

PROSPECT CAPITAL CORP
Form PRE 14A
September 21, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

Prospect Capital Corporation
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

PROSPECT CAPITAL CORPORATION
10 East 40th Street, 44th Floor
New York, New York 10016

October , 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Prospect Capital Corporation, a Maryland corporation (the “Company” or “us”), to be held on Friday, December 11, 2009, at 10:30 a.m., Eastern Time, at the offices of the Company, 10 East 40th Street, 44th Floor, New York, New York 10016.

The notice of Annual Meeting and Proxy Statement accompanying this letter provide an outline of the business to be conducted at the meeting. At the meeting, you will be asked to elect two directors of the Company and to consider and vote on a proposal to authorize the Company, with approval of its Board of Directors, to sell shares of the Company’s common stock at a price or prices below the Company’s then current net asset value per share in one or more offerings.

It is important that you be represented at the Annual Meeting. Please complete, sign, date and return your proxy card to us in the enclosed, postage-prepaid envelope at your earliest convenience, even if you plan to attend the meeting. If you prefer, you can authorize your proxy through the Internet or by telephone as described in the Proxy Statement and on the enclosed proxy card. If you attend the meeting, you may revoke your proxy prior to its exercise and vote in person at the meeting. Your vote is very important to us. I urge you to submit your proxy as soon as possible.

Sincerely yours,

John F. Barry III
Chief Executive Officer

PROSPECT CAPITAL CORPORATION
10 East 40th Street, 44th Floor
New York, New York 10016
(212) 448-0702

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 11, 2009

To the Stockholders of Prospect Capital Corporation:

The Annual Meeting of Stockholders of Prospect Capital Corporation, a Maryland corporation (the “Company” or “us”), will be held at the offices of the Company, 10 East 40th Street, 44th Floor, New York, New York 10016 on Friday, December 11, 2009, at 10:30 a.m., Eastern Time, for the following purposes:

1. To elect two Class II directors of the Company to serve until the Annual Meeting of Stockholders in 2012, in each case, until their successors are duly elected and qualify;
2. To consider and vote upon a proposal to authorize the Company, with approval of its Board of Directors, to sell shares of its common stock at a price or prices below the Company’s then current net asset value per share in one or more offerings; and
3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

You have the right to receive notice of and to vote at the Annual Meeting if you were a stockholder of record at the close of business on October 15, 2009. Please complete, sign, date and return your proxy card to us in the enclosed, postage-prepaid envelope at your earliest convenience, even if you plan to attend the Annual Meeting. If you prefer, you can authorize your proxy through the Internet or by telephone as described in the Proxy Statement and on the enclosed proxy card. If you attend the meeting, you may revoke your proxy prior to its exercise and vote in person at the meeting. In the event that there are not sufficient stockholders present for a quorum or sufficient votes to approve a proposal at the time of the Annual Meeting, the Annual Meeting may be adjourned from time to time in order to permit further solicitation of proxies by the Company.

By Order of the Board of Directors,

Brian H. Oswald
Chief Financial Officer, Chief Compliance
Officer
Treasurer and Secretary

New York, New York
October , 2009

This is an important meeting. To ensure proper representation at the Annual Meeting, please complete, sign, date and return the proxy card in the enclosed, self-addressed envelope, or authorize a proxy to vote your shares by telephone or through the Internet. Even if you authorize a proxy prior to the Annual Meeting, you still may attend the Annual

Meeting, revoke your proxy, and vote your shares in person.

PROSPECT CAPITAL CORPORATION
10 East 40th Street, 44th Floor
New York, New York 10016
(212) 448-0702

PROXY STATEMENT

2009 Annual Meeting of Stockholders

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Prospect Capital Corporation, a Maryland Corporation (the “Company,” “we,” “us” or “our”), for use at our 2009 Annual Meeting of Stockholders to be held on Friday, December 11, 2009, at 10:30 a.m., Eastern Time, at our offices, 10 East 40th Street, 44th Floor, New York, New York 10016, and at any postponements or adjournments thereof (the “Meeting”). This Proxy Statement and the accompanying proxy card are first being sent to stockholders on or about October 15, 2009.

Unlike many companies where the majority of the outstanding shares are held by institutional investors, a majority of our stockholders are retail investors who generally hold smaller numbers of shares than institutional investors. As a result of this, it is important that every stockholder authorize a proxy, so that we can achieve a quorum and hold the Meeting. If holders of less than a majority of the outstanding shares are present in person or by proxy at the Meeting, then we will be required to adjourn the meeting and incur additional expenses to continue to solicit additional votes.

We have engaged a proxy solicitor, who may call you and ask you to vote your shares. The proxy solicitor will not attempt to influence how you vote your shares, but only ask that you take the time to cast a vote. You may also be asked if you would like to authorize your proxy over the telephone and to have your voting instructions transmitted to our proxy tabulation firm.

We encourage you to vote, either by voting in person at the Meeting or by granting a proxy (i.e., authorizing someone to vote your shares). If you properly sign and date the accompanying proxy card or authorize a proxy to vote your shares by telephone or through the Internet, and we receive it in time for the Meeting, the persons named as proxies will vote the shares registered directly in your name in the manner that you specified. If you give no instructions on the proxy card, the shares covered by the proxy card will be voted FOR the election of each of the nominees as directors and FOR the other proposals listed in the accompanying Notice of Annual Meeting of Stockholders.

If you are a “stockholder of record” (i.e., you hold shares directly in your name), you may revoke a proxy at any time before it is exercised by notifying the Company’s Secretary in writing, by submitting a properly executed, later-dated proxy, or by voting in person at the Meeting. Any stockholder of record attending the Meeting may vote in person whether or not he or she has previously authorized a proxy.

If your shares are held for your account by a broker, trustee, bank or other institution or nominee, you may vote such shares at the Meeting only if you obtain proper written authority from your institution or nominee and present it at the Meeting. Please bring with you a legal proxy or letter from the broker, trustee, bank or other institution or nominee confirming your beneficial ownership of the shares as of the record date, October 15, 2009.

If your shares are registered in the name of a bank or brokerage firm, you may be eligible to vote your shares electronically via the Internet or by telephone.

For information on how to obtain directions to attend the Meeting in person, please contact our solicitor at (866) 721-1372.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON DECEMBER 11, 2009.

The following materials relating to this Proxy Statement are available at www.proxyweb.com:

- this Proxy Statement;
 - the accompanying Notice of Annual Meeting; and
 - the Company's Annual Report for the fiscal year ended June 30, 2009.
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Purpose of Meeting

The Meeting has been called for the following purposes:

1. To elect two Class II directors of the Company to serve until the Annual Meeting of Stockholders in 2012, in each case, until their successors are duly elected and qualify;
2. To consider and vote upon a proposal to authorize the Company, with approval of its Board of Directors, to sell shares of its common stock at a price or prices below the Company's then current net asset value per share in one or more offerings; and
3. To transact such other business as may properly come before the Annual Meeting and any adjournment or postponement thereof.

Voting Securities

You may vote your shares at the Meeting only if you were a stockholder of record at the close of business on October 15, 2009 (the "Record Date"). There were _____ shares of the Company's common stock outstanding on the Record Date. Each share of the common stock is entitled to one vote.

Quorum Required

The presence at the Meeting, in person or by proxy, of stockholders entitled to cast a majority of the votes entitled to be cast at the meeting will constitute a quorum for the transaction of business. Abstentions and "broker non-votes" will be treated as present for purposes of establishing a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner has not received voting instructions from the beneficial owner and does not have, or chooses not to exercise, discretionary authority to vote the shares.

If a quorum is not present at the Meeting or if there are not sufficient votes to approve a proposal, the chairman of the Meeting or, if a stockholder vote is called, the stockholders who are present at the Meeting, may adjourn the Meeting from time to time to permit further solicitation of proxies.

Vote Required

Proposal I. Election of Directors. The election of a director requires the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon. Stockholders may not cumulate their votes. If you vote to "Withhold Authority" with respect to a nominee, your shares will not be voted with respect to the person indicated. Because directors are elected by vote of the holders of a majority of the outstanding shares, votes to "Withhold Authority", abstentions and broker non-votes will have the effect of a vote against a nominee.

Proposal II. To Authorize the Company to Sell Shares of its Common Stock at a Price or Prices Below the Company's Then Current Net Asset Value Per Share in One or More Offerings. Approval of this proposal may be obtained in either of two ways. First, the proposal will be approved if it obtains the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the Meeting; and (2) a majority of the outstanding shares of common stock entitled to vote at the Meeting that are not held by affiliated persons of the Company. For purposes of this alternative, the Investment Company Act of 1940, or 1940 Act, defines "a majority of the outstanding shares" as: (1) 67% or more of the voting securities present at the Meeting if the holders of more than 50% of the outstanding voting securities of such company are present or represented by proxy; or (2) 50% of the outstanding voting securities

of the Company, whichever is the less. Second, the proposal will also be approved if it receives approval from a majority of the number of the beneficial holders of our common stock entitled to vote at the Meeting, without regard to whether a majority of such shares are voted in favor of the proposal. Abstentions and broker non-votes will have the effect of a vote against this proposal.

Additional Solicitation. If a quorum is not present or there are not enough votes to approve a proposal at the Meeting, the chairman of the meeting or, if a stockholder vote is called, the stockholders who are present in person or by proxy, may adjourn the Meeting with respect to any or all of the proposals, including to permit the further solicitation of proxies with respect to any proposal.

If a quorum is present, a stockholder vote may be called on one or more of the proposals described in this Proxy Statement prior to any such adjournment if there are sufficient votes for approval of such proposal(s).

Information Regarding This Solicitation

We will bear the expense of the solicitation of proxies for the Meeting, including the cost of preparing, printing and mailing this Proxy Statement, the accompanying Notice of Annual Meeting of Stockholders, and proxy card. If brokers, nominees, fiduciaries and other persons holding shares in their names, or in the name of their nominees, which are beneficially owned by others, forward the proxy materials to (and obtain proxies from) such beneficial owners, we will reimburse such persons for their reasonable expenses in so doing.

In addition to the solicitation of proxies by the use of the mails, proxies may be solicited in person and by telephone or facsimile transmission by directors, officers or employees of the Company, Prospect Capital Management LLC, or PCM, the Company's investment adviser and/or Prospect Administration LLC, or Prospect Administration, the Company's administrator. PCM and Prospect Administration are located at 10 East 40th Street, 44th Floor, New York, New York 10016. Certain other members of the affiliated present and predecessor companies of PCM and Prospect Administration are referred to as "Manager." No additional compensation will be paid to directors, officers or regular employees for such services.

The Company has also retained The Altman Group to assist in the solicitation of proxies for a fee of approximately \$74,000, plus out-of-pocket expenses.

Stockholders may provide their voting instructions by telephone or through the Internet. These options require stockholders to input the Control Number which is located on each proxy card. After inputting this number, stockholders will be prompted to provide their voting instructions. Stockholders will have an opportunity to review their voting instructions and make any necessary changes before submitting their voting instructions and terminating their telephone call or Internet link. Stockholders who authorize a proxy via the Internet, in addition to confirming their voting instructions prior to submission, will also receive an e-mail confirming their instructions upon request.

Any proxy given pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised. Any such notice of revocation should be provided in writing and signed by the stockholder in the same manner as the proxy being revoked and delivered to our proxy tabulator.

Security Ownership of Certain Beneficial Owners and Management

As of the Record Date, there were no persons that owned 25% or more of our outstanding voting securities, and no person would be deemed to control us, as such term is defined in the 1940 Act.

Our directors are divided into two groups – interested directors and independent directors. Interested directors are "interested persons" of the Company, as defined in the 1940 Act.

The following table sets forth, as of August 31, 2009, the beneficial ownership of each current director, the nominees for director, the Company's executive officers, and the executive officers and directors as a group. As of August 31, 2009, there were no persons known to us who beneficially owned 5% or more of the outstanding shares of our common stock.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "Commission") and includes voting or investment power with respect to the securities. Ownership information for those persons, if any, who beneficially own 5% or more of our shares of common stock is based upon Schedule 13D or Schedule 13G filings by such persons with the Commission and other information obtained from such persons, if available.

Unless otherwise indicated, we believe that each beneficial owner set forth in the table has sole voting and investment power and has the same address as the Company. Our address is 10 East 40th Street, 44th Floor, New York, New York 10016.

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Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class(1)
Interested Directors		
John F. Barry III(3)	1,585,181.29(2)	3.1%
M. Grier Eliasek(4)	29,275.81	*
Independent Directors		
Graham D.S. Anderson	2,500	*
Andrew C. Cooper	--	--
Eugene S. Stark	2,852.55	*
Executive Officers		
Brian H. Oswald	7,125	*
Executive officers and directors as a group	1,626,934.65	3.1%

* Represents less than one percent.

(1) Based on a total of 51,865,044 shares of our common stock issued and outstanding as of August 31, 2009.

(2) Includes indirect beneficial ownership of 901,815.76 shares of our common stock through PCM, the Company's investment adviser.

(3) Mr. Barry also services as the Chief Executive Officer of the Company.

(4) Mr. Eliasek also serves as the Chief Operating Officer of the Company.

The following table sets forth the dollar range of equity securities beneficially owned by each director and each nominee for election as a director of the Company as of August 31, 2009. Information as to beneficial ownership is based on information furnished to the Company by the directors. (We are not part of a "family of investment companies" as that term is defined in the 1940 Act.)

Name of Director	Dollar Range of Equity Securities Beneficially Owned(1)(2)(3)
Interested Directors	
John F. Barry III	Over \$100,000(4)
M. Grier Eliasek	Over \$100,000
Independent Directors	
Graham D.S. Anderson	\$10,001-\$50,000
Andrew C. Cooper	None
Eugene S. Stark	\$10,001-\$50,000

(1) Beneficial ownership has been determined in accordance with Rule 16a-1(a)(2) under the Securities Exchange Act of 1934.

(2) The dollar ranges are: None, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, or Over \$100,000.

(3) The dollar range of our equity securities beneficially owned is based on the closing price of \$10.20 on August 31, 2009 on The NASDAQ Stock Market.

(4) Includes indirect beneficial ownership of 901,815.76 shares of our common stock through PCM, the Company's investment adviser.

PROPOSAL I: ELECTION OF DIRECTORS

Pursuant to our Bylaws, our Board of Directors may change the number of directors constituting the Board, provided that the number thereof shall never be less than three nor more than eight. In accordance with the Bylaws, we currently have five directors on our Board of Directors. Directors are elected for staggered terms of three years each, with a term of office of one of the three classes of directors expiring at each annual meeting of stockholders. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

A stockholder can vote for or withhold his or her vote from the nominee. In the absence of instructions to the contrary, it is the intention of the persons named as proxies to vote such proxy FOR the election of the nominees named below. If a nominee should decline or be unable to serve as a director, it is intended that the proxy will be voted for the election of such person as is nominated by the Board of Directors as a replacement. The Board of Directors has no reason to believe that any of the persons named below will be unable or unwilling to serve, and each such person has consented to serve if elected.

The Board of Directors recommends that you vote FOR the election of the nominees named in this Proxy Statement.

Information about the Nominees and Directors

Certain information with respect to the Class II nominees for election at the Meeting, as well as each of the other directors, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds, and the year in which each person became a director of the Company.

NASDAQ rules require listed companies to have a Board of Directors with at least a majority of independent directors. Under NASDAQ rules, in order for a director to be deemed independent, our Board of Directors must determine that the individual does not have a relationship that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. The Board of Directors, in connection with the 1940 Act and Marketplace Rule 5605(a)(2) of the NASDAQ Stock Market LLC ("NASDAQ"), has considered the independence of members of the Board who are not employed by PCM and has concluded that Messrs. Graham D.S. Anderson, Andrew C. Cooper and Eugene S. Stark are not "interested persons" as defined by the 1940 Act and therefore qualify as independent directors under the standards promulgated by the Marketplace Rules of NASDAQ. In reaching this conclusion, the Board of Directors concluded that Messrs. Anderson, Cooper and Stark had no relationships with PCM or any of its affiliates, other than their positions as directors of the Company and, if applicable, investments in us that are on the same terms as those of other stockholders.

Andrew C. Cooper and M. Grier Eliasek have each been nominated for election as a Class II director to serve until the Annual Meeting of Stockholders in 2012 and until his successor is duly elected and qualifies. Neither Mr. Cooper nor Mr. Eliasek is being proposed for election pursuant to any agreement or understanding with any other director or the Company.

Nominees for Class II Director – Term Expiring in 2012

Independent Director

The following director is not an "interested person" as defined in the Investment Company Act of 1940.

Name, Address and Age(1)	Position(s) Held with Company	Term at Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director(2)
Andrew C. Cooper, 47	Director	Class II Director since February 2009; Term expires 2009	Mr. Cooper is an entrepreneur, who over the last 11 years has founded, built, run and sold three companies. He is Co-Chief Executive Officer of Unison Site Management, Inc., a specialty finance company focusing on cell site easements, and Executive Director of	Unison Site Management LLC, Brand Asset Digital LLC and Aquatic Energy, LLC

Brand Asset Digital, a digital media marketing and distribution company. Prior to that, Mr. Cooper focused on venture capital and investment banking for Morgan Stanley for 14 years.

(1) The business address of the director nominees and other directors and executive officers is c/o Prospect Capital Corporation, 10 East 40th Street, 44th Floor, New York, New York 10016.

(2) No director otherwise serves as a director of an investment company subject to the 1940 Act.

Interested Director

The following director is an “interested person” as defined by the Investment Company Act of 1940.

Name, Address and Age(1)	Position(s) Held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Director or Nominee for Director (2)
M. Grier Eliasek, 36(3)	Director, Chief Operating Officer	Class II Director since June 2004; Term expires 2009	President and Chief Operating Officer of the Company, Managing Director of PCM and Prospect Administration.	None

(1) The business address of the director nominees and other directors and executive officers is c/o Prospect Capital Corporation, 10 East 40th Street, 44th Floor, New York, New York 10016.

(2) No director otherwise serves as a director of an investment company subject to the 1940 Act.

(3) Mr. Eliasek is an interested director due to his position as an officer of PCM.

Current Directors (not up for election at the Meeting)

Class I Director – Term Expiring in 2011

Independent Director

The following director is not an “interested person” as defined in the Investment Company Act of 1940.

Name, Address and Age