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11.39

10.55

5.2
%
(2.5
)%
Twelve Months Ending June 30, 2013

First quarter
$
10.88

$
12.21

$
10.83

12.2
%
(0.5
)%
Second quarter
10.81

11.98

9.89

10.8
%
(8.5
)%
Third quarter
10.71

11.49

10.91

7.3
 %
1.9
 %
Fourth quarter
10.72

11.11

10.08

3.6
 %
(6.0
)%
Twelve Months Ending June 30, 2014

First quarter
$
10.72

$
11.61

$
10.76

8.3
 %
0.4
 %
Second quarter
10.73

11.48

10.80

7.0
 %
0.1
 %
Third quarter
10.68

11.39

10.73

6.6
%
0.4
%
Fourth quarter
10.56

10.99

9.64

4.1
%
8.7
%
Twelve Months Ending June 30, 2015

First quarter (to September 9, 2014)
(3
)
$
11.00

$
10.26

(3
)
(3
)

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high or low sales price. The net asset values shown are based on outstanding shares at the end of each period.
(2) The High/Low stock price is calculated as of the closing price on a given day in the applicable quarter.
(3) NAV per share has not yet been determined for any day after June 30, 2014.

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At the 2008, 2009, 2010, 2011, 2012 and 2013 Annual Meetings of Stockholders held on February 12, 2009, December 11, 2009, December 10, 2010, December 8, 2011, December 7, 2012, and December 6, 2013, respectively, the stockholders authorized the Company, with the approval of its Board of Directors, to issue shares of its common stock at a price below NAV per share. The current authorization will expire on the one year anniversary of the completion of the 2013 Annual Meeting of Stockholders. Pursuant to authority from our stockholders and the approval of our Board of Directors, we have made the following offerings below NAV per share:

Date of Offering	Price Per Share to Investors	Shares Issued
March 18, 2009	$8.20	1,500,000
April 22, 2009	$7.75	3,680,000
May 19, 2009	$8.25	7,762,500
July 7, 2009	$9.00	5,175,000
August 20, 2009	$8.50	3,449,686
September 24, 2009	$9.00	2,807,111
June 21, 2010 to June 25, 2010(1)	$10.01 - $10.67	1,072,500
June 28, 2010 to July 16, 2010(1)	$9.47 - $10.04	2,748,600
July 19, 2010 to August 19, 2010(1)	$9.28 - $10.04	3,814,528
September 7, 2010 to September 23, 2010(1)	$9.47 - $9.98	2,185,472
September 24, 2010 to September 27, 2010(1)	$9.74 - $9.92	302,400
September 28, 2010 to October 29, 2010(1)	$9.65 - $10.09	4,929,556
November 11, 2010 to December 10, 2010(1)	$9.70 - $10.54	4,513,920
June 24, 2011	$10.15	10,000,000
July 18, 2011(2)	$10.15	1,500,000
September 8, 2014 to September 9, 2014(1)	$10.34 - $10.46	911,684

(1) At the market offering. Dates of offering represent the sales dates of the stock. The settlement dates are three business days later than the sales dates.

(2) On July 18, 2011, the underwriter exercised its option to purchase an additional 1,500,000 shares at $10.15.

The current stockholder authorization will expire on the one year anniversary of the completion of the 2013 Annual Meeting of Stockholders.

The Board of Directors believes that having the flexibility to issue our common stock below NAV per share in certain instances is in the best interests of stockholders. If we were unable to access the capital markets as attractive investment opportunities arise, our ability to grow over time and continue to pay steady or increasing dividends to stockholders could be adversely affected. It could also have the effect of forcing us to sell assets that we would not otherwise sell, and such sales could occur at times that are disadvantageous to sell. We could also expend considerable time and resources on a capital raise advantageous for stockholders, but be forced to abandon it solely due to stock market activity causing our stock price to dip momentarily below our NAV per share. Even if we are able to access the capital markets, there is no guarantee that we will grow over time and continue to pay steady or increasing dividends.

In addition, the Board of Directors believes that the Company's sales of common stock at less than NAV per share during 2009, 2010 and 2011 provided the Company with capital strength and flexibility and contributed to the strengthening of the Company's stock price. The Board of Directors believes that sales of common stock at less than NAV per share in the future could have either a positive or negative effect on the Company's stock price depending on a variety of factors, including the Company's use of the proceeds of such sales.

Conditions to Sales Below NAV Per Share

If this proposal is approved by a majority (as defined under "—Required Vote" below) of the outstanding shares of common stock entitled to vote on the matter and is not also approved by a majority of the number of beneficial holders of our common stock entitled to vote on the matter, we will only sell shares of our common stock pursuant to such authority at a price below NAV per share if the following conditions are met:

- a majority of our independent directors who have no financial interest in the sale have approved the sale; and

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- a majority of such directors, who are not interested persons of us, in consultation with the underwriter or underwriters of the offering if it is to be underwritten, have determined in good faith, and as of a time immediately prior to the first solicitation by or on behalf of us of firm commitments to purchase such securities or immediately prior to the issuance of such securities, that the price at which such securities are to be sold is not less than a price which closely approximates the market value of those securities, less any underwriting commission or discount, which could be substantial.

If this proposal is approved by a majority of the number of beneficial holders of our common stock entitled to vote on the matter, we may sell shares of our common stock at a price below NAV per share without satisfying the foregoing conditions.

Notwithstanding the foregoing, the maximum number of shares the Company may sell on any given date below NAV is limited to 25% of the Company's outstanding common stock immediately prior to such date. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

Key Stockholder Considerations

Before voting on this proposal or giving proxies with regard to this matter, stockholders should consider the potentially dilutive effect of the issuance of shares of our common stock at a price that is less than the NAV per share and the expenses associated with such issuance on the NAV per outstanding share of our common stock. Any sale of common stock at a price below NAV per share would result in an immediate dilution to existing common stockholders. This dilution would include reduction in the NAV per share as a result of the issuance of shares at a price below the NAV per share and a disproportionately greater decrease in a stockholder's interest in our earnings and assets and their voting interests than the increase in our assets resulting from such issuance. Our Board of Directors will consider the potential dilutive effect of the issuance of shares at a price below the NAV per share when considering whether to authorize any such issuance. Our Board of Directors also will consider, among other things, the fact that sales of common stock at a discount to net asset value will benefit the Company's investment advisor as the investment advisor will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at a premium to NAV per share.

In addition, if we are not successful with this proposal, we may utilize a rights offering pursuant to Section 23(b) of the 1940 Act in order to access the equity markets if we trade below NAV per share. A rights offering conducted pursuant to Section 23(b) of the 1940 Act is subject to certain limitations, such as we may only offer such rights to holders of a class of our securities, the offering may not remain open longer than 120 days and if the rights are transferable, the offering may not be for more than one security for each three rights. A rights offering may be at a greater discount to NAV per share than an offering of our common stock at a price below our NAV per share because, among other things, a rights offering requires a long registration process and marketing period which might result in greater share price erosion. As such, we believe that having the ability to issue our common stock below NAV per share in accordance with the terms of this proposal would, in many instances, be preferable to such an issuance pursuant to a rights offering.

The 1940 Act establishes a connection between common stock sale price and NAV per share because, when stock is sold at a sale price below NAV per share, the resulting increase in the number of outstanding shares reduces NAV per share. Stockholders should also consider that they will have no subscription, preferential or preemptive rights to additional shares of the common stock proposed to be authorized for issuance, and thus any future issuance of common stock will dilute such stockholders' holdings of common stock as a percentage of shares outstanding to the extent stockholders do not purchase sufficient shares in the offering or otherwise to maintain their percentage interest. Further, if our current stockholders do not purchase any shares to maintain their percentage interest, regardless of whether such offering is above or below the then current NAV per share, their voting power will be diluted.

Stockholders should also be aware that we have previously obtained stockholder approval to sell warrants, options or rights to subscribe to, convert or to purchase our voting securities if the issuance of such securities is approved by a majority of our directors who have no financial interest in such issuance and a majority of our independent directors. In accordance with the 1940 Act, the price of such voting securities may be less than NAV per share. This authority does not have an expiration date. Shares of common stock sold at prices below then current NAV upon exercise or conversion of any warrants or other securities issued under authority previously approved by shareholders in accordance with Section 61(a) of the 1940 Act will not be treated as having been sold at less than NAV per share for purposes of the authority being requested under this Proposal II. Section 61(a) requires that (i) the exercise or conversion feature of the warrants, options or other rights must expire within 10 years of issuance, (ii) the exercise or conversion price for the warrants, options or other rights must not be less than the current market value of the common stock at the date of the issuance of the warrants, options or other rights and (iii) each issuance of such warrants, options or other rights must be approved by a majority of our Directors who are not “interested persons” of us as defined in the 1940 Act on the basis that such issuance is in our and our stockholders' best interests. In addition, Section 61(a) of the 1940 Act limits the number of warrants, options or other rights to subscribe for, convert to, or purchase our common stock that can be issued under the authority provided by this proposal. Specifically, the amount of voting securities that would result from the exercise or conversion of all of such warrants, options or other rights to subscribe for, convert to, or purchase our common stock at the time of issuance may not exceed 25% of our outstanding voting securities.

Examples of Dilutive Effect of the Issuance of Shares Below NAV Per Share

The following table illustrates the level of net asset value dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from net asset value per share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

The examples assume that we have 345,000,000 common shares outstanding, $6,443,200,000 in total assets and $2,800,000,000 in total liabilities. The current net asset value and net asset value per share are thus $3,643,200,000 and $10.56. The table illustrates the dilutive effect on nonparticipating Stockholder A of (1) an offering of 17,250,000 shares (5% of the outstanding shares) at $10.03 per share after offering expenses and commission (a 5% discount from net asset value); (2) an offering of 34,500,000 shares (10% of the outstanding shares) at $9.50 per share after offering expenses and commissions (a 10% discount from net asset value); (3) an offering of 86,250,000 shares (25% of the outstanding shares) at $7.92 per share after offering expenses and commissions (a 25% discount from net asset value); and (4) an offering of 86,250,000 shares (25% of the outstanding shares) at $0.00 per share after offering expenses and commissions (a 100% discount from net asset value).

	Prior to Sale	Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 25% Offering at 25% Discount		Example 4 25% Offering at 100% Discount	
	Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price									
Price per Share to Public		$10.47		$9.91		$8.25		—	
Net Proceeds per Share to Issuer		$10.03		$9.50		$7.92		—	
Decrease to NAV									
Total Shares Outstanding	345,000,000	362,250,000	5.00 %	379,500,000	10.00 %	431,250,000	25.00 %	431,250,000	25.00 %
NAV per Share	$10.56	$10.53	(0.24)%	$10.46	(0.91)%	$10.03	(5.000)%	8.45	(20.000)%
Dilution to Stockholder									
Shares Held by Stockholder A	345,000	345,000	—	345,000	—	345,000	—	345,000	—
Percentage Held by Stockholder A	0.10 %	0.10 %	(4.76)%	0.09 %	(9.09)%	0.08 %	(20.00)%	0.08 %	(20.00)%
Total Asset Values									

Total NAV Held by Stockholder A	$3,643,200	$3,634,526	(0.24)%	$3,610,080	(0.91)%	$3,461,040	(5.00)%	$2,914,560	(20.00)%
Total Investment by Stockholder A (Assumed to be $10.56 per Share on Shares Held Prior to Sale)		$3,643,200		$3,643,200		$3,643,200		$3,643,200	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		$(8,674)		$(33,120)		$(182,160)		$(728,640)	
Per Share Amounts									
NAV per Share Held by Stockholder A		$10.53		$10.46		$10.03		$8.45	
Investment per Share Held by Stockholder A (Assumed to be $10.56 per Share on Shares Held Prior to Sale)	$10.56	$10.56		$10.56		$10.56		$10.56	
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$(0.03)		$(0.10)		$(0.53)		(2.11)	
Percentage Dilution to Stockholder A (Dilution per Share			(0.24)%		(0.910)%		(5.00)%		(20.00)%

Divided by
Investment
per Share)

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in

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their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV. This decrease could be more pronounced as the size of the offering and level of discounts increase. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

The following chart illustrates the level of NAV dilution that would be experienced by a stockholder who does not participate in the offering. It is not possible to predict the level of market price decline that may occur. NAV has not been finally determined for any day after June 30, 2014. The table below is shown based upon the reported NAV of $10.56 at June 30, 2014. The following example assumes a sale of 86,250,000 shares at a sales price to the public of $8.25 with a 4% underwriting discount and commissions and $350,000 of expenses ($7.92 per share net).

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per Share to Public		$8.25	
Net Proceeds per Share to Issuer		$7.92	
Decrease to NAV			
Total Shares Outstanding	345,000,000	431,250,000	25.00 %
NAV per Share	$10.56	$10.03	(5.000)%
Dilution to Nonparticipating Stockholder			
Shares Held by Stockholder A	345,000	345,000	0.00 %
Percentage Held by Stockholder A	0.10 %	0.08 %	(20.000)%
Total NAV Held by Stockholder A	$3,643,200	$3,461,040	(5.000)%
Total Investment by Stockholder A (Assumed to be $10.56 per Share) on Shares Held Prior to Sale		$3,643,200	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		$182,160	
NAV per Share Held by Stockholder A after offering		$10.03	
Investment per Share Held by Stockholder A (Assumed to be $10.56 per Share on Shares Held Prior to Sale)	$10.56	$10.56	
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$(0.53)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(5.000)%

Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in the offering or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV per share dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV per share dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV per share dilution on their existing shares but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in average NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who overparticipates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV per share dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases. There is no maximum level of discount from NAV at which we may sell shares pursuant to this authority.

The following chart illustrates the level of dilution and accretion in the offering for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 43,125 shares, which is 0.05% of the offering rather than its 0.10% proportionate share) and (2) 150% of such percentage (i.e., 129,375 shares, which is 0.15% of the offering rather than its 0.10% proportionate share). NAV has not been finally determined for any day after June 30, 2014. The table below is shown based upon the reported NAV of $10.56 at June 30, 2014. The following example assumes a sale of 86,250,000 shares at a sales price to the public of $8.25 with a 4% underwriting discount and commissions and $350,000 of expenses ($7.92 per share net).

	Prior to Sale Below NAV	50% Participation Following Sale	50% Participation % Change	150% Participation Following Sale	150% Participation % Change
Offering Price					
Price per Share to Public		$8.25		$8.25	
Net Proceeds per Share to Issuer		$7.92		$7.92	
Decrease/Increase to NAV					
Total Shares Outstanding	345,000,000	431,250,000	25.00 %	431,250,000	25.00 %
NAV per Share	$10.56	$10.03	(5.00)%	$10.03	(5.00)%
Dilution/Accretion to Participating Stockholder					
Shares Held by Stockholder A	345,000	388,125	12.50 %	474,375	37.50 %
Percentage Held by Stockholder A	0.10 %	0.09 %	(10.00)%	0.11 %	10.00 %
Total NAV Held by Stockholder A	$10.56	$3,893,670	6.88 %	$4,758,930	30.63 %
Total Investment by Stockholder A (Assumed to be $10.56 per Share on Shares held Prior to Sale)		$3,999,164		$4,711,091	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		$(105,494)		$47,839	
NAV per Share Held by Stockholder A		$10.03		$10.03	
Investment per Share Held by Stockholder A (Assumed to Be $10.56 per Share on Shares Held Prior to Sale)		$10.30		$9.93	
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$(0.27)		$0.10	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(2.64)%		1.02 %

The tables above provide hypothetical examples of the impact that an offering at a price less than NAV per share may have on the NAV per share of existing stockholders who do and do not participate in such an offering. However, the tables above do not show and are not intended to show any potential changes in market price that may occur from an offering at a price less than NAV per share and it is not possible to predict any potential market price change that may occur from such an offering.

Required Vote

Approval of this proposal may be obtained in either of two ways. First, the proposal will be approved if we obtain the affirmative vote of (1) a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting; and (2) a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting that are not held by affiliated persons of the Company, which includes directors, officers, employees, and 5% stockholders. For purposes of this alternative, the 1940 Act defines “a majority of the outstanding shares” as: (1) 67% or more of the voting securities present at a meeting if the holders of more than 50% of the outstanding voting securities of a company are present or represented by proxy; or (2) 50% of the outstanding voting securities of the company, whichever is less. Second, the proposal will also be approved if we receive approval from a majority of the number of the beneficial holders of our common stock entitled to vote at the Annual Meeting, without regard to whether a majority of such shares are voted in favor of the proposal. Abstentions and broker non-votes on Proposal III will have the effect of a vote against this proposal.

The Board of Directors recommends that you vote “FOR” the 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.

Independent Registered Public Accounting Firm

The 1940 Act requires that the Company's independent registered public accounting firm be selected by a majority of the independent directors of the Company. One of the purposes of the Audit Committee is to recommend to the Company's Board of Directors the selection, retention or termination of the independent registered public accounting firm for the Company. The Company's independent registered public accounting firm for the fiscal year ended June 30, 2014 was BDO. At a meeting held on August 13, 2014, the Company's Audit Committee recommended and the Company's Board, including a majority of the independent directors, approved the selection of BDO as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2015.

We expect that a representative of BDO will be present at the Annual Meeting and will have an opportunity to make a statement if he or she so chooses and will be available to respond to appropriate questions. After reviewing the Company's audited financial statements for the fiscal year ending June 30, 2014, the Company's Audit Committee recommended to the Company's Board that such statements be included in the Company's Annual Report to stockholders. A copy of the Audit Committee report appears below.

The Audit Committee and the Board of Directors have considered the independence of BDO and have concluded that BDO is independent as required by Independence Standards Board Standard No. 1. In connection with their determination, BDO has advised the Company that neither the firm nor any present member or associate of it has any material financial interest, direct or indirect, in the Company or its affiliates.

Audit Fees. Audit fees consist of fees billed for professional services rendered for the integrated audit of our year-end financial statements included in the Company's Annual Report on Form 10-K and a review of financial statements included in the Company's Quarterly Reports on Form 10-Q, or services that are normally provided by BDO in connection with statutory and regulatory filings for the past two fiscal years. Audit fees incurred by the Company for its fiscal years ended June 30, 2014 and June 30, 2013 were approximately $1,889,000 and $1,316,000, respectively. The audit fees include fees incurred by Company for the audit of its internal controls under Sarbanes-Oxley Section 404 in conjunction with its fiscal years ended June 30, 2014 and June 30, 2013, which were approximately $149,000 and $120,000. The fees incurred by the Company for review of its shelf registration, secondary offerings and debt issuances, which were approximately $245,000 and $415,000 for the fiscal years ended June 30, 2014 and June 30, 2013, respectively.

Audit-Related Fees. Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees." These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. The Company incurred audit-related fees in the amount of approximately $169,000 and $47,804, respectively, for accounting consultation and audits in connection with proposed financial reporting matters for the fiscal years ended June 30, 2014 and June 30, 2013.

Tax Fees. Tax fees consist of fees billed for professional services for tax compliance. These services include assistance regarding federal, state, and local tax compliance. The Company has a tax year end of August 31. Tax fees incurred by the Company were approximately $85,000 for its tax years ended August 31, 2013, and represent services provided by BDO in 2013 for the provision of tax preparation services and the execution and filing of the Company's tax returns. There are no anticipated services to be provided by BDO for the year ended August 31, 2014.

All Other Fees. All other fees would include fees for products and services other than the services reported above. The Company incurred no such fees for the past two fiscal years.

Audit Committee Report(1)

The following is the report of the Audit Committee with respect to the Company’s audited financial statements for the fiscal year ended June 30, 2014.

The Audit Committee has reviewed and discussed the Company’s audited financial statements with management and BDO USA, LLP, the Company’s independent registered public accounting firm (“BDO”), with and without management present. The Audit Committee included in its review results of BDO’s examinations, the Company’s disclosure controls and procedures, and the quality of the Company’s financial reporting. The Audit Committee also reviewed the Company’s procedures and disclosure controls designed to ensure full, fair and adequate financial reporting and disclosures, including procedures for certifications by the Company’s chief executive officer and chief financial officer that are required in periodic reports filed by the Company with the Securities and Exchange Commission (the “Commission”). The Audit Committee is satisfied that the Company’s disclosure controls and procedures are adequate and that the Company employs appropriate accounting and auditing procedures.

The Audit Committee also has discussed with BDO matters relating to BDO’s judgments about the quality, as well as the acceptability, of the Company’s accounting principles as applied in its financial reporting as required by Public Company Accounting Oversight Board ("PCAOB") Auditing Standards No. 16 ("AS 16"). In addition, the Audit Committee has discussed with BDO their independence from management and the Company, as well as the matters in the written disclosures received from BDO and required by AS 16 and PCAOB Rule 3526, “Communication with Audit Committees Concerning Independence”. The Audit Committee received oral communications from BDO confirming their independence and discussed the matter with BDO. The Audit Committee discussed and reviewed with BDO the Company’s critical accounting policies and practices, disclosure controls, other material written communications to management, and the scope of BDO’s audits and all fees paid to BDO during the fiscal year.

Pursuant to the Audit Committee charter, the Audit Committee may review and pre-approve audit and permissible non-audit services performed by BDO for the Company. The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accounting firm to management. The Audit Committee has reviewed and considered the compatibility of BDO’s performance of non-audit services with the maintenance of BDO’s independence as the Company’s independent registered public accounting firm.

Based on the Audit Committee’s review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company’s audited financial statements for the fiscal year ended June 30, 2014 be included in the Company’s Annual Report on Form 10-K for the same fiscal year for filing with the Commission. In addition, the Audit Committee has engaged BDO to serve as the Company’s independent registered public accounting firm for the fiscal year ending June 30, 2015.

Respectfully Submitted,
The Audit Committee
Eugene S. Stark, Chairman
Andrew C. Cooper
William J. Gremp

August 25, 2014

(1) The material in this report is not “soliciting material,” is not deemed “filed” with the Commission, and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Financial Statements and Other Information

We will furnish, without charge, a copy of our most recent annual report and the most recent quarterly report succeeding the annual report, if any, to any stockholder upon request. Requests should be directed to the Company at 10 East 40th Street, 42nd Floor, New York, New York 10016 (telephone number (212) 448-0702).

Privacy Policy

It is our policy to safeguard the privacy of nonpublic, personal information regarding our individual stockholders.

What We Do To Protect Personal Information of Our Stockholders

We protect personal information provided to us by our stockholders according to strict standards of security and confidentiality. These standards apply to both our physical facilities and any online services we may provide. We maintain physical, electronic and procedural safeguards to protect consumer information and regularly review and update our systems to keep them current. We permit only authorized individuals, who are trained in the proper handling of stockholder information and who need to know this information to do their jobs, to have access to this information.

Personal Information That We Collect And May Disclose

As part of providing our stockholders with investment products or services, we may obtain the following types of nonpublic personal information:

- information we receive from stockholders in subscription documents, on applications or other forms, such as their name, address, telephone number, social security number, occupation, assets and income; and
- information about the value of a stockholder’s investment, account activity and payment history.

When We May Disclose Personal Information About Our Stockholders To Unaffiliated Third Parties

We will not share nonpublic personal information about our stockholders collected, as described above, with unaffiliated third parties except:

- at a stockholder’s request;
- when a stockholder authorizes us to process or service a transaction, for example in connection with an initial or subsequent investment (unaffiliated third parties in this instance may include service providers such as a custodian, data processor or printer);
- with companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements and who agree to use the information only for the purposes for which we disclose such information to them; or
- when required by law to disclose such information to appropriate authorities.

We do not otherwise provide nonpublic information about our stockholders to outside firms, organizations or individuals except to our attorneys, accountants and auditors and as permitted by law. We never sell information about stockholders or their accounts.

What We Do With Personal Information About Our Former Stockholders

If a stockholder decides to no longer do business with us, we will continue to follow this privacy policy with respect to the information we have in our possession about such stockholder and his/her account.

Householding of Proxy Materials

The Commission has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as “householding,” potentially means extra convenience for stockholders and cost savings for companies.

Please note that only one Proxy Statement and/or annual report may be delivered to two or more stockholders who share an address, unless the Company has received instructions to the contrary. To request a separate copy of this Proxy Statement and/or annual report or for instructions as to how to request a separate copy of this document and/or annual report or as to how to request a single copy if multiple copies of this document and/or annual report are received, stockholders should contact the Company at the address and phone number set forth below.

Requests should be directed to the Company at 10 East 40th Street, 42nd Floor, New York, New York 10016 (telephone number: 212-448-0702). Copies of these documents may also be accessed electronically by means of the Commission’s home page on the Internet at http://www.sec.gov.

Other Business

Our Board of Directors knows of no other matters that may be presented for stockholder action at the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon them in their discretion.

Submission of Stockholder Proposals

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act, stockholders may present proper proposals for inclusion in the Company’s proxy statement and for consideration at the Company’s 2015 Annual Meeting of Stockholders. To be eligible for inclusion in the Company’s 2015 Proxy Statement, a stockholder proposal must be received in writing not less than 120 calendar days before the first anniversary of the date we first released our proxy statement for the preceding year’s annual meeting and must otherwise comply with Rule 14a-8 under the Exchange Act. Accordingly, a stockholder proposal of business intended to be considered at the 2015 Annual Meeting of Stockholders must be received by the Secretary not later than May 13, 2015 to be eligible for inclusion in our 2015 Proxy Statement. While the Board of Directors will consider stockholder proposals, the Company reserves the right to omit from the Company’s Proxy Statement any stockholder proposal that it is not required to include under the Exchange Act, including Rule 14a-8 of the Exchange Act.

In addition, our Bylaws contain an advance notice provision with respect to director nominations and with respect to proposals for business, whether or not included in our proxy statement. Our Bylaws currently provide that, in order for a stockholder to nominate a candidate for election as a director at an annual meeting of stockholders or propose business for consideration at an annual meeting, written notice in the manner provided for in the Bylaws containing the information required by the Bylaws generally must be delivered to our Secretary at our principal executive office not earlier than the 150th day prior to the first anniversary of the date of the proxy statement for the preceding year’s annual meeting nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement for the preceding year’s annual meeting. Accordingly, under our current Bylaws, a stockholder nomination for director or proposal of business intended to be considered at the 2015 Annual Meeting must be received by the Secretary not earlier than April 11, 2015, and not later than 5:00 p.m., Eastern Time, on May 13, 2015. Proposals should be addressed to Corporate Secretary, c/o Prospect Capital Corporation, 10 East 40th Street, 42nd Floor, New York, New York 10016. In the event that the date of the next annual meeting is advanced or delayed by more than 30 days from the first anniversary of the Annual Meeting, a notice by the stockholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m. Eastern Time on the later of the 120th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. We reserve the right to reject, rule out of order or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

By Order of the Board of Directors,
Brian H. Oswald
Chief Financial Officer,
Chief Compliance Officer, Treasurer and Secretary
New York, New York
September 10, 2014

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