest Only	8,040,000	8,040,000
Okemos	4.19%	3/6/2025	Interest Only	5,620,000	5,620,000
Lansing West	4.19%	3/6/2025	Interest Only	1,305,000	1,305,000
Novi	4.19%	3/6/2025	Interest Only	5,025,000	5,025,000
Lake Orion	4.19%	3/6/2025	Interest Only	5,225,000	5,225,000
Ypsilanti	4.19%	3/6/2025	Interest Only	2,630,000	2,630,000
Orchard Village	4.43%	12/1/2025	Interest Only	26,450,000	26,450,000
Sterling Crimson	4.20%	10/1/2026	Interest Only	41,250,000	41,250,000
Hawks Ridge	4.20%	10/1/2026	Interest Only	24,825,000	24,825,000
Islander Village	4.20%	10/1/2026	Interest Only	10,800,000	10,800,000
Campus Quarters	4.20%	10/1/2026	Interest Only	14,175,000	14,175,000
District on Lucher	4.20%	10/1/2026	Interest Only	32,058,000	32,058,000
West 22	4.20%	10/1/2026	Interest Only	44,727,000	44,727,000
Legacy [1]	3.17%	2/1/2020	Interest Only	5,347,203	5,291,500
University Crossing [2]	3.17%	2/1/2020	Interest Only	17,487,363	15,921,021
Union Place	4.42%	1/1/2027	Interest Only	51,800,000	51,800,000
Eastwood Village - Loan 2	4.29%	1/1/2024	Amortizing	3,220,011	3,277,994
Monterey Village - Loan 2	4.29%	1/1/2024	Amortizing	1,993,107	2,028,996
Hidden Creek - Loan 2	4.29%	1/1/2024	Amortizing	1,165,019	1,185,998
Meadow Springs - Loan 2	4.29%	1/1/2024	Amortizing	2,980,328	3,033,994
Meadow View - Loan 2	4.29%	1/1/2024	Amortizing	2,087,408	2,124,996
Peachtree Landing - Loan 2	4.29%	1/1/2024	Amortizing	2,130,178	2,172,996
Seasons	4.39%	2/1/2029	Interest Only	153,580,000	—

Mortgage Note	Interest Rate	Maturity Date	Amortizing or Interest Only	Outstanding Principal 12/31/2017	Outstanding Principal 12/31/2016
Abbie Lakes - Loan 2	5.82%	10/1/2024	Interest Only	2,615,000	—
Bainbridge - Loan 2	5.82%	10/1/2024	Interest Only	2,502,000	—
Reserve at Abbie Lakes - Loan 2	5.82%	10/1/2024	Interest Only	3,114,000	—
Lakes Edge - Loan 2	5.84%	10/1/2024	Interest Only	4,400,000	—
Sunbury Ridge - Loan 2	5.82%	10/1/2024	Interest Only	3,635,000	—
Stonebridge - Loan 2	5.84%	10/1/2024	Interest Only	2,818,000	—
Jefferson Chase - Loan 2	5.82%	10/1/2024	Interest Only	4,960,000	—
Lake Ridge - Loan 2	5.82%	11/1/2024	Interest Only	1,560,000	—
Villages of Baymeadows	4.14%	11/1/2027	Interest Only	76,560,000	—
Casa Del Mar	4.14%	11/1/2027	Interest Only	12,240,000	—
Sutton Place	4.03%	12/1/2029	Interest Only	44,644,000	—
Silver Oaks	4.03%	12/1/2029	Interest Only	14,385,000	—
Total outstanding principal				$ 1,453,940,738	$ 1,210,338,736
Less: unamortized discount and debt issuance costs				(10,414,151)	(9,582,458)
Total mortgages payable, net of unamortized discount and debt issuance costs				$ 1,443,526,587	$ 1,200,756,278

(1) Bexley was disposed of on January 19, 2018 (Note 3). The mortgage payable was extinguished at date of sale.
(2) Mission Gate was disposed of on June 15, 2017 (Note 3). The mortgage payable was extinguished at date of sale.
(3) Plantation at Hillcrest was disposed of on August 29, 2017 (Note 3). The mortgage payable was extinguished at date of sale.
(4) Interest at a variable rate indexed to the one month USD LIBOR interest rate, plus 240 basis points. Rate noted is as of December 31, 2017.

On August 29, 2017, in connection with the sale of the Plantation at Hillcrest property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $4,769,699. As a result, the Company recognized a loss on early extinguishment of debt of $421,555, which is included within interest expense on the combined consolidated statements of operations.

On June 15, 2017, in connection with the sale of the Mission Gate property, as described in Note 3, *Recent Real Estate Transactions*, the associated outstanding mortgage balance in the amount of $41,715,014 was assumed by the acquirer. As a result, the Company recognized a loss on early extinguishment of debt of $240,968, which is included within interest expense on the combined consolidated statements of operations.

On January 18, 2017, in connection with the sale of the Bexley property, as described in Note 3, *Recent Real Estate Transactions*, the Company utilized sale proceeds to repay the associated outstanding mortgage balance in the amount of $32,429,255. As a result, the Company recognized a loss on early extinguishment of debt of $4,685,165, which is included within interest expense on the combined consolidated statements of operations.

On October 28, 2016, in connection with the Abbington property sale, as described in Note 3, *Recent Real Estate Transactions*, the Company repaid the outstanding associated mortgage balance of $17,065,867. As a result, the Company recognized a loss on early extinguishment of debt of $2,260,169, which is included within interest expense on the combined consolidated statements of operations.

The Company recognizes a debt discount or premium in connection with mortgages assumed at fair value in accordance with ASC 805. The unamortized debt discount of $221,025 and $433,137 is included in mortgage payables on the accompanying combined consolidated balance sheets at December 31, 2017 and 2016, respectively. Amortization of mortgage discount of $61,038 and $96,585 is included in interest expense in the combined consolidated statements of operations for the years ended December 31, 2017 and 2016.

Future scheduled principal payments of mortgage payable are as follows: $8,973,308 (2018), $19,929,564 (2019), $45,816,130 (2020), $16,625,926 (2021), $19,814,505 (2022), and $1,342,781,305 (thereafter).

13. Income Taxes

Income taxes consisted of the following for the years ended:

	December 31, 2017	December 31, 2016
Current federal tax benefit	$ —	$ 131,156
Current state tax expense	(198,777)	(145,913)
Net deferred federal tax expense	—	—
Net deferred state tax expense	—	—
Income tax expense	**$ (198,777)**	**$ (14,757)**

Income tax expense for the years ended December 31, 2017 and 2016 differs from the amount determined by applying the statutory federal rate of 34.0% to income (loss) before income tax expense generated by the Company's taxable REIT subsidiaries as follows:

	December 31, 2017		December 31, 2016	
	Amount	Rate	Amount	Rate
Income tax benefit at federal tax rate	**$ 4,988,886**	**(34.0)%**	**$ 3,071,015**	**(34.0)%**
Change in valuation allowance	(137,586)	1.0%	(6,840,506)	75.7%
Tax benefit from fair value adjustment prior to sale to affiliate	4,094,379	(27.9)%	2,601,241	(28.8)%
(Loss) income not subject to entity level tax	(4,392,399)	29.9%	1,118,640	(12.4)%
Prior year tax adjustment	—	—%	131,155	(1.4)%
State income taxes, net of federal tax effect	(131,194)	0.9%	(96,302)	1.1%
Change in federal tax rate	(4,620,863)	31.5%	—	—%
Income tax expense	**$ (198,777)**	**1.4%**	**$ (14,757)**	**0.2%**

Deferred tax assets consist of the following:

	December 31, 2017	December 31, 2016
Deferred federal tax benefit	$ 7,464,471	$ 7,157,597
Deferred state tax benefit	867,512	1,036,800
Total deferred tax assets	**8,331,983**	**8,194,397**
Valuation allowance	(8,331,983)	(8,194,397)
Deferred tax assets after valuation allowance	**$ —**	**$ —**

The tax effected cumulative temporary differences that give rise to the deferred tax assets as of December 31, 2017 and 2016 are the debt issuance costs on the revolving credit facilities, interest income on delinquent loans which are not charged off and the federal and state net operating losses from prior periods. Deferred tax assets are recognized subject to our judgment that realization is more likely than not. As of December 31, 2017 and 2016, the Company provided a full allowance on the deferred tax assets as it is more likely than not that these assets will not result in future tax benefits.

ASC 740, Income Taxes ("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 December 31, 2017 and 2016, we did not have a liability for any unrecognized tax benefits. 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 ongoing analysis of tax laws, regulations and interpretations thereof. The Company received a notice that one of its subsidiary's 2014 federal tax return had been selected for examination by the Internal Revenue Service; the examination was closed in 2016 without any adjustments. For the year ended December 31, 2017, no such notice was received for examination by the Internal Revenue Service. We file tax returns for U.S. Federal, various states and foreign jurisdictions. The statute of limitation is open for all jurisdictions for tax years beginning in 2014.

The Company's policy is to classify interest and penalties on tax positions, if any, as expenses. For the year ended December 31, 2017 and 2016, no interest and penalties has been accrued.

14. Equity

As of December 31, 2017 and 2016, the Company authorized 100,000,000 common shares, par value $0.001. NPH is the Company's sole common stockholder. As of December 31, 2017 and 2016, the Company paid an aggregate of $452,273,635 and $410,319,194 of dividends on common shares, respectively.

As of December 31, 2017 and 2016, the Company had 125 shares outstanding in connection with a private placement of 12.5% Series A Cumulative Non-Voting Preferred Stock, par value $0.001 per share (Series A Preferred Stock), respectively. In general, holders of Series A Preferred Stock are entitled to receive cumulative dividends semiannually at a per annum rate equal to 12.5% of the total purchase price of $1,000 per share plus accumulated and unpaid dividends. The Series A Preferred Stock is redeemable by the Company for $1,000 per share plus accumulated and unpaid dividends. Upon liquidation and dissolution of the Company, the holders of the Series A Preferred Stock are entitled to a liquidation preference in the amount of the share's purchase price, plus all accumulated and unpaid dividends. Series A Preferred Stock are not convertible or exchangeable for any other property or securities of the Company. On May 23, 2016, in connection with the merger of the Affiliated REITs, the Company redeemed 250 shares of 12.5% Series A Preferred Stock at a total price of $250,000 plus the accrued unpaid dividend of $12,413. As of December 31, 2017 and 2016, the Company paid an aggregate of $188,624 and $172,999 of dividends on Series A preferred shares, respectively.

15. Related Party Transactions

On December 31, 2013, the Company entered into a management assistance agreement with Prospect Administration LLC ("Prospect") to provide significant managerial assistance to the Company on behalf of PSEC. On May 23, 2016, in connection with the merger of the Affiliated REITs, the management assistance agreement was amended to increase the annual fee to $1,300,000.

In accordance with the Investment Company Act of 1940, PSEC must make available "significant managerial assistance" to the Company. Prospect provides assistance with significant guidance and counsel concerning the management, operations, and business objectives and policies to the Company. Services may include arranging financing, managing relationships with financing sources, restructuring existing debt and evaluating acquisition and divestiture opportunities. Prospect also exercises a controlling influence over the policies of the Company. On a quarterly basis, the Company pays a managerial assistance fee to Prospect for time and effort in assisting and providing commercial and mezzanine lending, investment banking, and private equity investing services. The Company incurred managerial assistance fees of $1,300,000 for the years ended December 31, 2017 and 2016, which are included in management fees in the accompanying combined consolidated statements of operations.

On a quarterly basis, the Company pays Prospect for professional services provided related to legal counsel, taxation, and general accounting. For the years ended December 31, 2017 and 2016, the Company incurred professional service fees of $1,735,894 and $7,089,293, respectively, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations. As of December 31, 2017 and 2016, $122,179 and $3,621,627, respectively, is due to Prospect and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2017, $11,477 and $19,707 is due to Prospect Capital Management ("PCM") and PSEC, respectively, for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

As of December 31, 2016, $3,186 is due to PSEC for reimbursement of expenses paid on behalf of the Company and is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

The Company generally incurs a 2% to 3% structuring fee for the PSEC equity portion of each acquired property. The structuring fee is paid to PSEC for structuring and providing guidance for each purchase transaction. For the years ended December 31, 2017 and 2016, the Company incurred structuring fees of $1,883,103 and $1,320,255, respectively. These amounts are included in the acquisition costs line item in the accompanying combined consolidated statements of operations.

On February 9, 2016, the Company entered into an Amended and Restated Services Agreement with First Financial Partners, Inc. ("FFP"), whose principal and sole owner is Mr. Stock, Chief Executive Officer of the Company, regarding the Company's engagement of FFP as an independent contractor to provide transaction and execution services. For the year ended December 31, 2017 and 2016, the Company incurred professional service fees and related expenses of $20,000 and $50,188, which is included in general and administrative expenses in the accompanying combined consolidated statements of operations.

The Company also entered into property management agreements with the non-controlling interest joint venture partners to manage the operations of the properties. The Company pays a monthly management fee of 2% - 6% of the gross monthly rents to the property managers. For the years ended December 31, 2017 and 2016, property management fees were $7,176,724 and $5,613,932, respectively. As of December 31, 2017 and 2016, $721,003 and $145,367 of management fees, respectively, were payable to property managers, and is included in due to affiliates in the accompanying combined consolidated balance sheets.

The Company also pays a monthly asset management fee up to 1.25% of the gross monthly rents to the property managers. For the years ended December 31, 2017 and 2016, asset management fees were $927,961 and $635,019, respectively. These amounts are included in the management fee line item in the accompanying combined consolidated statements of operations. The property management agreements also stipulate that a construction management fee of 5% - 6% of project cost is to be paid to the property managers. For the years ended December 31, 2017 and 2016, capitalized construction management fees were $812,899 and $800,031, respectively, and is included within building and improvements in the accompanying combined consolidated balance sheets.

The Company generally incurs an acquisition fee from 0.5% to 1% of the purchase price of each acquired property. The acquisition fee is paid to the Property Managers for services rendered in connection with the investigation, selection, sourcing, due diligence and acquisition of a property or investment. For the years ended December 31, 2017 and 2016, the Company incurred an acquisition fee of $2,567,250 and $3,147,500, respectively. These amounts are included in acquisition costs in the accompanying combined consolidated statements of operations.

In connection with the acquisitions of several properties during the year ended December 31, 2017, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. No performance measures have been met as of December 31, 2017. As of December 31, 2017, $4,141,000 of deferred acquisition fees were retained by the Company and included within due to affiliates on the combined consolidated balance sheets. As of December 31, 2017, $3,691,000 of deferred acquisition fees retained by the Company is included within restricted cash on the combined consolidated balance sheets.

In connection with the acquisitions of several properties during the year ended December 31, 2016, the Company has retained a portion of the non-controlling joint venture partners' acquisition fees as deferred acquisition fees. These deferred acquisition fees are earned by and payable to the non-controlling joint venture partner upon reaching certain performance measures. No performance measures have been met as of December 31, 2016. As of December 31, 2016, deferred acquisition fees retained by the Company were $1,573,750 and is included within restricted cash and due to affiliates on the combined consolidated balance sheets.

The Company noted that certain expenses are paid for by the property managers and have yet to be reimbursed. As of December 31, 2017 and 2016, unreimbursed advances and other amounts due to related parties were $136,307 and $358,566, respectively, and are recorded by the Company as due to affiliates on the combined consolidated balance sheets.

The Company noted that certain contractual property operating distributions are paid on a monthly or quarterly basis to the Company and our non-controlling joint venture partners. As of December 31, 2017 and 2016, distributions payable to our non-controlling joint venture partners were $0 and $8,547, respectively. These amounts are recorded by the Company as due to affiliates on the combined consolidated balance sheets.

16. Senior Secured Term Loans - Related Party

The Company entered into a credit agreement (the "Credit Agreement"), effective April 1, 2014, with PSEC in the form of a senior secured term loan. The maturity date of the senior secured term loans under the Credit Agreement is April 1, 2019. The credit agreement does not require payments on the outstanding principal until maturity, with prepayments allowed but subject to a prepayment penalty. Senior secured term loans under the Credit Agreement accrue, at a rate per annum, cash interest equivalent to the one-month LIBOR plus the respective senior secured term loans fixed spread with a minimum LIBOR floor of 200 basis points and payment in kind ("PIK") interest based on the respective senior secured term loans fixed rate. Senior secured term loans under the Credit Agreement also incur net operating income interest equivalent to 500 basis points of the net operating income earned during the applicable period. Cash interest and net operating interest are payable in cash quarterly. PIK interest due quarterly is added to the outstanding principal balance of the loan or paid in cash, in whole or in part, at the option of the Company. As of December 31, 2017 and 2016, the total commitment was $1,500,000,000.

During the year ended December 31, 2017, the Company has voluntarily pre-paid in aggregate $23,750,000 of the Term Loan A commitment under the Credit Agreement. As a result, the Company recognized a prepayment premium of $237,500, which is included within interest expense on the combined consolidated statements of

operations. For the year ended December 31, 2016, the Company recognized a prepayment premium of $1,997,479, which is included within interest expense on the combined consolidated statements of operations.

On June 30, 2014, ACLLH, a wholly owned subsidiary of the Company, entered into a credit agreement with PSEC in the form of a senior secured term loan. On December 15, 2015, ACLL, a wholly owned subsidiary of the Company entered into a credit agreement (collectively referred to as the "ACL Credit Agreement") with PSEC in the form of senior secured term loan. The maturity date of the senior secured term loans under the ACL Credit Agreement is April 1, 2019. The ACL Credit Agreement does not require payments on the outstanding principal balance until the maturity date. Senior secured term loans under the ACL Credit Agreement accrue, at a rate per annum, cash interest equivalent to the one-month LIBOR plus the respective senior secured term loans fixed spread with a minimum LIBOR floor of 200 basis points and PIK interest based on the respective senior secured term loans fixed rate. Cash interest is payable in cash quarterly. PIK interest due quarterly is added to the outstanding principal balance of the loan or paid in cash, in whole or in part, at the option of the Company. As of December 31, 2017 and 2016, the total commitment was $750,000,000.

During the year ended December 31, 2016, the Company made non-cash contributions of $73,558,293 to NMP through a transfer and assignment from ACLLH to the Company of senior secured term loans with PSEC having an aggregate outstanding principal amount of $73,558,293. No non-cash contributions were made during the year ended December 31, 2017.

The following table presents a summary of our senior secured term loans payable as of December 31, 2017 and 2016:

	As of December 31, 2017			As of December 31, 2016		
Senior Secured Term Loan	**Cash Rate**	**PIK Rate**	**Outstanding Principal**	**Cash Rate**	**PIK Rate**	**Outstanding Principal**
Term Loan A	1-Mo Libor + 4.00%	10.50%	$ 293,202,638	1-Mo Libor + 4.00%	5.50%	$ 281,420,685
Term Loan B	1-Mo Libor + 12.00%	3.00%	—	1-Mo Libor + 12.00%	3.00%	—
Term Loan C	1-Mo Libor + 4.00%	7.50%	—	1-Mo Libor + 4.00%	7.50%	—
Term Loan D	1-Mo Libor + 12.00%	4.50%	—	1-Mo Libor + 12.00%	4.50%	—
Term Loan E	1-Mo Libor + 11.00%	5.00%	113,239,760	1-Mo Libor + 11.00%	5.00%	205,591,036
Term Loan A (ACLLH)	1-Mo Libor + 4.00%	7.50%	—	1-Mo Libor + 4.00%	7.50%	—
Term Loan B (ACLLH)	1-Mo Libor + 12.00%	4.50%	—	1-Mo Libor + 12.00%	4.50%	—
Term Loan C (ACLLH)	1-Mo Libor + 9.00%	5.00%	14,273,602	1-Mo Libor + 9.00%	5.00%	88,556,113
Term Loan A (ACLL)	1-Mo Libor + 4.00%	7.50%	—	1-Mo Libor + 4.00%	7.50%	—
Term Loan B (ACLL)	1-Mo Libor + 12.00%	4.50%	—	1-Mo Libor + 12.00%	4.50%	—
Term Loan C (ACLL)	1-Mo Libor + 9.00%	5.00%	132,578,062	1-Mo Libor + 9.00%	5.00%	46,917,549
Total outstanding principal			**553,294,062**			**625,485,383**
Less: unamortized debt issuance costs			(541,055)			(1,481,387)
Total senior secured term loans, net of debt issuance costs			**$ 552,753,007**			**$ 624,003,996**

For the year ended December 31, 2017, the Company incurred $50,045,938, $37,922,021, and $6,279,251 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2017, a total of $36,842,136 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2017, $446,209 of cash interest, $303,736 of PIK interest and $582,483 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

For the year ended December 31, 2016, the Company incurred $50,707,863, $30,584,744, and $5,252,590 of cash interest, PIK interest, and net operating income interest, respectively. For the year ended December 31, 2016, a total of $30,403,096 of PIK interest was paid in cash on the senior secured term loans. As of December 31, 2016, $303,236 of cash interest, $181,648 of PIK interest and $479,169 of net operating income interest is recorded by the Company as due to affiliates on the combined consolidated balance sheets.

For the years ended December 31, 2017 and 2016, the Company incurred $459,158 and $2,162,307 of structuring fees for borrowings under the senior secured term loans, respectively. The structuring fees are deferred and amortized over the life of the senior secured term loan. For the years ended December 31, 2017 and 2016, $1,399,491 and $2,255,338 were amortized and recorded within interest expense on the combined consolidated statements of operations, respectively.

17. Commitments and Contingencies

The Company believes that it has complied with the requirements of the mortgage payable by obtaining the requisite third party insurance coverage for losses that may be incurred at the properties. Losses for amounts below the threshold of the deductible amounts specified in certain of the Company's insurance policies are self-insured; however, management does not believe that this exposure will have a material adverse effect on the Company's combined consolidated financial position or results of operations.

Periodically, the Company may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of the business. The Company does not believe that there are any proceedings threatened or pending, if determined adversely, that would have a material adverse effect on the financial position, results of operations, or liquidity of the Company.

18. Subsequent Events

On January 1, 2018, the Company amended and restated the managerial assistance agreement. Under the third amended and restated agreement, the annual managerial assistance fee is increased from $1,300,000 to $2,100,000.

On January 3, 2018, the Company contributed $1,663,733 to NMF which was used to pay down ACL VII's credit facility.

On January 9, 2018, the Company, together with a joint venture partner, acquired a multi-family property located in Largo, Maryland for an aggregate purchase price of $44,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $36,668,000.

On January 9, 2018, the Company sold the Central Park property to an unaffiliated third party for a gross sales price of $52,750,000. The Company recognized a gain of $20,015,513 in connection with the sale.

On January 23, 2018, the Company contributed $4,039,384 to NMF for purposes of purchasing additional unsecured consumer loans.

On February 22, 2018, the Company sold the St. Marin property to an unaffiliated third party for a gross sales price of $94,000,000. The Company recognized a gain of $28,373,936 in connection with the sale.

On March 1, 2018, the Company contributed $47,000,000 to NMF. On March 19, 2018, the Company contributed $50,000,000 to NMF. The funds were used to pay down the ACLL senior secured term loan.

On March 16, 2018, the Company's Board of Directors approved and authorized a dividend to the sole common stockholder in the amount of $5,639,470, which was was paid in cash.

On March 21, 2018, Vesper Tuscaloosa, LLC (Sterling Crimson) and Vesper Kennesaw, LLC (West 22) (collectively, the "Vesper Portfolio") entered into supplemental mortgage agreements. The supplemental mortgages are secured by the respective real estate properties and certain cash reserve accounts required by the borrowing agreements. The following table presents a summary of the supplemental mortgage amounts and the respective interest rate:

Property	Supplemental Mortgage	Interest Rate	Maturity Date
Sterling Crimson	$ 1,873,000	6.04 %	10/1/2026
West 22	3,949,000	6.00 %	10/1/2026
Total	**$ 5,822,000**		

On March 21, 2018, the Company sold 28,474 of unsecured consumer loans (with a cost of $200,001,980 and accrued interest of $2,261,778) previously purchased from LendingClub to Consumer Loan Underlying Bond (CLUB) Depositor, LLC ("Club 2018-NP-1") for proceeds of $166,701,210 net of related transaction expenses, and a trust certificate with a fair value of $32,965,958 representing a 56.36% interest in the Club 2018-NP1. At December 31, 2017 the Company had an unrealized loss of $(6,286,659) with respect to the loans sold into the securitization. On the date of sale, the Company reversed the unrealized loss and recorded a realized loss of $(2,596,590). The Company acquired an additional residual interest in the securitization for $928,821, increasing the total interest in the Club 2018-NP1 to 57.95%. The Company utilized $35,000,000 of the proceeds received from the securitization transaction to pay down the ACLL TLC.

On March 29, 2018, the Company contributed $14,851,664 to NMF to pay down $578,062 and $14,273,602 of the ACLL senior secured term loan and ACLLH senior secured term loan, respectively.

On April 25, 2018, the Company amended and restated the credit agreement in order to increase the commitment from $1,000,000,000 to $1,250,000,000. Under the seventh amended and restated credit agreement, the TLE incurs cash interest equivalent to one-month LIBOR rate plus 9.00% and PIK interest of 1.50%.

On May 9, 2018, the Company, together with a joint venture partner, acquired two multi-family properties located in Forest Park, Georgia for an aggregate purchase price of $45,505,000 exclusive of acquisition and closing costs. For the purchase of these properties, the joint venture obtained bank financing of $36,400,000.

On May 11, 2018, NMF distributed $14,001,696 to the Company, which was used to to pay down the TLE.

On June 1, 2018, the Company, together with a joint venture partner, acquired a multi-family property located in Columbus, Ohio for an aggregate purchase price of $113,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $92,876,000.

On June 4, 2018, NMF distributed $13,330,217 to the Company, which was used to to pay down the TLE.

On June 6, 2018 NMF amended and restated is credit facility agreement with Texas Capital Bank, in which NMF converted the revolving loan facility into a term loan facility. In conjunction with the amended credit facility agreement, NMF borrowed $22,000,000 from Texas Capital Bank.

On June 14, 2018, NMF distributed $14,098,024 to the Company, which was used to to pay down the TLE.

On June 15, 2018, the Company's Board of Directors approved and authorized a dividend to the sole common stockholder in the amount of $5,639,470, which was was paid in cash.

On June 27, 2018, NMF distributed $8,938,698 to the Company, which was used to to pay down the TLE.

On July 20, 2018, the Company, together with a joint venture partner, acquired a multi-family property located in Fairfield, Ohio for an aggregate purchase price of $46,500,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $39,525,000.

On August 8, 2018, the Company, together with a joint venture partner, acquired a multi-family property located in Richmond, Virginia for an aggregate purchase price of $25,000,000 exclusive of acquisition and closing costs. For the purchase of this property, the joint venture obtained bank financing of $19,335,000.

The Company has evaluated subsequent events through August 20, 2018, the date of which these financial statements were available to be issued, and has determined that, except for the above, there have not been any additional events that have occurred that would require adjustments to, or disclosures in, the combined consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2018 and 2017

First Tower Finance Company LLC and Subsidiaries

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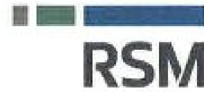

RSM US LLP

Independent Auditor's Report

Board of Members
First Tower Finance Company LLC and Subsidiaries
Flowood, Mississippi

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of First Tower Finance Company LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations and comprehensive loss, changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Tower Finance Company LLC and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Raleigh, North Carolina
April 17, 2019

First Tower Finance Company LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 9,093,211	$ 12,427,931
Investment in trading securities	1,709,318	1,930,958
Investment securities available for sale	57,164,183	59,406,772
Finance receivables, net	570,931,026	487,237,396
Other receivables	1,322,304	698,033
Real estate acquired by foreclosure	562,433	547,167
Property and equipment, net	30,617,443	27,129,044
Deferred policy acquisition costs	1,171,866	1,061,898
Intangible assets, net	13,589,711	15,196,379
Goodwill	54,470,568	68,088,216
Other assets	740,123	348,474
Total assets	$ 741,372,206	$ 674,132,268
Liabilities and Members' Equity (Deficit)		
Liabilities:		
Notes payable	$ 406,264,785	$ 342,468,750
Subordinated notes payable to members	339,981,294	323,245,579
Unearned premiums	46,486,518	42,561,645
Policy claim reserves	3,010,113	2,783,931
Accounts payable and accrued expenses	10,166,945	12,481,160
Other liabilities	2,054,580	2,024,100
Income taxes payable	322,034	88,957
Deferred tax liabilities, net	812,522	1,674,725
Total liabilities	809,098,791	727,328,847
Commitments and contingencies (Note 18)		
Members' Equity (Deficit):		
Class A members	(67,930,576)	(53,661,217)
Class B members	(77,034)	(68,910)
Class D members	456,341	386,582
Accumulated other comprehensive income (loss), net of income tax effect of $58,000 and $49,000 as of December 31, 2018 and 2017, respectively	(175,316)	146,966
Total members' equity (deficit)	(67,726,585)	(53,196,579)
Total liabilities and members' equity (deficit)	$ 741,372,206	$ 674,132,268

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss
Years Ended December 31, 2018 and 2017

	2018	2017
Revenues:		
Interest and fee income from finance receivables	$ 204,437,224	$ 177,571,040
Insurance premiums	35,777,421	33,450,540
Net investment income	1,590,620	1,324,690
Net realized investment gains (losses)	(724,059)	128,388
Other income	14,855,658	12,695,343
Total revenues	255,936,864	225,170,001
Expenses		
Interest expense	84,418,378	69,096,345
Policyholders' benefits	8,604,364	6,930,652
Salaries and fringe benefits	51,522,920	45,361,234
Provision for credit losses	66,334,256	60,161,397
Other operating expenses	44,749,351	39,656,685
Amortization of goodwill	13,617,648	13,617,648
Management fees	6,326,222	2,997,961
Total expenses	273,573,139	237,821,922
Loss before income taxes	(17,636,275)	(12,651,921)
Benefit for income taxes	(30,530)	(942,767)
Net loss	(17,605,745)	(11,709,154)
Other comprehensive income (loss), net of income tax effects of approximately $175,000 as of December 31, 2018 and ($140,000) as of December 31, 2017		
Unrealized holding gains (losses) on securities	(380,564)	379,791
Reclassification adjustments for amounts included in net income	58,282	(48,861)
Other comprehensive income (loss)	(322,282)	330,930
Comprehensive loss	$ (17,928,027)	$ (11,378,224)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Changes in Members' Equity (Deficit)
Years Ended December 31, 2018 and 2017

	Class A Members Equity (Deficit)	Class B Members Equity (Deficit)	Class D Members Equity	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2017	$ (41,986,650)	$ (63,933)	$ 316,810	$ (154,354)	$ (41,888,127)
Member compensation vested	-	-	69,772	-	69,772
Net loss	(11,702,492)	(6,662)	-	-	(11,709,154)
Change in net unrealized gain on investment securities available for sale	-	-	-	330,930	330,930
Reclassification of deferred income taxes	27,925	1,685	-	(29,610)	-
Balance, December 31, 2017	(53,661,217)	(68,910)	386,582	146,966	(53,196,579)
Member compensation vested	-	-	69,759	-	69,759
Net loss	(17,595,727)	(10,018)	-	-	(17,605,745)
Equity contribution	3,326,368	1,894	-	-	3,328,262
Change in net unrealized loss on investment securities available for sale	-	-	-	(322,282)	(322,282)
Balance, December 31, 2018	$ (67,930,576)	$ (77,034)	$ 456,341	$ (175,316)	$ (67,726,585)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities		
Net loss	$ (17,605,745)	$ (11,709,154)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	18,718,782	18,288,898
Amortization of discount on securities, net	817,004	1,142,444
Loss on sales of investments, net	217,003	39,446
Loss (gain) on trading securities held	507,056	(167,834)
Loss on sales of assets	30,900	62,090
Loss from sales and impairments of real estate	125,412	39,046
Deferred income tax benefit	(543,830)	(2,031,826)
Provision for credit losses	66,334,256	60,161,397
Compensation expense	69,759	69,772
Net loan costs deferred	(655,772)	(83,473)
Paid-in-kind rate interest added to principal (paid)	(4,401,579)	702,882
Purchase of trading securities	(285,416)	(103,505)
Changes in operating assets and liabilities, net of purchase of Harrison Finance		
Reinsurance recoverables	-	971,949
Receivables	(166,761)	13,876
Other assets	(95,649)	233,495
Deferred policy acquisition cost	(109,988)	(34,854)
Policy claim reserves	226,182	117,993
Accounts payable and accrued expenses	(3,691,694)	(1,703,718)
Unearned premiums and commissions	3,924,873	926,532
Other liabilities	(235,634)	(764,810)
Net cash provided by operating activities	$ 63,180,359	$ 66,170,646

(Continued)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Investing Activities		
Loans originated	$ (755,410,063)	$ (634,135,341)
Loans repaid or sold	583,713,146	559,403,338
Purchase of Harrison Finance	(77,647,256)	-
Proceeds from sales of investment in real estate	296,109	288,781
Proceeds from calls or maturities of investment securities	3,290,137	6,093,000
Proceeds from sales of investment securities	15,518,626	19,741,494
Purchases of investment securities	(17,969,605)	(21,922,073)
Proceeds from sales of property and equipment	257,168	31,332
Purchase of property and equipment	(6,892,916)	(10,455,642)
Net cash used in investing activities	(154,844,634)	(80,956,113)
Cash Flows From Financing Activities		
Net changes in short-term borrowings	63,863,999	19,069,770
Proceeds from issuance of subordinated debt	21,137,294	-
Proceeds from equity contribution	3,328,262	-
Net cash provided by financing activities	88,329,555	19,069,770
Increase (decrease) in cash and cash equivalents	(3,334,720)	4,282,303
Cash and cash equivalents		
Beginning of period	12,427,931	8,145,628
End of period	$ 9,093,211	$ 12,427,931
Supplemental Disclosures of Cash Flow Information		
Non-cash activity - real estate acquired in satisfaction of finance receivables	$ 437,000	$ 256,000
Cash payments for interest on notes payable	$ 18,343,000	$ 12,775,000
Cash payments for interest, including paid-in-kind interest, on subordinated notes payable to members	$ 65,791,000	$ 56,030,000
Income taxes paid	$ 492,000	$ 1,075,000

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business: First Tower Finance Company LLC is a Mississippi limited liability company which wholly-owns First Tower LLC. First Tower, LLC is engaged in consumer lending and related insurance activities through its wholly-owned subsidiaries Tower Loan of Mississippi, LLC, Tower Loan of Illinois, LLC, First Tower Loan, LLC, Gulfco of Mississippi, LLC, Gulfco of Alabama, LLC, Gulfco of Louisiana, LLC, Tower Loan of Missouri, LLC and Tower Auto Loan, LLC. Tower Loan of Mississippi, LLC is the sole member of American Federated Holding Company, which has two wholly-owned subsidiaries, American Federated Insurance Company (AFIC), and American Federated Life Insurance Company (AFLIC). These entities are collectively referred to as "the Company". The Company acquires and services finance receivables (direct loans, real estate loans and sales finance contracts) through branch offices located in Mississippi, Louisiana, Alabama, Illinois and Missouri. In addition, the Company writes credit insurance when requested by its loan customers.

On March 9, 2018 (date of consummation), the Company acquired 100% of the equity interests of Harrison Finance LLC ("HF"), a finance company operating in the Gulf Coastal region including the states of Alabama, Florida, Louisiana and Mississippi, for approximately $79,000,000 in cash. Concurrent with the acquisition of HF, the Company sold the loans made and serviced by HF's Florida locations for approximately $14,000,000 to a third party finance company.

The estimated fair value of the assets acquired and liabilities assumed, net of the sale of HF's Florida loans, as of March 9, 2018, the date of the transaction consummation, are summarized as follows:

Assets acquired:	
Cash and cash equivalents	$ 1,200,000
Finance receivables, net	64,700,000
Other receivables	100,000
Property and equipment, net	400,000
Other assets	200,000
Total assets acquired	66,600,000
Liabilities assumed:	
Accounts payable and other liabilities	(1,600,000)
Net assets acquired	$ 65,000,000

For the assets acquired and liabilities assumed, the Company utilized Level 1 inputs to determine the fair value of cash and cash equivalents. Level 3 inputs were used for determining the fair value of all other acquired assets and liabilities. The significant methodologies and assumptions for financial instruments are more fully described elsewhere in Note 1.

Government Regulation: The Company is subject to various state and federal laws and regulations in each of the states in which it operates that are enforced by the respective state regulatory authorities. These state laws and regulations impact the economic terms of the Company's products. In addition, these laws regulate collection procedures, the keeping of books and records and other aspects of the operation of consumer finance companies. As a result, the terms of products offered by the Company vary among the states in which it operates in order to comply with each state's specific laws and regulations.

Each of the Company's branch offices is separately licensed under the laws of the state in which the office is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed; govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance.

A summary of the Company's significant accounting policies follows:

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing its financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenues and expenses for the years ended December 31, 2018 and 2017. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change include the determination of the allowance for credit losses, policy claim reserves, impairment of goodwill, deferred tax assets and liabilities and the valuation of investments.

Investment in Trading Securities: The Company has an investment in a large capitalization equity mutual fund which is classified as a trading security. Changes in the unrealized gains and losses of this investment are recognized through earnings. Dividends on trading securities are recognized in net investment income.

Investment Securities Available for Sale: Investments in debt securities are classified as available for sale. Available for sale securities are carried at fair value, with changes in the fair value of such securities being reported as other comprehensive income (loss), net of related deferred income taxes (benefit). When the fair value of a security falls below carrying value, an evaluation must be made to determine if the unrealized loss is a temporary or other than temporary impairment. Impaired debt securities that are not deemed to be temporarily impaired are written down to net realizable value by a charge to earnings to the extent the impairment is related to credit losses or if the Company intends, or more-likely-than not will be required, to sell the security before recovery of the security's amortized cost basis. In estimating other than temporary impairments, the Company considers the duration of time and extent to which the amortized cost exceeds fair value, the financial condition of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value.

Premiums and discounts on debt securities are recognized as adjustments to net investment income by the interest method over the period to maturity and adjusted for prepayments as applicable. Realized gains and losses on sales of investment securities are determined using the specific identification method.

Fair Value Measurements: The Company carries its trading securities, and its investment securities available-for-sale at fair value on a recurring basis and measures certain other assets and liabilities at fair value on a nonrecurring basis using a hierarchy of measurements which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels of inputs are used to measure fair value:

Level 1 Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Level 2	Valuations derived from (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets, (iii) inputs other than quoted prices that are observable for the asset or liability; and (iv) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.
Level 3	Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date.

When quoted market prices in active markets are unavailable, the Company determines fair value using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed as Level 2. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or 3.

On occasions when pricing service data is unavailable, the Company may rely on bid/ask spreads from dealers in determining fair value.

To the extent the Company determines that a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not think the quote is reflective of the market value for the investment, the Company internally develops a fair value using this other market information and discloses the input as a Level 3.

Finance Receivables: Finance receivables are stated at the amount of unpaid principal and finance charges, including deferred loan costs, and reduced by unearned finance charges, unearned discounts and an allowance for credit losses. Non-refundable loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the finance receivable yield over the contractual life of the related loan using the interest method. Unamortized amounts are recognized in income when finance receivables are renewed or paid in full.

Real Estate Acquired by Foreclosure: The Company records real estate acquired by foreclosure at fair value, less estimated costs to sell, at the time of foreclosure. Any resulting loss on foreclosure is charged to the allowance for credit losses and a new basis is established in the property. A valuation allowance and a corresponding charge to operations is established to reflect declines in value subsequent to acquisition, if any, below the new basis. Operating expenses of such properties, net of related income and gains and losses on their disposition are included in other operating expenses.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income when incurred; significant improvements and betterments are capitalized. The Company evaluates the recoverability of property, plant and equipment and other long-term assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, based upon expectations of non-discounted cash flows and operating income.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Goodwill and Other Intangible Assets: Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the identifiable net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. The Company uses the alternative permitted for private companies and amortizes goodwill over ten years by the straight-line method. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment. Other intangible assets consist of trade names, sales finance relationships, non-competition and license agreements and internally developed technology. Intangible assets are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of significant relationships, increased competition or adverse changes in the economy. No impairment was identified for the Company's goodwill or its other intangible assets during 2018 and 2017.

Debt Issue Costs: Debt issue costs are included as a reduction of the related notes payable. Debt issue costs represent costs associated with obtaining the Company's credit facility, and is amortized on a straight line basis over the life of the related financing agreement which approximates the interest method. Amortization expense for the years ended December 31, 2018 and 2017 approximated $284,000 and $292,000, respectively, and is included in interest expense.

Deferred Policy Acquisition Costs: Costs incurred to acquire credit insurance policies are deferred and amortized over the life of the underlying insurance contracts.

Income Recognition: Precomputed finance charges are included in the gross amount of the Company's finance receivables. These precomputed charges are deferred and recognized as income on an accrual basis using the effective interest method over the terms of receivables. However, with certain exceptions, state regulations allow interest refunds to be made according to the Rule of 78's method for payoffs and renewals. Since a significant percentage of the Company's precomputed accounts are paid off or renewed prior to maturity, the result is that a majority of the precomputed accounts effectively yield on a Rule of 78's basis. The difference between income previously recognized under the interest yield method and the Rule of 78's method is recognized as an adjustment to interest income at the time of the renewal or payoff.

Insurance premiums on credit life and accident and health policies written by the Company are earned over the term of the policy using the pro-rata method, for level-term life policies, and the effective yield method, for decreasing-term life policies. Premiums on accident and health policies are earned based on an average of the pro-rata method and the effective yield method. Property and casualty credit insurance premiums written by the Company are earned over the period of insurance coverage using the pro-rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines.

Commissions earned from the sale of accidental death and dismemberment insurance coverage and motor club memberships to finance customers are recognized at the time of origination. The Company has no future obligations related to the sale of these products. Other income includes commissions earned of approximately $12,457,000 and $10,933,000 for the year ended December 31, 2018 and 2017, respectively.

Acquired Loans: For acquired loans that have experienced deterioration of credit quality between origination and the Company's acquisition of the loans, the amount paid for the loans reflects the Company's determination that it is probable the Company will be unable to collect all amounts due according to the loan's contractual terms. At acquisition, the Company reviews each loan to determine whether there is evidence of deterioration of credit quality since origination and if it is probable that the

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Company will be unable to collect all amounts due according to the loan's contractual terms. If both conditions exist, the Company determines whether such loans will be assembled into pools of loans based on common risk characteristics. The Company determines the excess of the loan's or pool's scheduled contractual principal and contractual interest payments over all cash flows expected at acquisition as an amount that should be accreted.

Allowance for Credit Losses: For periods subsequent to the acquisition date of acquired loans and for finance receivables originated by the Company, the allowance for credit losses is determined by several factors based upon each portfolio segment. Segments in the finance receivable portfolio include personal property, real estate and sales finance. Historical loss experience is the primary factor in the determination of the allowance for credit losses. An evaluation is performed to compare the amount of accounts charged off, net of recoveries of such accounts, in relation to the average net outstanding finance receivables for the period being reviewed. Historically, management has found that this methodology has provided an adequate allowance due to the Company's loan portfolio segments consisting of a large number of smaller balance homogeneous finance receivables. Further, management routinely evaluates the inherent risks and change in the volume and composition of the Company's finance receivable portfolio based on its extensive experience in the consumer finance industry in consideration of estimating the adequacy of the allowance. Also considered are delinquency trends, economic conditions, and industry factors. Provisions for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses at a level considered adequate to cover the probable loss inherent in the finance receivable portfolio. Since the estimates used in determining the allowance for credit losses are influenced by outside factors, such as consumer payment patterns and general economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change. Interest on past due finance receivables is recognized until charge-off. Finance receivables are generally charged off when they are five months contractually past due.

Policy Claim Reserves: Policy claim reserves represent (i) the liability for losses and loss-adjustment expenses related to credit property insurance and (ii) the liabilities for future policy benefits related to credit life and accident and health insurance. The liability for loss and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount based on past experience, for losses incurred but not reported. The liabilities for future policy benefits have been computed utilizing accepted actuarial techniques. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in earnings currently.

Reinsurance Receivable and Recoverable: The Company has reduced its exposure relating to credit accident and health insurance through a quota share reinsurance agreement. Amounts recoverable from the reinsurer are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Income Taxes: First Tower Holdings LLC and its finance company subsidiaries are limited liability companies organized as partnerships for federal and state tax purposes and are not considered taxable entities. Taxable income or loss is reported by the Company's members on their respective tax returns in accordance with the limited liability agreement.

American Federated Holding Company and its wholly-owned subsidiaries, AFIC and AFLIC, are subject to income taxes at the corporate level. As such, deferred income taxes are provided for temporary differences between financial statement carrying amounts of assets and liabilities and their respective bases for income tax purposes using enacted tax rates in effect in the years in which the differences are expected to reverse.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. With minimum exceptions, AFIC and AFLIC are no longer subject to income tax examinations prior to 2015.

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, the Company considers certificates of deposit and all short-term securities with original maturities of three months or less to be cash equivalents.

Fair Value Disclosures of Financial Instruments: The following methods and assumptions were used by the Company to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair values.

Investment Securities: The fair value of investments in trading securities and securities available for sale are generally obtained from independent pricing services based upon valuations for similar assets in active markets or other inputs derived from objectively verifiable information.

Finance Receivables: The fair value of finance receivables is estimated using discounted cash flow analysis and an estimated market discount rate required to attract funds for similar investments.

Other Receivables and Payables: The carrying amounts reported in the consolidated balance sheets approximate their fair values.

Notes Payable: The carrying amounts of borrowings under the line-of-credit agreements reported in the consolidated balance sheets approximate their fair values as the interest charged for these borrowings fluctuate with market changes.

Subordinated Notes Payable to Members: The estimated fair value of subordinated notes payable to members was estimated using discounted cash flow analysis.

Comprehensive Income: Comprehensive income for the Company consists of net income (loss) and changes in unrealized gains (losses) on investment securities classified as available-for-sale, net of taxes, and are presented in the consolidated statements of income and comprehensive income.

Advertising: Advertising costs are expensed as incurred. Advertising expenses approximated $6,243,000 and $5,530,000 for the years ended December 31, 2018 and 2017, respectively.

Share-Based Compensation: The Company entered into employment agreements with certain executives and, in connection therewith, granted member interests consisting of Class D share awards which vest over a ten year period. Compensation expense for these awards is determined based on the estimated fair value of the shares awarded on the applicable grant or award date, June 14, 2012, and is recognized over the applicable award's vesting period.

Accumulated Other Comprehensive Income (Loss): The Company has recorded certain amounts directly to a component of total members' equity (deficit) reflected on the consolidated balance sheet as accumulated other comprehensive income (loss). Such amounts include unrealized gains and losses on available for sale securities. Realized losses attributable to the credit component of an other-than-temporary security impairment are reclassified to earnings.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, '*Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*' which allows a reclassification from accumulated other comprehensive income or loss to members' equity (deficit) for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company elected to early adopt this accounting standards update, and as a result, reclassified $29,610 to accumulated other comprehensive income (loss) from members' equity for the impact of the deferred tax effects.

Reclassifications: Certain reclassifications have been made in the 2017 financial statements in order to conform to the method of presentation used in 2018.

Subsequent events: The Company has evaluated its subsequent events (events occurring after December 31, 2018) through April 17, 2019, which represents the date the financial statements were available to be issued.

Effects of Recent Accounting Guidance: In May 2014, FASB issued ASU 2014-09, '*Revenue from Contracts with Customers (Topic 606)*'. ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date", as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, 'Revenue from Contracts with Customers: Principal versus Agent Considerations', which clarifies certain aspects of the principal-versus-agent guidance, including how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than as an agent that are immaterial in the context of a contract. ASU 2014-09, ASU 2015-14, and ASU 2016-08 are effective for the Company for annual reporting periods beginning after December 15, 2018. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, '*Recognition and Measurement of Financial Assets and Financial Liabilities*', which is intended to improve the recognition and measurement of financial instruments. ASU 2016-01 (as subsequently amended by ASU 2018-03 for certain technical corrections and clarifications) significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, '*Leases*', which establishes a comprehensive lease standard under GAAP for virtually all industries. The FASB issued additional amendments related to ASU 2016-02: (1) ASU 2018-01 '*Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*'; (2) ASU 2018-10, '*Codification Improvements to Topic 842, Leases*" and (3) ASU 2018-11, "*Leases (Topic 842): Targeted Improvements*". The new standard and related amendments require lessees to recognize a right of use asset and a lease liability for virtually all of their leases, other than leases that meet the definition of short term leases and will apply for annual periods beginning after

Note 1. Nature of Business and Significant Accounting Policies (Continued)

December 15, 2019, including interim periods therein. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, '*Financial Instruments – Credit Losses (Topic 326)*'. ASU 2016-13 issued amended guidance on reporting credit loses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the amended guidance eliminates the probable recognition threshold, and, instead requires an entity to reflect the current estimate of all expected credit losses. For available for sale debt securities, credit losses are measured in a manner similar to current GAAP, however the amended guidance required that credit losses be presented as an allowance rather than as a permanent impairment. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. FASB subsequently issued ASU 2018-19 in November 2018, which changes the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2021. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The Company is still evaluating the potential impact on the Company's 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*', addressing eight specific cash flow issues in an effort to reduce diversity in practice. The amended guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, and early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, '*Intangibles - Goodwill and Others (Topic 350): Simplifying the Test for Goodwill Impairment*'. The guidance is effective for non-public entities for fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The guidance simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. The guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. The Company expects the adoption of this new guidance will reduce the complexity involved with the evaluation of goodwill for impairment. The impact of the new guidance will depend on the outcomes of future goodwill impairment tests. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, '*Receivables—Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities*'. This guidance was issued to shorten the amortization period for certain callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. It will become effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted, including during interim periods. The adoption is to be applied on a modified retrospective basis through an adjustment to retained earnings. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-12, '*Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*' which improves financial reporting for insurance companies that issue long-duration contracts, such as life insurance, disability income, long-term care, and annuities. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*" which improves the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. This guidance is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

Note 2. Investment Securities

The cost or amortized cost of securities available for sale and their fair values at December 31, 2018 and 2017 were as follows:

December 31, 2018	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities:				
U.S. Government agencies and corporations	$ 9,017,359	$ 8,993,441	$ 56,827	$ 80,745
Obligations of states and political subdivisions	31,276,715	31,292,387	212,473	196,801
Corporate securities	16,394,348	16,174,747	22,353	241,954
Commercial mortgage-backed securities	709,358	703,608	1,048	6,798
Total investment securities	$ 57,397,780	$ 57,164,183	$ 292,701	$ 526,298

December 31, 2017	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities:				
U.S. Government agencies and corporations	$ 9,686,420	$ 9,617,272	$ -	$ 69,148
Obligations of states and political subdivisions	29,912,506	30,146,954	354,295	120,847
Corporate securities	18,949,866	18,978,637	99,544	70,773
Residential mortgage-backed securities	2,785	2,795	10	-
Commercial mortgage-backed securities	719,361	722,114	3,965	1,212
Total investment securities	$ 59,270,938	$ 59,466,772	$ 457,814	$ 261,980

As of December 31, 2018 and 2017, accumulated other comprehensive income (loss) includes unrealized gains (losses) on available for sale securities, net of income tax effects, of approximately ($175,000) and $147,000, respectively.

Note 2. Investment Securities (Continued)

The length of time impaired available-for-sale securities have been held in a loss position are as follows.

	Less than 12 months		12 months or more		Total	
December 31, 2018	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies and corporations	$ -	$ -	$ 5,268,315	$ 80,746	$ 5,268,315	$ 80,746
Obligations of states and political subdivisions	5,440,358	46,585	7,171,739	150,216	12,612,097	196,801
Corporate securities	7,991,265	108,903	5,536,389	133,050	13,527,654	241,953
Commercial mortgage-backed securities	-	-	577,749	6,798	577,749	6,798
Total	$ 13,431,623	$ 155,488	$ 18,554,192	$ 370,810	$ 31,985,815	$ 526,298

December 31, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies and corporations	$ 4,656,454	$ 24,654	$ 4,960,817	$ 44,494	$ 9,617,271	$ 69,148
Obligations of states and political subdivisions	4,048,012	39,700	5,423,459	81,147	9,471,471	120,847
Corporate securities	4,094,555	19,770	5,527,669	51,003	9,622,224	70,773
Commercial mortgage-backed securities	593,345	1,212	-	-	593,345	1,212
Total	$ 13,392,366	$ 85,336	$ 15,911,945	$ 176,644	$ 29,304,311	$ 261,980

Substantially all gross unrealized losses at December 31, 2018 and 2017 were attributable to interest rate changes rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or the underlying assets and are thus considered temporarily impaired. Due to the issuers' continued satisfaction of the securities' obligations in accordance with contractual terms, the expectation that they will continue to do so and the Company's intent and ability to hold these investments, management believes the securities in unrealized loss positions are temporarily depressed. As of December 31, 2018 the Company had 137 debt securities with temporary impairments, including 15 U.S. government securities, 43 securities classified as obligations of state and political subdivisions, 77 securities classified as corporate securities, and 2 securities classified as commercial mortgage-backed securities. As of December 31, 2017 the Company had 105 debt securities with temporary impairments, including 21 U.S. government securities, 36 securities classified as obligations of state and political subdivisions, 46 securities classified as corporate securities, and 2 securities classified as commercial mortgage-backed securities.

Management of the Company evaluates securities for other-than-temporary impairment ("OTTI") no less than annually or when economic or market concerns warrant such evaluation. The evaluation is based upon factors such as the creditworthiness of the issuer, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an OTTI condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost, and near-term prospects of the issuer.

The Company segregates the OTTI impact on impaired securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors.

Note 2. Investment Securities (Continued)

The Company assesses whether a credit loss exists by considering whether (i) the Company has the intent to sell the security, (ii) it is more likely than not that it will be required to sell the security before recovery, or (iii) it does not expect to recover the entire amortized cost basis of a debt security. The portion of the fair value decline attributable to credit loss is recognized as a charge to earnings. The credit loss evaluation is determined by comparing the present value of the cash flows expected to be collected, discounted at the rate in effect before recognizing any OTTI with the amortized cost basis of the debt security. The Company uses the cash flow expected to be realized from the security which includes assumptions about interest rates, timing and severity of defaults, estimates of potential recoveries, the cash flow distribution from the bond indenture and other factors, then applies a discount rate equal to the effective yield of the security. The difference between the present value of the expected cash flows and the amortized book value is considered a credit loss. The difference between the fair market value and the security's remaining amortized cost is recognized in other comprehensive income or loss.

The amortized cost and fair value of debt securities at December 31, 2018, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepay penalties.

December 31, 2018		Cost or Amortized Cost		Fair Value
Due in one year or less	$	3,732,423	$	3,721,330
Due after one year but less than five years		26,193,791		26,068,924
Due after five years but less than ten years		24,835,372		24,722,505
Due after ten years		1,926,836		1,947,816
Commercial mortgage-backed securities		709,358		703,608
Total debt securities	$	57,397,780	$	57,164,183

Investment securities with amortized cost of approximately $3,151,000 and with estimated fair values of $3,117,000 at December 31, 2018, were pledged by the Company with various states as required by state law. Investment securities with amortized cost of approximately $3,119,000 and with estimated fair values of $3,088,000 at December 31, 2017, were pledged by the Company with various states as required by state law.

Major categories of net investment income are summarized as follows for the year ended December 31, 2018 and 2017.

December 31,		2018		2017
Debt securities	$	1,401,939	$	1,397,366
Common stocks		285,417		103,504
Mortgage and collatoral loans		6,700		7,800
Cash and short-term investments		95,977		40,889
		1,790,033		1,549,559
Investment expenses		(199,413)		(224,869)
Net investment income	$	1,590,620	$	1,324,690

Note 2. Investment Securities (Continued)

Net realized investment gains (losses) are summarized as follows for the year ended December 31, 2018 and 2017:

December 31,	2018	2017
Gross realized gains on sale of securities available for sale	$ -	$ 22,480
Gross realized losses on sale of securities available for sale	(217,003)	(61,926)
Gain (loss) from investments in trading securities	(507,056)	167,834
Net realized investment gains (losses)	$ (724,059)	$ 128,388

Proceeds from sales of investment securities available for sale aggregated approximately $15,519,000 and $19,741,000 for the years ended December 31, 2018 and 2017, respectively.

Note 3. Finance Receivables

Finance receivables were as follows:

December 31,	2018	2017
Consumer finance receivables:		
Personal property	$ 680,720,897	$ 576,710,971
Real estate	35,064,708	22,007,481
Sales finance	149,213,201	140,036,489
	864,998,806	738,754,941
Add (deduct):		
Net deferred origination costs	5,792,335	6,136,564
Unearned income	(235,509,978)	(202,192,397)
Unearned discount on acquired loans	(3,040,159)	-
Allowance for credit losses	(62,309,978)	(55,471,712)
Finance receivables, net	$ 570,931,026	$ 487,237,396

Changes in the allowance for credit losses were as follows during the year ended December 31, 2018 and 2017:

December 31,	2018	2017
Balance at beginning of year	$ 55,471,712	$ 50,653,267
Provision for credit losses	66,334,256	60,161,397
Receivables charged-off	(77,985,779)	(71,450,463)
Charge-offs recovered	18,499,769	16,107,501
Balance at end of year	$ 62,309,978	$ 55,471,712

Note 3. Finance Receivables (Continued)

The balance in the allowance for credit losses by portfolio segment at December 31, 2018 and 2017 was as follows:

December 31, 2018	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period	Finance Receivables at End of Period	Allowance as Percentage of Finance Receivables at End of Period
Personal Property	$ 52,197,422	$ (72,181,787)	$ 17,174,707	$ 61,146,687	$ 58,356,929	$ 505,658,790	11.5%
Real Estate	85,125	(359,004)	32,332	322,815	80,970	24,024,722	0.3%
Sales Finance	3,209,164	(5,474,938)	1,273,390	4,864,853	3,872,079	96,765,157	4.0%
Total loans	$ 55,471,712	$ (77,995,779)	$ 18,489,789	$ 66,334,256	$ 62,305,978	$ 626,448,669	9.9%

December 31, 2017	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period	Finance Receivables at End of Period	Allowance as Percentage of Finance Receivables at End of Period
Personal Property	$ 48,144,357	$ (65,875,538)	$ 14,356,798	$ 55,471,765	$ 52,197,422	$ 430,356,276	12.1%
Real Estate	68,596	(98,453)	46,776	48,105	85,125	14,652,453	0.4%
Sales Finance	2,439,174	(4,875,462)	1,104,925	4,541,527	3,209,164	91,563,775	3.5%
Total loans	$ 50,653,287	$ (71,450,453)	$ 16,107,501	$ 60,161,397	$ 55,471,712	$ 536,572,544	10.3%

The Company classifies delinquent accounts based upon the number of contractual installments past due. An aging of delinquent gross finance receivables as of December 31, 2018 and 2017 is as follows:

December 31, 2018	Current	Past Due 30-90 Days	Past Due 91-150 Days	Past Due Greater Than 150 Days	Total
Personal Property	$ 595,952,355	$ 64,468,025	$ 20,300,517	$ -	$ 680,720,897
Real Estate	31,661,875	2,393,993	532,200	476,640	35,064,708
Sales Finance	143,226,326	4,740,286	1,241,533	5,056	149,213,201
Gross Finance Receivables	$ 770,840,556	$ 71,602,304	$ 22,074,250	$ 481,696	$ 864,998,806

Note 3. Finance Receivables (Continued)

December 31, 2017	Current	Past Due 30-90 Days	Past Due 91-150 Days	Past Due Greater Than 150 Days	Total
Personal Property	$ 508,478,880	$ 52,307,346	$ 15,913,400	$ 11,345	$ 576,710,971
Real Estate	19,305,897	2,306,110	52,996	342,478	22,007,481
Sales Finance	135,006,652	3,950,139	1,079,439	259	140,036,489
Gross Finance Receivables	$ 662,791,429	$ 58,563,595	$ 17,045,835	$ 354,082	$ 738,754,941

Nonperforming loans consisted of loans past due greater than 150 days and approximated $482,000 and $354,000 at December 31, 2018 and 2017, respectively. Additionally, the Company had gross finance receivables relating to customers in bankruptcy and which the terms of the original contract have been modified approximating $4,986,000 and $3,023,000 at December 31, 2018 and 2017, respectively.

Note 4. Reinsurance

The Company was party to a quota share reinsurance agreement that ceded 40% of its credit accident and health business written prior to January 1, 2013 in order to limit its exposure on credit disability coverages. Reinsurance contracts do not relieve the Company from its primary obligation to policyholders. Failure of any reinsurer to honor its obligations could result in losses to the Company. On February 13, 2017, the reinsurance agreement was commuted resulting in the release of the reinsurer's liability and the payment to the Company of the reinsurance receivable and recoverable. There were no ceded premiums for the years ended December 31, 2018 and 2017.

Note 5. Property and Equipment

Property and equipment at December 31, 2018 and 2017 is as follows:

	Estimated Useful Lives	December 31, 2018	December 31, 2017
Land		$ 441,890	$ 441,890
Building and improvements	15 to 40 years	3,879,735	3,739,546
Office furniture and fixtures	5 to 10 years	2,904,330	2,700,915
Information systems equipment	3 to 5 years	19,343,963	10,676,558
Information systems software	12 years	14,659,588	-
Automotive equipment	3 years	1,453,111	1,408,493
Leasehold improvements	5 years	2,576,401	2,442,125
Information systems in development	-	322,644	17,591,799
		45,581,662	39,001,326
Less accumulated depreciation		14,964,219	11,872,282
Property and equipment, net		$ 30,617,443	$ 27,129,044

Depreciation expense for the years ended December 31, 2018 and 2017 approximated $3,568,000 and $2,962,000, respectively.

Note 6. Goodwill and Intangible Assets

A summary of goodwill and its estimated finite life is as follows

	Estimated Useful Lives	December 31, 2018	December 31, 2017
Goodwill	10 years	$ 136,176,452	$ 136,176,452
Less accumulated amortization		81,705,884	68,088,236
Goodwill, net		$ 54,470,568	$ 68,088,216

A summary of the other intangible assets and their estimated finite lives were as follows:

	Estimated Useful Lives	December 31, 2018	December 31, 2017
Trade names	5 to 15 years	$ 24,400,000	$ 24,400,000
Non-competition and license agreements	2 to 4 years	2,323,800	2,323,800
Internally developed technology	2 years	1,000,000	1,000,000
Customer relationships and other	2 to 3 years	488,700	488,700
		28,212,500	28,212,500
Less accumulated amortization		14,622,789	13,016,121
Intangible assets, net		$ 13,589,711	$ 15,196,379

Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2018 approximated $13,618,000 and $1,607,000, respectively. Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2017 approximated $13,618,000 and $1,634,000, respectively. The estimated amortization expense of goodwill and the finite-lived intangible assets for future years is summarized as follows:

Fiscal Year 2019	$ 15,224,312
Fiscal Year 2020	15,224,312
Fiscal Year 2021	15,224,312
Fiscal Year 2022	15,224,312
Fiscal Year 2023	7,163,031
Total	$ 68,060,279

Note 7. Notes Payable and Credit Arrangements for Business Operations

The Company is party to a revolving loan agreement dated June 15, 2012, which provides for a total credit facility of up to $400,000,000 which would have terminated on July 19, 2020. The agreement provides for an increase in the credit facility of an additional $50,000,000, if needed. Borrowings are limited to a borrowing base as defined in the related agreement.

On March 9, 2018, in connection with the acquisition of HF, the Company amended the revolving loan agreement which increased its total credit facility to $475,000,000 and extended its termination date from July 19, 2020 to March 9, 2021.

Note 7. Notes Payable and Credit Arrangements for Business Operations (Continued)

Borrowings under the revolving loan agreement bear interest at an annualized referenced rate equal to the higher of (i) the federal funds rate plus 0.50%, (ii) the lenders prime rate, or (iii) LIBOR plus 1%, and adjusted for an applicable margin based upon the current borrowing availability. The applicable margin ranges from 1.5% to 3% depending on the reference rate and borrowing availability percentage as defined in the agreement. Borrowings are collateralized by substantially all of the Company's consumer finance assets, including finance receivables and intangibles.

The revolving loan agreement contains covenants which place restrictions on the Company, including limitations on distributions, additional indebtedness, transactions with affiliates, and require that certain minimum interest coverage and senior debt leverage ratios be maintained. At December 31, 2018 and 2017, the Company was in compliance with the covenants.

The Company has another line of credit that was extended in June 2017, which terminates June 29, 2019. The line of credit was increased from $10,000,000 to $11,000,000 upon extension. Advances under the line of credit bear interest at one-month LIBOR plus 2.75% with a floor rate of 3.75%, adjusted monthly, and are collateralized by all of the outstanding shares of American Federated Life Insurance Company and a first deed of trust on the Company's corporate office, located in Flowood, MS. The increase in this line of credit was used to issue a letter of credit in the amount of $1,000,000 expiring on June 29, 2019.

At December 31, 2018 and 2017, the amount outstanding under the revolving loan agreement was approximately $400,026,000 and $333,128,000, respectively, with an average effective interest rate of 4.94% and 4.02%, respectively. The amount outstanding under the revolving line of credit with the bank was approximately $6,492,000 with an interest rate of 5.14% and $9,526,000 with an interest rate of 4.32% at December 31, 2018 and 2017, respectively. Interest is payable monthly.

Note 8. Subordinated Notes Payable to Members

On June 24, 2014, First Tower, LLC ("FT LLC") issued subordinated term loan notes payable to the members of the Company in the aggregate amount of $313,844,000 pursuant to a subordinated loan agreement (the "Subordinated Loan Agreement"). The proceeds of the subordinated term loans were distributed to the Company, which were then distributed to its members as a return of capital.

Under the terms of the Subordinated Loan Agreement, these subordinated term loans initially bore interest at a rate per annum equal to 10% plus a paid-in-kind rate (the "PIK Rate") of 7%. Interest accruing at the 10% rate is payable monthly in cash and the PIK Rate interest is payable monthly in cash, at FT LLC's option, subject to certain restrictions as specified by the terms of a subordination and intercreditor agreement with lenders of the Company's credit facility and revolving line of credit (See Note 7). Accruing PIK Rate interest that may be prohibited from being paid currently under the subordination and intercreditor agreement as a result of distributable income limitations from operating subsidiaries is automatically added to the principal of the subordinated term loan notes. Effective on April 1, 2018, the loan agreement was amended to increase the PIK rate to 10%. Effective on January 1, 2019, the loan agreement was amended to increase the PIK rate to 10.5%.

The subordinated term loan notes mature on the earlier of June 24, 2024 or six months after the termination of the Company's credit facility. Subject to the subordination and intercreditor agreement, FT LLC may prepay in whole or in part amounts outstanding. However, any amounts prepaid prior to the third anniversary of the issuance would be subject to a prepayment premium ranging from 1% – 3% depending on the timing of the prepayment. FT LLC's obligations under the subordinated term loan notes are secured by a lien granted to Prospect Capital Corporation as collateral agent for the benefit of the holders of the subordinated term loan notes against all of the LLC interests of its wholly-owned finance company subsidiaries and all other First Tower, LLC assets.

Note 8. Subordinated Notes Payable to Members (Continued)

The Subordinated Loan Agreement contains various provisions which require FT LLC to make mandatory prepayments, subject to specified exceptions, with the proceeds of asset dispositions, debt and specified equity issuances, changes of control, and certain other events. In addition to other covenants, the Subordinated Loan Agreement places limits on FT LLC and its subsidiaries' ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, make capital expenditures, engage in mergers, acquisitions and asset sales, transact with affiliates and alter its business. Further, the Subordinated Loan Agreement contains events of default, including cross defaults under other debt obligations of the Company.

In December 2015, the Company issued an additional $5,000,000 in subordinated term loan notes under the same terms as the other subordinated term loan notes. At December 31, 2018 and 2017, the principal amount outstanding of the subordinated term loan notes payable was approximately $339,981,000 and $323,246,000, respectively. Interest expense, including PIK Rate interest, incurred on the subordinated term loan notes approximated $65,791,000 during 2018 and $56,030,000 during 2017.

On March 9, 2018, the Company issued an additional $21,137,294 in subordinated term loan notes under the same terms as the other subordinated term loan notes.

In February 2019, the loan agreement was amended to change the maturity date to the earlier of June 24, 2024 and the date that is six months after the earlier to occur of the maturity date or the termination of the loan agreement.

Note 9. Policy Claim Liabilities

Activity in policy claim reserves, including claim adjustment expenses, by significant lines of business for the years ended December 31, 2018 and 2017, is summarized as follows:

For the year ending December 31, 2018	Property & Casualty Business	Life & Accident/ Health Business	Total
Balance at January 1,	$ 418,093	$ 2,365,838	$ 2,783,931
Incurred related to current year	1,072,904	5,945,842	7,018,746
Incurred related to prior years	(83,107)	(331,275)	(414,382)
Total incurred	989,797	5,614,567	6,604,364
Paid related to current year	825,563	3,785,419	4,610,982
Paid related to prior years	175,551	1,591,649	1,767,200
Total paid	1,001,114	5,377,068	6,378,182
Balance at December 31, 2018	$ 406,776	$ 2,603,337	$ 3,010,113

Note 9. Policy Claim Liabilities (Continued)

For the year ending December 31, 2017	Property & Casualty Business	Life & Accident/ Health Business	Total
Balance at January 1,	$ 444,362	$ 2,221,576	$ 2,665,938
Less reinsurance recoverables	-	1,228	1,228
Net balance, beginning of year	444,362	2,220,348	2,664,710
Incurred related to current year	1,087,685	6,222,197	7,309,882
Incurred related to prior years	(128,314)	(250,916)	(379,230)
Total incurred	959,371	5,971,281	6,930,652
Paid related to current year	815,772	4,196,224	5,011,996
Paid related to prior years	169,868	1,629,567	1,799,435
Total paid	985,640	5,825,791	6,811,431
Balance at December 31, 2017	$ 418,093	$ 2,365,838	$ 2,783,931

Incurred and paid claim development, by accident year for the property and casualty lines of business, for the year ended December 31, 2018, is summarized as follows:

	Net Incurred Claims for the Year Ended December 31,			As of December 31, 2018	
AFIC Property & Casualty Accounts	**2016**	**2017**	**2018**	**Total of Incurred-but-Not-Reported Liabilities Plus Expected Development**	**Cumulative Number of Reported Claims**
Accident year					
2016	$ 1,046,955	$ 1,027,150	$ 957,120	$ 70,030	810
2017	-	1,087,650	1,077,770	15,880	752
2018	-	-	1,072,904	276,424	765
Net incurred claims	$ 1,046,955	$ 2,114,800	$ 3,107,794		

	Net Cumulative Claim Payments for the Year Ended December 31,		
AFIC Property & Casualty Accounts	**2016**	**2017**	**2018**
Accident year			
2016	$ 770,470	$ 921,010	$ 938,870
2017	-	815,770	873,960
2018	-	-	925,064
Net cumulative claim payments	$ 770,470	$ 1,736,780	$ 2,737,894
All outstanding liabilities before 2016, net of reinsurance			42,876
Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 412,776

The incurred but not reported liability for the property and casualty lines of business approximated $407,000 and $418,000 as of December 31, 2018 and 2017, respectively. The average annual percentage payout of incurred claims for the property and casualty lines of business was approximately 76% in year 1, 16% in year 2 and 8% in year 3.

Note 9. Policy Claim Liabilities (Continued)

Incurred and paid claim development, by accident year for the life and accident/health lines of business, for the year ended December 31, 2018, is summarized as follows.

AFLIC Life & Accident/Health Accounts	Net Incurred Claims for the Year Ended December 31, 2016	2017	2018	As of December 31, 2018: Total of Incurred-but-Not-Reported Liabilities Plus Expected Development	Cumulative Number of Reported Claims
Accident year					
2015	$ 4,619,942	$ 4,583,086	$ 4,604,359	$ 11,458	9,637
2016	5,585,881	5,345,543	5,354,054	28,936	10,733
2017	-	6,222,167	5,852,944	91,906	10,999
2018	-	-	5,945,943	921,012	10,358
Net incurred claims	$ 10,205,823	$ 16,151,496	$ 21,757,400		

AFLIC Life & Accident/Health Accounts	Net Cumulative Claim Payments for the Year Ended December 31, 2016	2017	2018
Accident year			
2015	$ 4,306,973	$ 4,555,092	$ 4,646,517
2016	3,718,817	5,044,017	5,260,211
2017	-	4,196,224	5,455,557
2018	-	-	3,785,423
Net cumulative claim payments	$ 8,025,790	$ 13,795,333	$ 19,201,005
All outstanding liabilities before 2015, net of reinsurance			66,042
Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 2,622,437

The incurred but not reported liability for the life and accident/health lines of business approximated $1,043,000 and $953,000 as of December 31, 2018 and 2017, respectively.

Note 10. Income Taxes

The Company's insurance subsidiaries file income tax returns in the U. S. federal jurisdiction and in the states in which they operate. The multiple state tax jurisdictions in which the insurance subsidiaries operate require the appropriate allocation of income and expense to each state based on a variety of apportionment or allocation bases.

The provisions (benefit) for income taxes of the Company's insurance subsidiaries for the year ended December 31, 2018 and 2017 consisted of the following:

December 31,	2018	2017
Current expense	$ 724,530	$ 1,259,270
Deferred benefit	(755,060)	(2,202,037)
Benefit for income taxes	$ (30,530)	$ (942,767)

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act contains several key provisions that impact the Company's business, including a reduction in the U.S. federal corporate tax rate from 34% to 21% effective January 1, 2018 as well as a change in how insurance companies discount loss reserves. The deferred tax assets and deferred tax liabilities as of December 31, 2017 have been re-measured based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company is still analyzing certain aspects of the Act and any future guidance from the Treasury, Internal Revenue Service, or the Company's regulators could potentially affect the measurement of those balances or

Note 10. Income Taxes (Continued)

give rise to new deferred tax amounts. The Company recognized a provisional benefit of approximately $926,000 in 2017 related to the re-measurement of deferred taxes, which is included as a component of income tax expense from continuing operations.

The Company did not have unrecognized tax benefits as of December 31, 2018 and does not expect this to change significantly over the next 12 months. It is the Company's policy to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2018, the Company had no accrued interest or penalties related to uncertain tax positions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes relating to the Company's insurance subsidiaries. The tax effects of significant items comprising the Company's net deferred tax liability and asset were as follows:

December 31,	2018	2017
Deferred tax assets:		
Policy claim reserves and unearned premiums	$ 3,436,019	$ 1,949,951
Goodwill and intangible assets	1,469,385	1,210,372
Net operating and capital losses carryforward	485,539	378,744
Unrealized holding losses on trading securities	53,141	-
Unrealized losses on securities available for sale	58,282	-
	5,502,366	3,539,067
Deferred tax liabilities:		
Remaining reserve adjustment	746,531	-
Deferred acquisition costs	5,568,307	5,091,560
Unrealized holding gain on trading securities	-	73,371
Unrealized gain on securities available for sale	-	48,861
	6,314,838	5,213,792
Deferred tax liabilities, net	$ (812,522)	$ (1,674,725)

Note 10. Income Taxes (Continued)

The provision for income taxes differs from the amount computed by applying the federal statutory rate of 21% in 2018 and 34% in 2017 to income before income taxes as follows:

December 31,	2018	2017
Consolidated loss before taxes	$ (17,636,275)	$ (12,651,921)
Less: non-taxable entities	(16,411,605)	(12,998,575)
Income before taxes from taxable entities	$ (1,224,670)	$ 346,654
Tax based on federal statutory rate	$ (257,181)	$ 117,862
Non-taxable Interest income	(140,081)	(220,361)
State income taxes and other	(60,779)	(32,185)
Transactional costs	(17,299)	(44,812)
Enacted tax law rate change from revaluation of deferred taxes	-	(926,123)
Goodwill	130,370	211,075
AMT and adjustments to prior year taxes	314,440	(48,223)
Benefit for income taxes	$ (30,530)	$ (942,767)

The Company's insurance subsidiaries have approximately $1,581,000 in federal net operating loss carryforwards that will expire in 2032, if not used.

Note 11. Employee Profit Sharing Plan

The Company established three profit sharing plans covering substantially all the Company's employees. A nonstandardized profit sharing plan was established for managers on January 1, 2015. Employer and participants' contributions are nonelective and at the sole discretion of the employer. Contributions are allocated as a uniform percentage of participant compensation.

The Company also established a plan which is intended to providing selected officers, members of the executive group, home office or district supervisors of the Company or its Affiliates, or the assistant to the chief executive officer of the Company, incentive awards for superior performance. The plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Section 409A of the Internal Revenue Code. The plan is also intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

Remaining employees are covered by a 401(k) provision which allows employees to contribute salary subject to the maximum contribution allowed by the IRS. The Company matches 50% of the first 6% of employee contributions. Additional contributions may be made at the discretion of the Company. Profit sharing expense approximated $548,000 and $501,000 for the years ended December 31, 2018 and 2017, respectively.

Note 12. Members Equity

The Company's capital structure consists of four classes of member common units. All classes of common units, except for Class D common units, share in the profits and losses of the Company and in the distributions of member capital on a pro-rata basis in proportion to total number of such units outstanding. The four classes of member common units are as follows:

- Class A common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 117,350,228 Class A common units issued to members outstanding as of December 31, 2018 and 2017. Issuance of additional Class A common units in excess of 10% of the fully diluted outstanding units of Class A and Class B common units require the approval of at least 81% of the outstanding Class A common units.

- Class B common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 66,814 Class B common units as of December 31, 2018 and 2017.

- Class C common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. As of December 31, 2018 and 2017, no Class C common units have been issued. These units will be issued upon the conversion of Class D common units.

- Class D common units – These units have no voting rights and are unvested upon issuance. Class D common units vest over a ten year period beginning June 15, 2012 at 10% per year. Unvested Class D common units are forfeited upon the termination of the holder's employment for any reason. Each holder of Class D common units has the right to convert such units to Class C common units at a ratio of four Class D common units for one Class C common unit provided that (i) the date of such conversion occurs no earlier than the 10th anniversary of June 15, 2012, (ii) such holder notifies the Company thirty days prior to conversion, and (iii) the internal rate of return as of the most recent fiscal quarter exceeds a pre-defined minimum. On June 14, 2012, the Company entered into employment contracts with two key executives and, in connection therewith, granted these executives 12,941,176 unvested Class D common units with an estimated fair value at date of grant of approximately $698,000. Compensation expense related to Class D common units approximated $70,000 annually for the years ended December 31, 2018 and 2017.

Members have no power to vote on any matter except matters on which a vote of units is required pursuant to the Company's Operating Agreement. The Operating Agreement provides for, among other things, limitations on the transfer of member units, rights of first refusal, pre-emptive rights, and certain call and put provisions.

Note 13. Statutory Financial Information of Insurance Subsidiaries

Generally accepted accounting principles (GAAP) differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (Statutory). A reconciliation between net income and stockholder's equity of the Company's insurance subsidiaries as reported under GAAP and Statutory follows as of December 31, 2018 and 2017:

December 31, 2018	Net Income (Loss)	Stockholder's Equity
GAAP basis, including effects of purchase accounting	($1,320,425)	$57,971,011
Adjustments to:		
Non-admitted assets	1,600	(69,025)
Accumulated depreciation		(19,143)
Investment securities and related unrealized gains	795,250	103,703
Deferred acquisition costs	(2,298,195)	(25,686,345)
Goodwill and intangible assets	4,197,562	(16,790,155)
Policy claim reserves and unearned premiums	1,828,446	5,801,093
Deferred income taxes and income taxes payable	(412,716)	(705,254)
Asset valuation and interest maintenance reserves	17,787	(80,502)
Statutory Basis	$ 2,809,299	$ 20,525,373

December 31, 2017	Net Income (Loss)	Stockholder's Equity
GAAP basis, including effects of purchase accounting	$ 1,299,419	$ 84,857,583
Adjustments to:		
Non-admitted assets	1,600	(69,025)
Accumulated depreciation	-	(20,743)
Investment securities and related unrealized gains	94,441	(463,583)
Deferred acquisition costs	(605,349)	(23,347,454)
Goodwill and intangible assets	4,225,052	(20,987,717)
Policy claim reserves and unearned premiums	2,813,978	1,212,017
Deferred income taxes and income taxes payable	(2,228,356)	4,047,994
Asset valuation and interest maintenance reserves	41,073	(141,963)
Statutory Basis	$ 5,631,858	$ 24,917,109

Under state statutes, each of the insurance subsidiaries is required to maintain minimum capital and surplus of $1,500,000. The Company's insurance subsidiaries paid extraordinary dividends, which were approved by the Mississippi Insurance Department, of $5,000,000 in 2018 in addition to regular dividends.

Note 13. Statutory Financial Information of Insurance Subsidiaries (Continued)

Insurance regulations limit the amount of dividends that may be paid without approval of the insurance subsidiaries' regulatory agency. At December 31, 2018 and 2017, there were no undistributed earnings and surplus available for future distributions as dividends are not permitted, without the prior approval of the State of Mississippi Insurance Department.

The National Association of Insurance Commissioners (NAIC) measures the adequacy of an insurance company's capital by its risk-based capital ratio (the ratio of its total capital, as defined, to its risk-based capital). The requirements provide a measurement of minimum capital appropriate for an insurance company to support its overall business operations based upon its size and risk profile which considers (i) asset risk, (ii) insurance risk, (iii) interest rate risk, and (iv) business risk. An insurance company's risk-based capital is calculated by applying a defined factor to various statutory-based assets, premiums, and reserve items, wherein the factor is higher for items with greater underlying risk.

The State of Mississippi statutes have provided levels of progressively increasing regulatory action for remedies when an insurance company's risk-based capital ratio falls below a ratio of 2:1. As of December 31, 2018 and 2017 (latest information available), the Company's insurance subsidiaries were in compliance with these minimum capital requirements as follows:

December 31, 2018	AFLIC	AFIC
Total adjusted capital	$ 10,082,993	$ 14,383,684
Authorized control level risk-based capital	516,792	3,374,874
Ratio of adjusted capital to risk based capital	19.5:1	4.3:1

December 31, 2017	AFLIC	AFIC
Total adjusted capital	$ 11,667,125	$ 13,140,267
Authorized control level risk-based capital	769,363	2,491,828
Ratio of adjusted capital to risk based capital	15.2:1	5.3:1

Note 14. Leases

The Company leases office facilities under non-cancellable operating leases. Rental expense approximated $3,382,000 and $2,780,000 for the years ended December 31, 2018 and 2017, respectively. Future minimum lease payments at December 31, 2018 are as follows:

Fiscal Year 2019	$ 2,617,317
Fiscal Year 2020	1,935,998
Fiscal Year 2021	1,148,461
Fiscal Year 2022	714,325
Fiscal Year 2023	264,574
Thereafter	11,200
	$ 6,711,875

Note 15. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of finance receivables. Concentrations of credit risk with respect to finance receivables are limited due to the large number of customers comprising the Company's customer base. These finance receivables are mainly from customers located in Mississippi, Louisiana, Alabama, Illinois and Missouri.

At December 31, 2018 and 2017, the Company had funds on deposit with depository and investment institutions in excess of insured limits of approximately $7,136,000 and $4,350,000, respectively. The Company periodically assesses the financial condition of the financial institutions in which it conducts transactions and believes the risk of any loss is minimal.

Note 16. Fair Value Measurements

The fair value measurements by input level at December 31, 2018 and 2017 for assets and liabilities measured at fair value on a recurring basis follow:

December 31, 2018	Total	Level 1	Level 2	Level 3
Trading securities - equity mutual funds	$ 1,709,318	$ 1,709,318	$ -	$ -
Available-for-sale securities:				
U.S. Government agencies and corporations	8,993,441	8,993,441	-	-
Obligations of states and political subdivisions	31,292,387	-	31,292,387	-
Corporate securities	16,174,747	-	16,174,747	-
Commercial mortgage-backed securities	703,608	-	703,608	-
	$ 58,873,501	$ 10,702,759	$ 48,170,742	$ -

December 31, 2017	Total	Level 1	Level 2	Level 3
Trading securities - equity mutual funds	$ 1,930,958	$ 1,930,958	$ -	$ -
Available-for-sale securities:				
U.S. Government agencies and corporations	9,617,272	9,617,272	-	-
Obligations of states and political subdivisions	30,145,954	-	30,145,954	-
Corporate securities	18,978,637	-	18,978,637	-
Residential mortgage-backed securities	2,795	-	2,795	-
Commercial mortgage-backed securities	722,114	-	722,114	-
	$ 61,397,730	$ 11,548,230	$ 49,849,500	$ -

Note 16. Fair Value Measurements (Continued)

Certain assets and liabilities are potentially measured at fair value on a nonrecurring basis (for example, when there is evidence of impairment). In addition to the assets and liabilities measured at fair value at date of acquisition (see Note 2), assets measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), and intangible assets and other non-financial long-lived assets subject to measurement at fair value for impairment assessment. During the years ended December 31, 2018 and 2017, certain foreclosed real estate assets, upon initial recognition were remeasured and reported at fair value through a charge-off to the allowance for credit losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset upon initial recognition is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. Foreclosed assets measured at fair value upon initial recognition during the year ended December 31, 2018 and 2017 were not material.

Note 17. Disclosures About Fair Value of Financial Instruments

The carrying values and approximate fair values of the Company's financial instruments were as follows:

	2018		2017	
December 31,	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 9,093,211	$ 9,093,211	$ 12,427,931	$ 12,427,931
Trading securities	1,709,318	1,709,318	1,930,958	1,930,958
Investment securities available for sale	57,164,183	57,164,183	59,466,772	59,466,772
Finance receivables - net	570,931,026	528,715,298	487,237,306	453,109,406
Financial Liabilities:				
Notes payable	406,518,764	406,518,764	342,654,765	342,654,765
Subordinated notes payable to members	339,981,294	339,981,294	323,245,579	323,245,579

Certain financial instruments are not carried at fair value in the accompanying consolidated balance sheets including receivables, payables and accrued liabilities. The carrying amount of financial instruments not carried at fair value is a reasonable estimate of their fair value because of the generally short periods of time in which these related assets or liabilities are expected to be realized or liquidated, and because they do not present unanticipated credit concerns.

The estimated fair values are significantly affected by assumptions used, principally the timing of future cash flows, the discount rate, judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. Potential tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale and/or settlement have not been taken into consideration.

Note 18. Contingencies

As of December 31, 2018, the Company is involved in various legal actions resulting from normal business activities. Many of these actions do not specify an amount of damages. Also, many of these actions are in very early stages of discovery or discovery has not begun. As a result, legal counsel is unable to provide an estimate of the probability or range of potential exposure. However, and based on its experience with lawsuits alleging similar claims management is of the opinion that the resolution of such actions will not result in a material adverse effect on the consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016

First Tower Finance Company LLC and Subsidiaries

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December 31, 2017 and 2016

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RSM US LLP

Independent Auditor's Report

Board of Members
First Tower Finance Company LLC and Subsidiaries
Flowood, Mississippi

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of First Tower Finance Company LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income loss, changes in members' equity (deficit) and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Tower Finance Company LLC and Subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Raleigh, North Carolina
April 4, 2018

First Tower Finance Company LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$12,427,931	$ 8,145,628
Investment in trading securities	1,930,958	1,659,620
Investment securities available for sale	59,466,772	64,230,155
Finance receivables, net	487,237,396	472,839,288
Reinsurance receivable and recoverable	-	971,949
Other receivables	696,033	711,909
Real estate acquired by foreclosure	547,167	619,018
Property and equipment, net	27,129,044	19,726,098
Deferred policy acquisition costs	1,061,898	1,027,044
Intangible assets, net	15,196,379	16,830,548
Goodwill	68,088,216	81,705,864
Debt issue costs, net	186,015	260,822
Other assets	348,474	581,969
Total assets	$ 674,318,283	$ 669,309,912
Liabilities and Members' Equity (Deficit)		
Liabilities:		
Notes payable	$342,654,765	$ 323,584,995
Subordinated notes payable to members	323,245,579	322,542,697
Unearned premiums	42,561,645	41,635,113
Policy claim reserves	2,783,931	2,665,938
Accounts payable and accrued expenses	12,481,160	14,184,878
Other liabilities	2,024,100	2,877,867
Income taxes payable	88,957	-
Deferred tax liabilities, net	1,674,725	3,706,551
Total liabilities	727,514,862	711,198,039
Commitments and contingencies (Notes 18 and 19)		
Members' Equity (Deficit):		
Class A members	(53,661,217)	(41,986,650)
Class B members	(68,910)	(63,933)
Class D members	386,582	316,810
Accumulated other comprehensive income (loss), net of income tax effect of $49,000 and $91,000 as of December 31, 2017 and 2016, respectively	146,966	(154,354)
Total members' equity (deficit)	(53,196,579)	(41,888,127)
Total liabilities and members' equity (deficit)	$ 674,318,283	$ 669,309,912

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Operations and Comprehensive Loss
Years Ended December 31, 2017 and 2016

	2017	2016
Revenues:		
Interest and fee income from finance receivables	$177,571,040	$ 174,007,911
Insurance premiums	33,450,540	32,915,799
Net investment income	1,324,690	1,109,230
Net realized investment gains	128,388	176,744
Other income	12,695,343	11,689,661
Total revenues	225,170,001	219,899,345
Expenses:		
Interest expense	69,096,345	83,237,880
Policyholders' benefits	6,930,652	5,957,517
Salaries and fringe benefits	45,361,234	42,749,012
Provision for credit losses	60,161,397	55,091,488
Other operating expenses	39,656,685	39,914,157
Amortization of goodwill	13,617,648	13,617,648
Management fees	2,997,961	2,997,961
Total expenses	237,821,922	243,565,663
Loss before income taxes	(12,651,921)	(23,666,318)
Provision (benefit) for income taxes	(942,767)	323,019
Net loss	(11,709,154)	(23,989,337)
Other comprehensive income (loss), net of income tax effects of approximately ($140,000) as of December 31, 2017 and $281,000 as of December 31, 2016		
Unrealized holding gains (losses) on securities	379,791	(567,208)
Reclassification adjustments for amounts included in net income	(48,861)	93,075
Other comprehensive income (loss)	330,930	(474,133)
Comprehensive loss	$ (11,378,224)	$ (24,463,470)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Changes in Members' Equity (Deficit)
Years Ended December 31, 2017 and 2016

	Class A Members Equity (Deficit)	Class B Members Equity (Deficit)	Class D Members Equity	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2016	$ (28,005,274)	$ (55,972)	$ 247,054	$ 319,779	$ (27,494,413)
Member compensation vested	-	-	69,756	-	69,756
Net loss	(23,975,686)	(13,651)	-	-	(23,989,337)
Equity contribution	9,994,310	5,690	-	-	10,000,000
Change in net unrealized loss on investment securities available for sale	-	-	-	(474,133)	(474,133)
Balance, December 31, 2016	(41,986,650)	(63,933)	316,810	(154,354)	(41,888,127)
Member compensation vested	-	-	69,772	-	69,772
Net loss	(11,702,492)	(6,662)	-	-	(11,709,154)
Equity contribution	-	-	-	-	-
Change in net unrealized gain on investment securities available for sale	-	-	-	330,930	330,930
Reclassification of deferred income taxes	27,925	1,685	-	(29,610)	-
Balance, December 31, 2017	$ (53,661,217)	$ (68,910)	$ 386,582	$ 146,966	$ (53,196,579)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities		
Net loss	$ (11,709,154)	$ (23,989,337)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	18,288,898	18,443,352
Amortization of discount on securities, net	1,142,444	922,131
Loss (gain) on sales of investments, net	39,446	(97,180)
Gain on trading securities held	(167,834)	(79,564)
Loss on sales of assets	62,090	22,521
Loss from sales and impairments of real estate	39,046	115,032
Deferred income tax provision (benefit)	(2,031,826)	255,758
Provision for credit losses	60,161,397	55,091,488
Compensation expense	69,772	69,756
Net loan costs deferred	(83,473)	311,681
Paid-in-kind rate interest added to principal	702,882	3,698,697
Purchase of trading securities	(103,505)	(68,445)
Changes in operating assets and liabilities:		
Reinsurance recoverables	971,949	11,858
Receivables	13,876	(20,152)
Other assets	233,495	(80,313)
Deferred policy acquisition cost	(34,854)	(14,974)
Policy claim reserves	117,993	(182,916)
Accounts payable and accrued expenses	(1,703,718)	3,811,985
Unearned premiums	926,532	346,836
Other liabilities	(764,810)	1,303,626
Net cash provided by operating activities	$ 66,170,646	$ 59,871,840

(Continued)

See notes to consolidated financial statements.

First Tower Finance Company LLC and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Investing Activities		
Loans originated	$ (634,135,341)	$ (631,178,338)
Loans repaid or sold	559,403,336	562,541,273
Proceeds from sales of investment in real estate	288,781	380,557
Proceeds from calls or maturities of investment securities	6,093,000	5,417,231
Proceeds from sales of investment securities	19,741,494	10,626,635
Purchases of investment securities	(21,922,073)	(21,271,385)
Proceeds from sales of property and equipment	31,332	5,769
Purchase of property and equipment	(10,458,642)	(6,328,560)
Net cash used in investing activities	(80,958,113)	(79,806,818)
Cash Flows From Financing Activities		
Net changes in short-term borrowings	19,069,770	5,960,428
Proceeds from equity contribution	-	10,000,000
Net cash provided by financing activities	19,069,770	15,960,428
Increase (decrease) in cash and cash equivalents	4,282,303	(3,974,550)
Cash and cash equivalents		
Beginning of period	8,145,628	12,120,178
End of period	$ 12,427,931	$ 8,145,628
Supplemental Disclosures of Cash Flow Information		
Non-cash activity - real estate acquired in satisfaction of finance receivables	$ 256,000	$ 292,000
Cash payments for interest on notes payable	$ 12,775,000	$ 11,521,000
Cash payments for interest, including paid-in-kind interest, on subordinated notes payable to members	$ 56,030,000	$ 61,756,000
Income taxes paid	$ 1,075,000	$ -

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business: First Tower Finance Company LLC is a Mississippi limited liability company which wholly-owns First Tower, LLC. First Tower, LLC is engaged in consumer lending and related insurance activities through its wholly-owned subsidiaries Tower Loan of Mississippi, LLC, Tower Loan of Illinois, LLC, First Tower Loan, LLC, Gulfco of Mississippi, LLC, Gulfco of Alabama, LLC, Gulfco of Louisiana, LLC, Tower Loan of Missouri, LLC, and Tower Auto Loan, LLC. Tower Loan of Mississippi, LLC is the sole member of American Federated Holding Company, which has two wholly-owned subsidiaries, American Federated Insurance Company (AFIC), and American Federated Life Insurance Company (AFLIC). These entities are collectively referred to as "the Company". The Company acquires and services finance receivables (direct loans, real estate loans and sales finance contracts) through branch offices located in Mississippi, Louisiana, Alabama, Illinois and Missouri. In addition, the Company writes credit insurance when requested by its loan customers.

Government Regulation: The Company is subject to various state and federal laws and regulations in each of the states in which it operates that are enforced by the respective state regulatory authorities. These state laws and regulations impact the economic terms of the Company's products. In addition, these laws regulate collection procedures, the keeping of books and records and other aspects of the operation of consumer finance companies. As a result, the terms of products offered by the Company vary among the states in which it operates in order to comply with each state's specific laws and regulations.

Each of the Company's branch offices is separately licensed under the laws of the state in which the office is located. Licenses granted by the regulatory agencies in these states are subject to renewal every year and may be revoked for failure to comply with applicable state and federal laws and regulations.

The Company is also subject to state regulations governing insurance agents in the states in which it sells credit insurance. State insurance regulations require that insurance agents be licensed; govern the commissions that may be paid to agents in connection with the sale of credit insurance and limit the premium amount charged for such insurance.

A summary of the Company's significant accounting policies follows:

Principles of Consolidation: The Company's consolidated financial statements include subsidiaries in which the Company has a controlling financial interest. The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates: The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing its financial statements, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenues and expenses for the years ended December 31, 2017 and 2016. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to change include the determination of the allowance for credit losses, policy claim reserves, impairment of goodwill, deferred tax assets and liabilities and the valuation of investments.

Investment in Trading Securities: The Company has an investment in a large capitalization equity mutual fund which is classified as a trading security. Changes in the unrealized gains and losses of this investment are recognized through earnings. Dividends on trading securities are recognized in net investment income.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investment Securities Available for Sale: Investments in debt securities are classified as available for sale. Available for sale securities are carried at fair value, with changes in the fair value of such securities being reported as other comprehensive income (loss), net of related deferred income taxes (benefit). When the fair value of a security falls below carrying value, an evaluation must be made to determine if the unrealized loss is a temporary or other than temporary impairment. Impaired debt securities that are not deemed to be temporarily impaired are written down to net realizable value by a charge to earnings to the extent the impairment is related to credit losses or if the Company intends, or more-likely-than not will be required, to sell the security before recovery of the security's amortized cost basis. In estimating other than temporary impairments, the Company considers the duration of time and extent to which the amortized cost exceeds fair value, the financial condition of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value.

Premiums and discounts on debt securities are recognized as adjustments to net investment income by the interest method over the period to maturity and adjusted for prepayments as applicable. Realized gains and losses on sales of investment securities are determined using the specific identification method.

Fair Value Measurements: The Company carries its trading securities, and its investment securities available-for-sale at fair value on a recurring basis and measures certain other assets and liabilities at fair value on a nonrecurring basis using a hierarchy of measurements which requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Three levels of inputs are used to measure fair value:

Level 1 Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 Valuations derived for similar assets in active markets, or other inputs that are observable or can be corroborated by market data.

Level 3 Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date.

When quoted market prices in active markets are unavailable, the Company determines fair value using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed as Level 2. Generally, the Company obtains a single price or quote per instrument from independent third parties to assist in establishing the fair value of these investments.

If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or 3.

On occasions when pricing service data is unavailable, the Company may rely on bid/ask spreads from dealers in determining fair value.

To the extent the Company determines that a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not think the quote is reflective of the market value for the investment, the Company internally develops a fair value using this other market information and discloses the input as a Level 3.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Finance Receivables: Finance receivables are stated at the amount of unpaid principal and finance charges, including deferred loan costs, and reduced by unearned finance charges, unearned discounts and an allowance for credit losses. Non-refundable loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the finance receivable yield over the contractual life of the related loan using the interest method. Unamortized amounts are recognized in income when finance receivables are renewed or paid in full.

Real Estate Acquired by Foreclosure: The Company records real estate acquired by foreclosure at the lesser of the outstanding finance receivable amount (including accrued interest, if any) or fair value, less estimated costs to sell, at the time of foreclosure. Any resulting loss on foreclosure is charged to the allowance for credit losses and a new basis is established in the property. A valuation allowance and a corresponding charge to operations is established to reflect declines in value subsequent to acquisition, if any, below the new basis. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in other operating expenses.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income when incurred; significant improvements and betterments are capitalized. The Company evaluates the recoverability of property, plant and equipment and other long-term assets when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, based upon expectations of non-discounted cash flows and operating income.

Goodwill and Other Intangible Assets: Goodwill represents the excess of the consideration transferred in a business combination over the fair value of the identifiable net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Intangibles with finite lives are amortized over their estimated useful lives. The Company uses the alternative permitted for private companies and amortizes goodwill over ten years by the straight-line method. Goodwill and other intangible assets are subject to impairment testing annually or more frequently if events or circumstances indicate possible impairment. Other intangible assets consist of trade names, sales finance relationships, non-competition and license agreements and internally developed technology. Intangible assets are reviewed for events or circumstances which could impact the recoverability of the intangible asset, such as a loss of significant relationships, increased competition or adverse changes in the economy. No impairment was identified for the Company's goodwill or its other intangible assets during 2017 and 2016.

Debt Issue Costs: Debt issue costs represent costs associated with obtaining the Company's credit facility, and is amortized on a straight line basis over the life of the related financing agreement which approximates the interest method. Amortization expense for the years ended December 31, 2017 and 2016 approximated $292,000 and $134,000, respectively, and is included in interest expense.

Deferred Policy Acquisition Costs: Costs incurred to acquire credit insurance policies are deferred and amortized over the life of the underlying insurance contracts.

Income Recognition: Precomputed finance charges are included in the gross amount of the Company's finance receivables. These precomputed charges are deferred and recognized as income on an accrual basis using the effective interest method over the terms of receivables. However, with certain exceptions, state regulations allow interest refunds to be made according to the Rule of 78's method for payoffs and renewals. Since a significant percentage of the Company's precomputed accounts are paid off or renewed prior to maturity, the result is that a majority of the precomputed

Note 1. Nature of Business and Significant Accounting Policies (Continued)

accounts effectively yield on a Rule of 78's basis. The difference between income previously recognized under the interest yield method and the Rule of 78's method is recognized as an adjustment to interest income at the time of the renewal or payoff.

Insurance premiums on credit life and accident and health policies written by the Company are earned over the term of the policy using the pro-rata method, for level-term life policies, and the effective yield method, for decreasing-term life policies. Premiums on accident and health policies are earned based on an average of the pro-rata method and the effective yield method. Property and casualty credit insurance premiums written by the Company are earned over the period of insurance coverage using the pro-rata method or the effective yield method, depending on whether the amount of insurance coverage generally remains level or declines.

Commissions earned from the sale of accidental death and dismemberment insurance coverage and motor club memberships to finance customers are recognized at the time of origination. The Company has no future obligations related to the sale of these products. Other income includes commissions earned of approximately $10,933,000 and $10,302,000 for the year ended December 31, 2017 and 2016, respectively.

Allowance for Credit Losses: For periods subsequent to the acquisition date of the acquired finance receivables portfolio and for finance receivables originated by the Company, the allowance for credit losses is determined by several factors based upon each portfolio segment. Segments in the finance receivable portfolio include personal property, real estate and sales finance. Historical loss experience is the primary factor in the determination of the allowance for credit losses. An evaluation is performed to compare the amount of accounts charged off, net of recoveries of such accounts, in relation to the average net outstanding finance receivables for the period being reviewed. Historically, management has found that this methodology has provided an adequate allowance due to the Company's loan portfolio segments consisting of a large number of smaller balance homogeneous finance receivables. Further, management routinely evaluates the inherent risks and change in the volume and composition of the Company's finance receivable portfolio based on its extensive experience in the consumer finance industry in consideration of estimating the adequacy of the allowance. Also considered are delinquency trends, economic conditions, and industry factors. Provisions for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses at a level considered adequate to cover the probable loss inherent in the finance receivable portfolio. Since the estimates used in determining the allowance for credit losses are influenced by outside factors, such as consumer payment patterns and general economic conditions, there is uncertainty inherent in these estimates, making it reasonably possible that they could change. Interest on past due finance receivables is recognized until charge-off. Finance receivables are generally charged off when they are five months contractually past due.

Policy Claim Reserves: Policy claim reserves represent (i) the liability for losses and loss-adjustment expenses related to credit property insurance and (ii) the liabilities for future policy benefits related to credit life and accident and health insurance. The liability for loss and loss adjustment expenses includes an amount determined from loss reports and individual cases and an amount based on past experience, for losses incurred but not reported. The liabilities for future policy benefits have been computed utilizing accepted actuarial techniques. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in earnings currently.

Reinsurance Receivable and Recoverable: The Company has reduced its exposure relating to credit accident and health insurance through a quota share reinsurance agreement. Amounts recoverable from the reinsurer are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income Taxes: First Tower Holdings LLC and its finance company subsidiaries are limited liability companies organized as partnerships for federal and state tax purposes and are not considered taxable entities. Taxable income or loss is reported by the Company's members on their respective tax returns in accordance with the limited liability agreement.

American Federated Holding Company and its wholly-owned subsidiaries, AFIC and AFLIC, are subject to income taxes at the corporate level. As such, deferred income taxes are provided for temporary differences between financial statement carrying amounts of assets and liabilities and their respective bases for income tax purposes using enacted tax rates in effect in the years in which the differences are expected to reverse.

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. With minimum exceptions, AFIC and AFLIC are no longer subject to income tax examinations prior to 2014.

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, the Company considers certificates of deposit and all short-term securities with original maturities of three months or less to be cash equivalents.

Fair Value Disclosures of Financial Instruments: The following methods and assumptions were used by the Company to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the consolidated balance sheets for these financial instruments approximate their fair values.

Investment Securities: The fair value of investments in trading securities and securities available for sale are generally obtained from independent pricing services based upon valuations for similar assets in active markets or other inputs derived from objectively verifiable information.

Finance Receivables: The fair value of finance receivables is estimated using discounted cash flow analysis and an estimated market discount rate required to attract funds for similar investments.

Other Receivables and Payables: The carrying amounts reported in the consolidated balance sheets approximate their fair values.

Notes Payable: The carrying amounts of borrowings under the line-of-credit agreements reported in the consolidated balance sheets approximate their fair values as the interest charged for these borrowings fluctuate with market changes.

Subordinated Notes Payable to Members: The estimated fair value of subordinated notes payable to members was estimated using discounted cash flow analysis.

Comprehensive Income: Comprehensive income for the Company consists of net income (loss) and changes in unrealized gains (losses) on investment securities classified as available-for-sale, net of taxes, and are presented in the consolidated statements of income and comprehensive income.

Advertising: Advertising costs are expensed as incurred. Advertising expenses approximated $5,530,000 and $5,465,000 for the years ended December 31, 2017 and 2016, respectively.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Share-Based Compensation: The Company entered into employment agreements with certain executives and, in connection therewith, granted member interests consisting of Class D share awards which vest over a ten year period. Compensation expense for these awards is determined based on the estimated fair value of the shares awarded on the applicable grant or award date, June 14, 2012, and is recognized over the applicable award's vesting period.

Accumulated Other Comprehensive Income (Loss): The Company has recorded certain amounts directly to a component of total members' equity (deficit) reflected on the consolidated balance sheet as accumulated other comprehensive income (loss). Such amounts include unrealized gains and losses on available for sale securities. Realized losses attributable to the credit component of an other-than-temporary security impairment are reclassified to earnings.

In February 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-02, "*Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*" which allows a reclassification from accumulated other comprehensive income or loss to members' equity (deficit) for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. The Company elected to early adopt this accounting standards update, and as a result, reclassified $29,610 to accumulated other comprehensive income (loss) from members' equity for the impact of the deferred tax effects.

Reclassifications: Certain reclassifications have been made in the 2016 financial statements in order to conform to the method of presentation used in 2017.

Subsequent events: The Company has evaluated its subsequent events (events occurring after December 31, 2017) through April 4, 2018, which represents the date the financial statements were available to be issued.

Effects of Recent Accounting Guidance: In May 2014, FASB issued ASU 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date", as a revision to ASU 2014-09, which revised the effective date to fiscal years, and interim periods within those years, beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations", which clarifies certain aspects of the principal-versus-agent guidance, including how an entity should identify the unit of accounting for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements, such as service transactions. The amendments also reframe the indicators to focus on evidence that an entity is acting as a principal rather than as an agent that are immaterial in the context of a contract. ASU 2014-09, ASU 2015-14, and ASU 2016-08 are effective for the Company on January 1, 2019. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "*Recognition and Measurement of Financial Assets and Financial Liabilities*", which is intended to improve the recognition and measurement of financial instruments. ASU 2016-01 significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for annual periods, and interim periods

Note 1. Nature of Business and Significant Accounting Policies (Continued)

within those annual periods, beginning after December 15, 2017. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*", which establishes a comprehensive lease standard under GAAP for virtually all industries. The new standard requires lessees to recognize a right of use asset and a lease liability for virtually all of their leases, other than leases that meet the definition of short term leases and will apply for annual periods beginning after December 15, 2018, including interim periods therein. Early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, '*Financial Instruments – Credit Losses (Topic 326)*'. ASU 2016-13 issued amended guidance on reporting credit loses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the amended guidance eliminates the probable recognition threshold, and, instead requires an entity to reflect the current estimate of all expected credit losses. For available for sale debt securities, credit losses are measured in a manner similar to current GAAP, however the amended guidance required that credit losses be presented as an allowance rather than as a permanent impairment. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amended guidance is effective for the Company in 2021. Early adoption is permitted as of the fiscal years beginning after December 15, 2018. The Company is still evaluating the potential impact on the Company's 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*', addressing eight specific cash flow issues in an effort to reduce diversity in practice. The amended guidance is effective for the Company in 2019 and early adoption is permitted. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, '*Intangibles - Goodwill and Others (Topic 350): Simplifying the Test for Goodwill Impairment*". ASU 2017-04 simplifies the measurement of goodwill impairment by eliminating the requirement of performing a hypothetical purchase price allocation to measure goodwill impairment. ASU 2017-04 is effective for annual and any interim impairment tests for periods beginning after December 15, 2021. Early adoption is allowed as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, "*Receivables—Nonrefundable Fees and Other Costs (Topic 310-20): Premium Amortization on Purchased Callable Debt Securities*". This guidance was issued to shorten the amortization period for certain callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. It will become effective on January 1, 2019, with early adoption permitted, including during interim periods. The adoption is to be applied on a modified retrospective basis through an adjustment to retained earnings. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "*Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*". ASU 2017-09 seeks to provide clarity, reduce diversity in practice, and to reduce cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, regarding a change to the terms or conditions of a share-based payment award and provides guidance concerning which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments of ASU 2017-09 are effective for the Company on January 1, 2018. The Company is still evaluating the potential impact on the Company's consolidated financial statements.

Note 2. Investment Securities

The cost or amortized cost of securities available for sale and their fair values at December 31, 2017 and 2016 were as follows:

December 31, 2017	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities:				
U.S. Government agencies and corporations	$ 9,686,420	$ 9,617,272	$ -	$ 69,148
Obligations of states and political subdivisions	29,912,506	30,145,954	354,295	120,847
Corporate securities	18,949,866	18,978,637	99,544	70,773
Residential mortgage-backed securities	2,785	2,795	10	-
Commercial mortgage-backed securities	719,361	722,114	3,965	1,212
Total investment securities	$59,270,938	$59,466,772	$ 457,814	$ 261,980

December 31, 2016	Cost or Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities:				
U.S. Government agencies and corporations	$ 8,884,899	$ 8,725,841	$ 3,902	$ 162,960
Obligations of states and political subdivisions	34,393,952	34,270,305	218,534	342,181
Corporate securities	20,451,115	20,487,544	126,048	89,619
Residential mortgage-backed securities	7,966	8,075	109	-
Commercial mortgage-backed securities	729,067	738,390	9,323	-
Total investment securities	$64,466,999	$64,230,155	$ 357,916	$ 594,760

As of December 31, 2017 and 2016, accumulated other comprehensive income (loss) includes unrealized gains (losses) on available for sale securities, net of income tax effects, of approximately $147,000 and ($154,000), respectively.

Note 2. Investment Securities (Continued)

The length of time impaired available-for-sale securities have been held in a loss position are as follows.

	Less than 12 months		12 months or more		Total	
December 31, 2017	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agencies and corporations	$ 4,656,454	$ 24,654	$ 4,960,817	$ 44,494	$ 9,617,271	$ 69,148
Obligations of states and political subdivisions	4,048,012	39,700	5,423,459	81,147	9,471,471	120,847
Corporate securities	4,094,555	19,770	5,527,669	51,003	9,622,224	70,773
Commercial mortgage-backed securities	593,345	1,212	-	-	593,345	1,212
Total	$13,392,366	$ 85,336	$15,911,945	$176,644	$29,304,311	$ 261,980
December 31, 2016						
U.S. Government agencies and corporations	$ 6,060,807	$ 161,820	$ 667,244	$ 1,140	$ 6,728,051	$ 162,960
Obligations of states and political subdivisions	15,345,769	279,925	1,996,514	62,256	17,342,283	342,181
Corporate securities	4,850,477	64,394	3,934,756	25,225	8,785,233	89,619
Total	$26,257,053	$ 506,139	$ 6,598,514	$ 88,621	$32,855,567	$ 594,760

Substantially all gross unrealized losses at December 31, 2017 and 2016 were attributable to interest rate changes rather than an adverse change in cash flows or a fundamental weakness in the credit quality of the issuer or the underlying assets and are thus considered temporarily impaired. Due to the issuers' continued satisfaction of the securities' obligations in accordance with contractual terms, the expectation that they will continue to do so and the Company's intent and ability to hold these investments, management believes the securities in unrealized loss positions are temporarily depressed. As of December 31, 2017 the Company had 105 debt securities with temporary impairments, including 21 U.S. government securities, 36 securities classified as obligations of state and political subdivisions, 46 securities classified as corporate securities, and 2 securities classified as commercial mortgage-backed securities. As of December 31, 2016 the Company had 109 debt securities with temporary impairments, including 14 U.S. government securities, 57 securities classified as obligations of state and political subdivisions, and 38 investments classified as corporate securities.

Management of the Company evaluates securities for other-than-temporary impairment ("OTTI") no less than annually or when economic or market concerns warrant such evaluation. The evaluation is based upon factors such as the creditworthiness of the issuer, the underlying collateral, if applicable, and the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an OTTI condition. This includes, but is not limited to, an evaluation of the type of security, length of time and extent to which the fair value has been less than cost, and near-term prospects of the issuer.

The Company segregates the OTTI impact on impaired securities where impairment in value was deemed to be other than temporary between the component representing credit loss and the component representing loss related to other factors.

Note 2. Investment Securities (Continued)

The Company assesses whether a credit loss exists by considering whether (i) the Company has the intent to sell the security, (ii) it is more likely than not that it will be required to sell the security before recovery, or (iii) it does not expect to recover the entire amortized cost basis of a debt security. The portion of the fair value decline attributable to credit loss is recognized as a charge to earnings. The credit loss evaluation is determined by comparing the present value of the cash flows expected to be collected, discounted at the rate in effect before recognizing any OTTI with the amortized cost basis of the debt security. The Company uses the cash flow expected to be realized from the security, which includes assumptions about interest rates, timing and severity of defaults, estimates of potential recoveries, the cash flow distribution from the bond indenture and other factors, then applies a discount rate equal to the effective yield of the security. The difference between the present value of the expected cash flows and the amortized book value is considered a credit loss. The difference between the fair market value and the security's remaining amortized cost is recognized in other comprehensive income or loss.

The amortized cost and fair value of debt securities at December 31, 2017, by contractual maturity, is shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepay penalties.

December 31, 2017	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 3,989,631	$ 3,988,540
Due after one year but less than five years	29,733,383	29,820,021
Due after five years but less than ten years	23,212,659	23,318,048
Due after ten years	1,613,119	1,615,254
Residential mortgage-backed securities	2,785	2,795
Commercial mortgage-backed securities	719,361	722,114
Total debt securities	$ 59,270,938	$ 59,466,772

Investment securities with amortized cost of approximately $3,119,000 and with estimated fair values of $3,088,000 at December 31, 2017, were pledged by the Company with various states as required by state law. Investment securities with amortized cost of approximately $3,075,000 and with estimated fair values of $3,062,000 at December 31, 2016, were pledged by the Company with various states as required by state law.

Major categories of net investment income are summarized as follows for the year ended December 31, 2017 and 2016:

December 31,	2017	2016
Debt securities	$ 1,397,366	$ 1,212,135
Common stocks	103,504	68,443
Mortgage and collateral loans	7,800	7,800
Cash and short-term investments	40,889	38,977
	1,549,559	1,327,355
Investment expenses	(224,869)	(218,125)
Net investment income	$ 1,324,690	$ 1,109,230

Note 2. Investment Securities (Continued)

Net realized investment gains are summarized as follows for the year ended December 31, 2017 and 2016:

December 31,		2017		2016
Gross realized gains on sale of securities available for sale	$	22,480	$	99,850
Gross realized losses on sale of securities available for sale		(61,926)		(2,670)
Gain (loss) from investments in trading securities		167,834		79,564
Net realized investment gains (losses)	$	128,388	$	176,744

Proceeds from sales of investment securities available for sale aggregated approximately $19,741,000 and $10,627,000 for the years ended December 31, 2017 and 2016, respectively.

Note 3. Finance Receivables

Finance receivables were as follows:

December 31,		2017		2016
Consumer finance receivables:				
Personal property	$	576,710,971	$	555,699,471
Real estate		22,007,481		23,043,808
Sales finance		140,036,489		130,974,487
		738,754,941		709,717,766
Add (deduct):				
Net deferred origination costs		6,136,564		6,053,089
Unearned income		(202,182,397)		(192,278,300)
Allowance for credit losses		(55,471,712)		(50,653,267)
Finance receivables, net	$	487,237,396	$	472,839,288

Changes in the allowance for credit losses were as follows during the year ended December 31, 2017 and 2016:

December 31,		2017		2016
Balance at beginning of year	$	50,653,267	$	46,755,242
Provision for credit losses		60,161,397		55,091,488
Receivables charged-off		(71,450,453)		(66,033,079)
Charge-offs recovered		16,107,501		14,839,616
Balance at end of year	$	55,471,712	$	50,653,267

Note 3. Finance Receivables (Continued)

The balance in the allowance for credit losses by portfolio segment at December 31, 2017 and 2016 was as follows:

December 31, 2017	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period	Finance Receivables at End of Period	Allowance as Percentage of Finance Receivables at End of Period
Personal Property	$ 48,144,397	$ (66,375,538)	$ 14,956,798	$ 55,471,765	$ 52,197,422	$ 430,356,276	12.1%
Real Estate	69,696	(98,453)	45,778	48,105	65,128	14,652,493	0.4%
Sales Finance	2,439,174	(4,976,462)	1,104,925	4,641,527	3,209,164	91,563,775	3.5%
Total loans	$ 50,653,267	$ (71,450,453)	$ 16,107,501	$ 60,161,397	$ 55,471,712	$ 536,572,544	10.3%

December 31, 2016	Balance at Beginning of Period	Charge-offs	Recoveries	Provision for Credit Losses	Balance at End of Period	Finance Receivables at End of Period	Allowance as Percentage of Finance Receivables at End of Period
Personal Property	$ 44,390,992	$ (62,262,995)	$ 13,847,668	$ 52,168,732	$ 48,144,397	$ 415,741,620	11.6%
Real Estate	160,323	(182,103)	52,490	38,986	69,696	15,923,210	0.4%
Sales Finance	2,203,927	(3,587,981)	939,458	2,883,770	2,439,174	85,774,636	2.8%
Total loans	$ 46,755,242	$ (66,033,079)	$ 14,839,616	$ 55,091,488	$ 50,653,267	$ 517,439,466	9.8%

The Company classifies delinquent accounts based upon the number of contractual installments past due. An aging of delinquent gross finance receivables as of December 31, 2017 and 2016 is as follows:

December 31, 2017	Current	Past Due 30-90 Days	Past Due 91-150 Days	Past Due Greater Than 150 Days	Total
Personal Property	$ 508,478,880	$52,307,346	$15,913,400	$ 11,345	$576,710,971
Real Estate	19,305,897	2,306,110	52,996	342,478	22,007,481
Sales Finance	135,006,652	3,950,139	1,079,439	259	140,036,489
Gross Finance Receivables	$ 662,791,429	$58,563,595	$17,045,835	$ 354,082	$738,754,941

Note 3. Finance Receivables (Continued)

December 31, 2016	Current	Past Due 30-90 Days	Past Due 91-150 Days	Past Due Greater Than 150 Days	Total
Personal Property	$ 489,832,703	$50,046,034	$15,815,575	$ 5,159	$555,699,471
Real Estate	20,056,558	2,304,396	336,373	346,481	23,043,808
Sales Finance	125,766,142	4,038,001	1,170,110	234	130,974,487
Gross Finance Receivables	$ 635,655,403	$56,388,431	$17,322,058	$ 351,874	$709,717,766

Nonperforming loans consisted of loans past due greater than 150 days and approximated $354,000 and $352,000 at December 31, 2017 and 2016, respectively. Additionally, the Company had gross finance receivables relating to customers in bankruptcy and which the terms of the original contract have been modified approximating $3,023,000 and $3,056,000 at December 31, 2017 and 2016, respectively.

Note 4. Reinsurance

The Company is party to a quota share reinsurance agreement that ceded 40% of its credit accident and health business written prior to January 1, 2013 in order to limit its exposure on credit disability coverages. Reinsurance contracts do not relieve the Company from its primary obligation to policyholders. Failure of any reinsurer to honor its obligations could result in losses to the Company. On February 13, 2017, the reinsurance agreement was commuted resulting in the release of the reinsurer's liability and the payment to the Company of the reinsurance receivable and recoverable.

The ceded reinsurance agreement contained a retrospective rating provision that results in a favorable adjustment to the reinsurance premiums if certain underwriting results were achieved on the reinsured business during the experience period. The Company estimated the amount of ultimate premium adjustment that the Company may earn upon completion of the experience period and recognized an asset for the difference between the initial reinsurance premiums paid and the estimated ultimate premium. The Company adjusted such estimated ultimate premium amounts during the course of the experience period based on actual results to date. The resulting adjustment was recorded as either a reduction of or an increase to the ceded premiums for the year. Included in reinsurance recoverable at December 31, 2016 were estimated receivables relating to retrospective ratings provisions of approximately $969,000. During the year ended December 31, 2016 ceded premiums were reduced by retrospective premium adjustments of approximately $3,000.

Note 4. Reinsurance (Continued)

The effect of reinsurance on premiums written and earned is as follows for the year-end December 31, 2017 and 2016:

December 31, 2017	Written	Earned
Direct	$ 34,377,704	$ 33,450,540
Ceded	-	-
Net premiums	$ 34,377,704	$ 33,450,540
December 31, 2016		
Direct	$ 33,264,929	$ 32,919,353
Ceded	(3,554)	(3,554)
Net premiums	$ 33,261,375	$ 32,915,799

Note 5. Property and Equipment

Property and equipment at December 31, 2017 and 2016 is as follows:

	Estimated Useful Lives	December 31, 2017	December 31, 2016
Land		$ 441,890	$ 408,188
Building and improvements	15 to 40 years	3,739,546	3,539,514
Office furniture and fixtures	5 to 10 years	2,700,915	2,554,800
Data processing equipment	3 years	10,676,558	7,697,897
Automotive equipment	3 years	1,408,493	1,425,000
Leasehold improvements	5 years	2,442,125	2,370,531
Information systems in development	-	17,591,799	11,135,600
		39,001,326	29,131,530
Less accumulated depreciation		11,872,282	9,405,432
Property and equipment, net		$ 27,129,044	$ 19,726,098

Depreciation expense for the years ended December 31, 2017 and 2016 approximated $2,962,000 and $2,853,000, respectively.

Note 6. Goodwill and Intangible Assets

A summary of goodwill and its estimated finite life is as follows:

	Estimated Useful Lives	December 31, 2017	December 31, 2016
Goodwill	10 years	$ 136,176,452	$ 136,176,452
Less accumulated amortization		68,088,236	54,470,588
Goodwill, net		$ 68,088,216	$ 81,705,864

A summary of the other intangible assets and their estimated finite lives were as follows:

	Estimated Useful Lives	December 31, 2017	December 31, 2016
Trade names	5 to 15 years	$ 24,400,000	$ 24,400,000
Non-competition and license agreements	2 to 4 years	2,323,800	2,323,800
Internally developed technology	2 years	1,000,000	1,000,000
Customer relationships and other	2 to 3 years	488,700	488,700
		28,212,500	28,212,500
Less accumulated amortization		13,016,121	11,381,952
Intangible assets, net		$ 15,196,379	$ 16,830,548

Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2017 approximated $13,618,000 and $1,634,000, respectively. Aggregate amortization expense for goodwill and intangible assets for the year ended December 31, 2016 approximated $13,618,000 and $1,838,000, respectively. The estimated amortization expense of goodwill and the finite-lived intangible assets for future years is summarized as follows:

Fiscal Year 2018	$ 15,224,312
Fiscal Year 2019	15,224,312
Fiscal Year 2020	15,224,312
Fiscal Year 2021	15,224,312
Fiscal Year 2022	15,224,312
Thereafter	7,163,035
Total	$ 83,284,595

Note 7. Notes Payable and Credit Arrangements for Business Operations

In July 2017, the Company extended its agreement of June 15, 2012, a revolving loan agreement, which provides for a total credit facility of up to $400,000,000 which terminates on July 19, 2020. The agreement provides for an increase in the credit facility of an additional $50,000,000, if needed. Borrowings are limited to a borrowing base as defined in the related agreement.

Note 7. Notes Payable and Credit Arrangements for Business Operations (Continued)

Borrowings under the revolving loan agreement bear interest at an annualized referenced rate equal to the higher of (i) the federal funds rate plus 0.50%, (ii) the lenders prime rate, or (iii) LIBOR plus 1%, and adjusted for an applicable margin based upon the current borrowing availability. The applicable margin ranges from 1.50% to 3.00% depending on the reference rate and borrowing availability percentage as defined in the agreement. Borrowings are collateralized by substantially all of the Company's consumer finance assets, including finance receivables and intangibles.

The revolving loan agreement contains covenants which place restrictions on the Company, including limitations on distributions, additional indebtedness, transactions with affiliates, and require that certain minimum interest coverage and senior debt leverage ratios be maintained. At December 31, 2017 and 2016, the Company was in compliance with the covenants.

The Company has another line of credit that was extended in June 2017 which terminates June 30, 2019. The line of credit was increased from $10,000,000 to $11,000,000 upon extension. Advances under the line of credit bear interest at one-month LIBOR plus 2.75% with a floor rate of 3.75%, adjusted monthly, and are collateralized by all of the outstanding shares of American Federated Life Insurance Company and a first deed of trust on the Company's corporate office, located in Flowood, MS. The increase in this line of credit was used to issue a letter of credit in the amount of $650,000 expiring on June 30, 2018.

At December 31, 2017 and 2016, the amount outstanding under the revolving loan agreement was approximately $333,128,000 and $316,707,000, respectively, with an average effective interest rate of 4.02% and 3.57%, respectively. The amount outstanding under the revolving line of credit with the bank was approximately $9,526,000 with an interest rate of 4.32% and $6,878,000 with an interest rate of 3.75% at December 31, 2017 and 2016, respectively. Interest is payable monthly.

Note 8. Subordinated Notes Payable to Members

On June 24, 2014, First Tower, LLC ("FT LLC") issued subordinated term loan notes payable to the members of the Company in the aggregate amount of $313,844,000 pursuant to a subordinated loan agreement (the "Subordinated Loan Agreement"). The proceeds of the subordinated term loans were distributed to the Company, which were then distributed to its members as a return of capital.

Under the terms of the Subordinated Loan Agreement, these subordinated term loans initially bore interest at a rate per annum equal to 10% plus a paid-in-kind rate (the "PIK Rate") of 7%. Effective October 1, 2014, the PIK Rate was increased to 12%. On January 4, 2017, the PIK Rate was decreased to 7%. Interest accruing at the 10% rate is payable monthly in cash and the PIK Rate interest is payable monthly in cash, at FT LLC's option, subject to certain restrictions as specified by the terms of a subordination and intercreditor agreement with lenders of the Company's credit facility and revolving line of credit (See Note 7). Accruing PIK Rate interest that may be prohibited from being paid currently under the subordination and intercreditor agreement as a result of distributable income limitations from operating subsidiaries is automatically added to the principal of the subordinated term loan notes.

The subordinated term loan notes mature on the earlier of June 24, 2019 or six months after the termination of the Company's credit facility. Subject to the subordination and intercreditor agreement, FT LLC may prepay in whole or in part amounts outstanding. However, any amounts prepaid prior to the third anniversary of the issuance would be subject to a prepayment premium ranging from 1% – 3% depending on the timing of the prepayment. FT LLC's obligations under the subordinated term loan notes are secured by a lien granted to Prospect Capital Corporation as collateral agent for the benefit of the holders of the subordinated term loan notes against all of the LLC interests of its wholly-owned finance company subsidiaries and all other First Tower, LLC assets.

Note 8. Subordinated Notes Payable to Members (Continued)

The Subordinated Loan Agreement contains various provisions which require FT LLC to make mandatory prepayments, subject to specified exceptions, with the proceeds of asset dispositions, debt and specified equity issuances, changes of control, and certain other events. In addition to other covenants, the Subordinated Loan Agreement places limits on FT LLC and its subsidiaries' ability to declare dividends or redeem or repurchase capital stock, prepay, redeem or purchase debt, incur liens and engage in sale-leaseback transactions, make loans and investments, incur additional indebtedness, amend or otherwise alter debt and other material agreements, make capital expenditures, engage in mergers, acquisitions and asset sales, transact with affiliates and alter its business. Further, the Subordinated Loan Agreement contains events of default, including cross defaults under other debt obligations of the Company.

In December 2015, the Company issued an additional $5,000,000 in subordinated term loan notes under the same terms. At December 31, 2017 and 2016, the principal amount outstanding of the subordinated term loan notes payable was approximately $323,246,000 and $322,543,000, respectively. Interest expense, including PIK Rate interest, incurred on the subordinated term loan notes approximated $56,030,000 during 2017 and $71,565,000 during 2016.

Note 9. Policy Claim Liabilities

Activity in policy claim reserves, including claim adjustment expenses, by significant lines of business for the years ended December 31, 2017 and 2016, is summarized as follows:

For the year ending December 31, 2017	Property & Casualty Business	Life & Accident/ Health Business	Total
Balance at January 1,	$ 444,362	$ 2,221,576	$ 2,665,938
Less reinsurance recoverables	-	1,228	1,228
Net balance, beginning of year	444,362	2,220,348	2,664,710
Incurred related to current year	1,087,685	6,222,197	7,309,882
Incurred related to prior years	(128,314)	(250,916)	(379,230)
Total incurred	959,371	5,971,281	6,930,652
Paid related to current year	815,772	4,196,224	5,011,996
Paid related to prior years	169,868	1,629,567	1,799,435
Total paid	985,640	5,825,791	6,811,431
Net balance, end of year	418,093	2,365,838	2,783,931
Plus reinsurance recoverables	-	-	-
Balance at December 31, 2017	$ 418,093	$ 2,365,838	$ 2,783,931

Note 9. Policy Claim Liabilities (Continued)

For the year ending December 31, 2016	Property & Casualty Business	Life & Accident/ Health Business	Total
Balance at January 1,	$ 539,425	$ 2,309,429	$ 2,848,854
Less reinsurance recoverables	-	12,734	12,734
Net balance, beginning of year	539,425	2,296,695	2,836,120
Incurred related to current year	1,016,680	5,585,881	6,602,561
Incurred related to prior years	(131,564)	(513,480)	(645,044)
Total incurred	885,116	5,072,401	5,957,517
Paid related to current year	770,472	3,718,818	4,489,290
Paid related to prior years	209,707	1,429,930	1,639,637
Total paid	980,179	5,148,748	6,128,927
Net balance, end of year	444,362	2,220,348	2,664,710
Plus reinsurance recoverables	-	1,228	1,228
Balance at December 31, 2016	$ 444,362	$ 2,221,576	$ 2,665,938

Note 9. Policy Claim Liabilities (Continued)

Incurred and paid claim development, by accident year for the property and casualty lines of business, for the year ended December 31, 2017, is summarized as follows:

AFIC Property & Casualty Accounts	Net Incurred Claims for the Year Ended December 31, 2015	2016	2017	As of December 31, 2017: Total of Incurred-but-Not-Reported Liabilities Plus Expected Development	Cumulative Number of Reported Claims
Accident year					
2015	$ 938,767	$ 1,265,380	$ 1,189,164	$ 40,076	675
2016	-	1,016,680	1,027,155	106,142	810
2017	-	-	1,087,685	271,875	792
Net incurred claims	$ 938,767	$ 2,282,060	$ 3,304,004		

AFIC Property & Casualty Accounts	Net Cumulative Claim Payments for the Year Ended December 31, 2015	2016	2017
Accident year			
2015	$ 938,767	$ 1,133,792	$ 1,149,126
2016	-	770,472	921,013
2017	-	-	815,772
Net cumulative claim payments	$ 938,767	$ 1,904,264	$ 2,885,911
Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 418,093

The incurred but not reported liability for the property and casualty lines of business approximated $418,000 and $444,000 as of December 31, 2017 and 2016, respectively. The average annual percentage payout of incurred claims for the property and casualty lines of business was 82.7% in year 1, 16.3% in year 2 and 1.0% in year 3.

Note 9. Policy Claim Liabilities (Continued)

Incurred and paid claim development, by accident year for the life and accident/health lines of business, for the year ended December 31, 2017, is summarized as follows:

AFLIC Life & Accident/Health Accounts	Net Incurred Claims for the Year Ended December 31, 2015	2016	2017	As of December 31, 2017: Total of Incurred-but-Not-Reported Liabilities Plus Expected Development	As of December 31, 2017: Cumulative Number of Reported Claims
Accident year					
2015	$ 5,071,789	$ 4,619,942	$ 4,583,696	$ 31,127	9,837
2016	-	5,585,881	5,345,542	61,027	10,733
2017	-	-	6,222,197	860,964	11,003
Net incurred claims	$ 5,071,789	$ 10,205,823	$ 16,151,435		

AFLIC Life & Accident/Health Accounts	Net Cumulative Claim Payments for the Year Ended December 31, 2015	2016	2017
Accident year			
2015	$ 3,130,989	$ 4,306,873	$ 4,555,092
2016	-	3,718,918	5,044,017
2017	-	-	4,196,224
Net cumulative claim payments	$ 3,130,989	$ 8,025,791	$ 13,795,333
All outstanding liabilities before 2015, net of reinsurance			9,736
Liabilities for claims and claim adjustment expenses, net of reinsurance			$ 2,365,838

The incurred but not reported liability for the life and accident/health lines of business approximated $953,000 and $771,000 as of December 31, 2017 and 2016, respectively.

Note 10. Income Taxes

The Company's insurance subsidiaries file income tax returns in the U. S. federal jurisdiction and in the states in which they operate. The multiple state tax jurisdictions in which the insurance subsidiaries operate require the appropriate allocation of income and expense to each state based on a variety of apportionment or allocation bases.

The provisions for income taxes of the Company's insurance subsidiaries for the year ended December 31, 2017 and 2016 consisted of the following:

December 31,		2017		2016
Current expense	$	1,259,270	$	67,261
Deferred expense (benefit)		(2,202,037)		255,758
Provision for income taxes	$	(942,767)	$	323,019

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act contains several key provisions that impact the Company's business, including a reduction in the U.S. federal corporate tax rate from 34% to 21% effective January 1, 2018 as well as a change in how insurance companies discount loss reserves. At December 31, 2017, the Company has not completed its accounting for the tax effects of enactment of the Act; however, it has made a reasonable estimate of the effects on its existing deferred tax balances. The deferred tax assets and deferred tax liabilities as of December 31, 2017 have been re-measured based on the rates at which they are expected to reverse in the future, which is generally 21%. The Company is still analyzing certain aspects of the Act, and any future guidance from the Treasury, Internal Revenue Service, or the Company's regulators could potentially affect the measurement of those balances or give rise to new deferred tax amounts. The Company recognized a provisional benefit of approximately $926,000 in 2017 related to the re-measurement of deferred taxes, which is included as a component of income tax expense from continuing operations.

The Company did not have unrecognized tax benefits as of December 31, 2017 and does not expect this to change significantly over the next 12 months. It is the Company's policy to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2017, the Company had no accrued interest or penalties related to uncertain tax positions.

Note 10. Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes relating to the Company's insurance subsidiaries. The tax effects of significant items comprising the Company's net deferred tax liability and asset were as follows:

December 31,	2017	2016
Deferred tax assets:		
Policy claim reserves and unearned premiums	$ 1,949,951	$ 1,831,607
Goodwill and intangible assets	1,210,372	1,474,587
Net operating and capital losses carryforward	378,744	949,433
Unrealized loss on securities available for sale	-	90,757
	3,539,067	4,346,384
Deferred tax liabilities:		
Reinsurance recoverables	-	349,139
Deferred acquisition costs	5,091,560	7,656,710
Unrealized holding gain on trading securities	73,371	47,086
Unrealized gain on securities available for sale	48,861	-
	5,213,792	8,052,935
Deferred tax liabilities, net	$ (1,674,725)	$ (3,706,551)

The provision for income taxes differs from the amount computed by applying the federal statutory rate of 34% to income before income taxes as follows:

December 31,	2017	2016
Consolidated loss before taxes	$ (12,651,921)	$ (23,666,318)
Less: non-taxable entities	(12,998,575)	(24,585,204)
Income before taxes from taxable entities	$ 346,654	$ 918,886
Tax based on federal statutory rate	$ 117,862	$ 312,421
Non-taxable interest income	(220,361)	(185,493)
State income taxes and other	(32,185)	(34,582)
Transactional costs	(44,812)	(44,812)
Enacted tax law rate change from revaluation of deferred taxes	(926,123)	-
Goodwill	211,075	211,075
AMT and adjustments to prior year taxes	(48,223)	64,410
Provision for income taxes	$ (942,767)	$ 323,019

The Company's insurance subsidiaries have approximately $2,400,000 in federal net operating loss carryforwards that will expire in 2032, if not used.

Note 11. Employee Profit Sharing Plan

The Company established three profit sharing plans covering substantially all the Company's employees. A nonstandardized profit sharing plan was established for managers on January 1, 2015. Employer and participants contributions are nonelective and at the sole discretion of the employer. Contributions are allocated as a uniform percentage of participant compensation.

The Company also established a plan which is intended to providing selected officers, members of the executive group, home office or district supervisors of the Company or its Affiliates, or the assistant to the chief executive officer of the Company, incentive awards for superior performance. The plan is intended to be a nonqualified deferred compensation plan that complies with the provisions of Section 409A of the Internal Revenue Code. The plan is also intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation benefits for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974 ("ERISA").

Remaining employees are covered by a 401(k) provision which allows employees to contribute salary subject to the maximum contribution allowed by the IRS. The Company matches 50% of the first 6% of employee contributions. Additional contributions may be made at the discretion of the Company. Profit sharing expense approximated $501,000 and $338,000 for the years ended December 31, 2017 and 2016, respectively.

Note 12. Members Equity

The Company's capital structure consists of four classes of member common units. All classes of common units, except for Class D common units, share in the profits and losses of the Company and in the distributions of member capital on a pro-rata basis in proportion to total number of such units outstanding. The four classes of member common units are as follows:

- Class A common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 117,350,228 Class A common units issued to members outstanding as of December 31, 2017 and 2016. Issuance of additional Class A common units in excess of 10% of the fully diluted outstanding units of Class A and Class B common units require the approval of at least 81% of the outstanding Class A common units.

- Class B common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. There were 66,814 Class B common units as of December 31, 2017 and 2016.

- Class C common units – These units have voting rights in proportion to the total number of Class A, Class B and Class C common units outstanding. As of December 31, 2017 and 2016, no Class C common units have been issued. These units will be issued upon the conversion of Class D common units.

- Class D common units – These units have no voting rights and are unvested upon issuance. Class D common units vest over a ten year period beginning June 15, 2012 at 10% per year. Unvested Class D common units are forfeited upon the termination of the holder's employment for any reason. Each holder of Class D common units has the right to convert such units to Class C common units at a ratio of four Class D common units for one Class C common unit provided that (i) the date of such conversion occurs no earlier than the 10th anniversary of June 15, 2012, (ii) such holder notifies the Company thirty days prior to conversion, and (iii) the internal rate of return as of the most recent fiscal quarter exceeds a pre-defined minimum. On June 14, 2012, the Company entered into employment contracts with two key executives and, in connection therewith, granted these executives 12,941,176 unvested Class D common units with an estimated fair value at date of grant of approximately $698,000. Compensation expense related to Class D common units approximated $70,000 annually for the years ended December 31, 2017 and 2016.

Note 12. Members Equity (Continued)

Members have no power to vote on any matter except matters on which a vote of units is required pursuant to the Company's Operating Agreement. The Operating Agreement provides for, among other things, limitations on the transfer of member units, rights of first refusal, pre-emptive rights, and certain call and put provisions.

Note 13. Statutory Financial Information of Insurance Subsidiaries

Generally accepted accounting principles (GAAP) differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (Statutory). A reconciliation between net income and stockholder's equity of the Company's insurance subsidiaries as reported under GAAP and Statutory follows as of December 31, 2017 and 2016:

December 31, 2017	Net Income (Loss)	Stockholder's Equity
GAAP basis, including effects of purchase accounting	$ 1,289,419	$ 64,687,583
Adjustments to:		
Non-admitted assets	1,600	(69,025)
Accumulated depreciation	-	(20,743)
Investment securities and related unrealized gains	94,441	(463,583)
Deferred acquisition costs	(605,349)	(23,347,454)
Goodwill and intangible assets	4,225,052	(20,987,717)
Policy claim reserves and unearned premiums	2,813,978	1,212,017
Deferred income taxes and income taxes payable	(2,228,356)	4,047,994
Asset valuation and interest maintenance reserves	41,073	(141,963)
Statutory Basis	$ 5,631,858	$ 24,917,109

December 31, 2016	Net Income (Loss)	Stockholder's Equity
GAAP basis, including effects of purchase accounting	$ 595,867	$ 75,947,881
Adjustments to:		
Non-admitted assets	1,600	(69,506)
Accumulated depreciation	-	(22,343)
Investment securities and related unrealized gains	161,424	(566,184)
Deferred acquisition costs	(270,989)	(22,742,105)
Goodwill and intangible assets	4,298,802	(25,212,767)
Policy claim reserves and unearned premiums	1,307,517	(1,601,964)
Deferred income taxes and income taxes payable	209,490	7,174,429
Asset valuation and interest maintenance reserves	47,930	(233,481)
Statutory Basis	$ 6,351,641	$ 32,673,960

Under state statutes, each of the insurance subsidiaries is required to maintain minimum capital and surplus of $1,500,000. The Company's insurance subsidiaries paid extraordinary dividends, which were approved by the Mississippi Insurance Department, of $9,500,000 in 2017 in addition to regular dividends.

Note 13. Statutory Financial Information of Insurance Subsidiaries (Continued)

Insurance regulations limit the amount of dividends that may be paid without approval of the insurance subsidiaries' regulatory agency. At December 31, 2017 and 2016, there were no undistributed earnings and surplus available for future distributions as dividends are not permitted, without the prior approval of the State of Mississippi Insurance Department.

The National Association of Insurance Commissioners (NAIC) measures the adequacy of an insurance company's capital by its risk-based capital ratio (the ratio of its total capital, as defined, to its risk-based capital). The requirements provide a measurement of minimum capital appropriate for an insurance company to support its overall business operations based upon its size and risk profile which considers (i) asset risk, (ii) insurance risk, (iii) interest rate risk, and (iv) business risk. An insurance company's risk-based capital is calculated by applying a defined factor to various statutory-based assets, premiums, and reserve items, wherein the factor is higher for items with greater underlying risk.

The State of Mississippi statutes have provided levels of progressively increasing regulatory action for remedies when an insurance company's risk-based capital ratio falls below a ratio of 2:1. As of December 31, 2017 and 2016 (latest information available), the Company's insurance subsidiaries were in compliance with these minimum capital requirements as follows:

December 31, 2017	**AFLIC**	**AFIC**
Total adjusted capital	$ 11,667,125	$ 13,140,267
Authorized control level risk-based capital	769,363	2,491,828
Ratio of adjusted capital to risk based capital	15.2:1	5.3:1

December 31, 2016	**AFLIC**	**AFIC**
Total adjusted capital	$ 11,901,162	$ 20,873,275
Authorized control level risk-based capital	776,692	2,354,027
Ratio of adjusted capital to risk based capital	15.3:1	8.9:1

Note 14. Leases

The Company leases office facilities under non-cancellable operating leases. Rental expense approximated $2,780,000 and $2,655,000 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments at December 31, 2017 are as follows:

Fiscal Year 2018	$ 2,261,510
Fiscal Year 2019	1,639,109
Fiscal Year 2020	1,163,340
Fiscal Year 2021	552,760
Fiscal Year 2022	153,487
Thereafter	20,350
	$ 5,790,556

Note 15. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of finance receivables. Concentrations of credit risk with respect to finance receivables are limited due to the large number of customers comprising the Company's customer base. These finance receivables are mainly from customers located in Mississippi, Louisiana, Alabama, Illinois and Missouri.

At December 31, 2017 and 2016, the Company had funds on deposit with depository and investment institutions in excess of insured limits of approximately $4,350,000 and $7,351,000, respectively. The Company periodically assesses the financial condition of the financial institutions in which it conducts transactions and believes the risk of any loss is minimal.

Note 16. Fair Value Measurements

The fair value measurements by input level at December 31, 2017 and 2016 for assets and liabilities measured at fair value on a recurring basis follow:

December 31, 2017	Total	Level 1	Level 2	Level 3
Trading securities - equity mutual funds	$ 1,930,958	$ 1,930,958	$ -	$ -
Available-for-sale securities:				
U.S. Government agencies and corporations	9,617,272	9,617,272	-	-
Obligations of states and political subdivisions	30,145,954	-	30,145,954	-
Corporate securities	18,978,637	-	18,978,637	-
Residential mortgage-backed securities	2,795	-	2,795	-
Commercial mortgage-backed securities	722,114	-	722,114	-
	$ 61,397,730	$ 11,548,230	$ 49,849,500	$ -

December 31, 2016	Total	Level 1	Level 2	Level 3
Trading securities - equity mutual funds	$ 1,659,620	$ 1,659,620	$ -	$ -
Available-for-sale securities:				
U.S. Government agencies and corporations	8,725,841	8,725,841	-	-
Obligations of states and political subdivisions	34,270,305	-	34,270,305	-
Corporate securities	20,487,544	-	20,487,544	-
Residential mortgage-backed securities	8,075	-	8,075	-
Commercial mortgage-backed securities	738,390	-	738,390	-
	$ 65,889,775	$ 10,385,461	$ 55,504,314	$ -

Note 16. Fair Value Measurements (Continued)

Certain assets and liabilities are potentially measured at fair value on a nonrecurring basis (for example, when there is evidence of impairment). In addition to the assets and liabilities measured at fair value at date of acquisition (see Note 2), assets measured at fair value on a non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), and intangible assets and other non-financial long-lived assets subject to measurement at fair value for impairment assessment. During the years ended December 31, 2017 and 2016, certain foreclosed real estate assets, upon initial recognition, were remeasured and reported at fair value through a charge-off to the allowance for credit losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data or Level 3 inputs based on customized discounting criteria. Foreclosed assets measured at fair value upon initial recognition during the year ended December 31, 2017 and 2016 were not material.

Note 17. Disclosures About Fair Value of Financial Instruments

The carrying values and approximate fair values of the Company's financial instruments were as follows:

	2017		2016	
December 31,	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Financial Assets:				
Cash and cash equivalents	$ 12,427,931	$ 12,427,931	$ 8,145,628	$ 8,145,628
Trading securities	1,930,958	1,930,958	1,659,620	1,659,620
Investment securities available for sale	59,466,772	59,466,772	64,230,155	64,230,155
Finance receivables - net	487,237,396	453,109,406	472,839,288	442,016,640
Financial Liabilities:				
Notes payable	342,654,765	342,654,765	323,584,995	323,584,995
Subordinated notes payable to members	323,245,579	323,245,579	322,542,697	322,542,697

Certain financial instruments are not carried at fair value in the accompanying consolidated balance sheets, including receivables, payables and accrued liabilities. The carrying amount of financial instruments not carried at fair value is a reasonable estimate of their fair value because of the generally short periods of time in which these related assets or liabilities are expected to be realized or liquidated, and because they do not present unanticipated credit concerns.

The estimated fair values are significantly affected by assumptions used, principally the timing of future cash flows, the discount rate, judgments regarding current economic conditions, risk characteristics of various financial instruments and other factors. Because assumptions are inherently subjective in nature, the estimated fair values cannot be substantiated by comparison to independent quotes and, in many cases, the estimated fair values could not necessarily be realized in an immediate sale or settlement of the instrument. Potential tax ramifications related to the realization of unrealized gains and losses that would be incurred in an actual sale and/or settlement have not been taken into consideration.

Note 18. Contingencies

As of December 31, 2017, the Company is involved in various legal actions resulting from normal business activities. Many of these actions do not specify an amount of damages. Also, many of these actions are in very early stages of discovery or discovery has not begun. As a result, legal counsel is unable to provide an estimate of the probability or range of potential exposure. However, and based on its experience with lawsuits alleging similar claims and except for the two suits described below, management is of the opinion that the resolution of such actions will not result in a material adverse effect on the consolidated financial statements.

The Company has been named defendant in one legal action, in which the Company has accrued $320,000 at December 31, 2017 for contingent liabilities as a result of on-going negotiations related to potential settlements in the specific matter.

Note 19. Subsequent Event

On March 9, 2018, the Company acquired 100% of the equity interests of Harrison Finance LLC ("HF"), a finance company operating in the Gulf Coastal region including the states of Alabama, Florida, Louisiana and Mississippi, for approximately $79,000,000 in cash. Concurrent with the acquisition of HF, the Company sold the loans made and serviced by HF's Florida locations for approximately $14,000,000 to a third party finance company. Management has not completed the allocation of the acquisition-related consideration to the estimated fair values of the assets acquired and liabilities assumed.

Also on March 9, 2018, in connection with the acquisition of HF, the Company amended its revolving loan agreement which increased its total credit facility to $475,000,000 and extended its termination date from July 19, 2020 to March 9, 2021. The Company issued an additional $21,000,000 in subordinated term loan notes on March 9, 2018 under the same terms as those outstanding at December 31, 2017 as partial funding of the acquisition of HF. Borrowings from the revolving loan agreement provided the remainder of the funding.