

PROSPECT CAPITAL CORP

Form 497

May 18, 2009

Table of Contents

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

SUBJECT TO COMPLETION, DATED MAY 18, 2009

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

5,000,000 Shares

Common Stock

\$ per share

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

We are offering 5,000,000 shares of our common stock. See **Underwriting** beginning on page S-33 of this prospectus supplement for more information regarding this offering. These shares are being offered at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders at the annual meeting of stockholders held on February 12, 2009. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See **Risk Factors** beginning on page S-5 and **Sales of Common Stock Below Net Asset Value** beginning on page S-28 of this prospectus supplement and on page 84 of the accompanying prospectus.

Our common stock is traded on the NASDAQ Global Select Market under the symbol **PSEC**. The last reported closing sales price for our common stock on May 15, 2009 was \$9.55 per share and our most recently determined net asset value per share was \$14.19 as of March 31, 2009.

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

Investing in our common stock involves risks. See **Risk Factors beginning on page S-5 of this prospectus supplement and on page 9 of the accompanying prospectus.**

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

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

(1) Before deducting estimated offering expenses payable by us of approximately \$300,000.

The underwriters have the option to purchase up to an additional 750,000 shares of common stock at the public offering price, less the sales load (underwriting discount and commissions), within 30 days from the date of this prospectus supplement solely to cover over-allotments. If the over-allotment option is exercised in full, the total public offering price will be \$, and the total sales load (underwriting discount and commissions) will be \$. The proceeds to us would be \$, before deducting estimated offering expenses payable by us of approximately \$300,000.

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

Joint Bookrunning Managers

Citi
BB&T Capital Markets

UBS Investment Bank
RBC Capital Markets

Prospectus Supplement dated May , 2009

Table of Contents

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

TABLE OF CONTENTS**PROSPECTUS SUPPLEMENT**

<u>Prospectus Summary</u>	S-1
<u>Risk Factors</u>	S-5
<u>Use of Proceeds</u>	S-6
<u>Capitalization</u>	S-7
<u>Distributions and Price Range of Common Stock</u>	S-8
<u>Selected Condensed Financial Data</u>	S-11
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	S-13
<u>Sales of Common Stock Below Net Asset Value</u>	S-28
<u>Underwriting</u>	S-33
<u>Legal Matters</u>	S-37
<u>Independent Registered Public Accounting Firm</u>	S-37
<u>Available Information</u>	S-37
<u>Index to Financial Statements</u>	F-1

PROSPECTUS

<u>About this Prospectus</u>	ii
<u>Prospectus Summary</u>	1
<u>Selected Condensed Financial Data</u>	8
<u>Risk Factors</u>	10
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
<u>Report of Management on Internal Control Over Financial Reporting</u>	45
<u>Use of Proceeds</u>	46
<u>Forward-Looking Statements</u>	47
<u>Distributions</u>	49
<u>Price Range of Common Stock</u>	51
<u>Business</u>	52
<u>Management</u>	58
<u>Certain Relationships and Transactions</u>	74
<u>Control Persons and Principal Stockholders</u>	75
<u>Portfolio Companies</u>	76
<u>Determination of Net Asset Value</u>	79

Sales of Common Stock Below Net Asset Value

81

ii

Table of Contents

<u>Dividend Reinvestment Plan</u>	86
<u>Material U.S. Federal Income Tax Considerations</u>	88
<u>Description of Our Capital Stock</u>	95
<u>Description of Our Preferred Stock</u>	101
<u>Description of Our Debt Securities</u>	102
<u>Description of Our Warrants</u>	103
<u>Regulation</u>	104
<u>Custodian, Transfer and Dividend Paying Agent and Registrar</u>	109
<u>Brokerage Allocation and Other Practices</u>	110
<u>Plan of Distribution</u>	111
<u>Legal Matters</u>	113
<u>Independent Registered Public Accounting Firm</u>	113
<u>Available Information</u>	113
<u>Index to Financial Statements</u>	F-1

Table of Contents

PROSPECTUS SUMMARY

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

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

The Company

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

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

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

As of March 31, 2009, we held investments in 31 portfolio companies. The aggregate fair value as of March 31, 2009 of investments in these portfolio companies held on that date is approximately \$594.3 million. Our portfolio across all our long-term debt and certain equity investments had an annualized current yield of 15.1% as of March 31, 2009. The yield includes interest as well as dividends.

Recent Developments

The revolving period for our credit facility with Rabobank Nederland is currently scheduled to terminate June 6, 2009, in which case we will not be able to make further borrowings under the facility after that date and the outstanding principal balance on that date will mature on June 6, 2010. At May 15, 2009 we had \$129.0 million drawn under the facility and \$4.6 million of availability based on our current borrowing base. We are currently in negotiations with Rabobank Nederland and certain other banks to extend the revolving period although we have not yet received any

commitments from potential lenders. While we are optimistic that we can successfully reach an agreement, we cannot provide assurances that we will be able to obtain an extension or as to any other terms. See *Risk Factors Failure to extend our existing credit facility, which is currently scheduled to expire on June 6, 2009, could have a material adverse effect on our results of operations and financial condition and our ability to pay expenses and make distributions.*

On April 20, 2009, we issued 214,456 shares of our common stock in connection with our dividend reinvestment plan.

On April 27, 2009, we issued 3.68 million shares of our common stock in an underwritten equity offering at \$7.75 per share, raising \$28.5 million in gross proceeds and \$27.2 million of net proceeds after recognizing \$1.1 million of underwriting discounts and commissions and \$210,000 of estimated offering costs.

S-1

Table of Contents

The Offering

Common stock offered by us, excluding the underwriters over-allotment option	5,000,000 shares.
Common stock outstanding prior to this offering	35,180,584 shares.
Common stock outstanding after this offering, excluding the underwriters over-allotment option	40,180,584 shares.
Use of proceeds	We expect to use the net proceeds of this offering initially to maintain balance sheet liquidity, involving repayment of a portion of the amounts outstanding under our credit facility, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. See Use of Proceeds in this prospectus supplement.
The NASDAQ Global Select Market symbol	PSEC
Risk factors	See Risk Factors in this prospectus supplement and the accompanying prospectus and other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before you decide whether to make an investment in shares of our common stock.
Current distribution rate	For our third fiscal quarter of 2009, our Board of Directors declared a quarterly dividend of \$0.405 per share, representing our 18th consecutive quarterly dividend increase and an annualized dividend yield of approximately % based on our May 15, 2009 closing stock price of \$9.55 per share. Such dividend was payable out of earnings. Our dividend is subject to change or discontinuance at any time in the discretion of our Board of Directors. Our future earnings and operating cash flow may not be sufficient to support a dividend.

Table of Contents**Fees and Expenses**

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

Stockholder transaction expenses:

Sales load (as a percentage of offering price)	5.00%(1)
Offering expenses borne by us (as a percentage of offering price)(2)	0.60%
Dividend reinvestment plan expenses(3)	None
Total stockholder transaction expenses (as a percentage of offering price)	5.60%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Combined base management fee (3.00%)(5) and incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income) (2.64%)(6)	5.64%
Interest payments on borrowed funds	1.35%(7)
Other expenses	1.70%(8)
Total annual expenses	8.69%(6)(8)

Example

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

	1 Year	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 120.19	\$ 245.13	\$ 365.61	\$ 648.34

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

stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

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

S-3

Table of Contents

- (1) The sales load (underwriting discounts and commissions) with respect to our common stock sold in this offering, which is a one time fee, is the only sales load paid in connection with this offering.
- (2) The offering expenses of this offering are estimated to be approximately \$300,000.
- (3) The expenses of the dividend reinvestment plan are included in other expenses.
- (4) Net assets attributable to our common stock equal net assets (i.e., total assets less liabilities other than liabilities for money borrowed for investment purposes) at March 31, 2009. See Capitalization in this prospectus supplement.
- (5) Our base management fee is 2% of our gross assets (which include any amount borrowed, i.e., total assets without deduction for any liabilities). Assuming that we have borrowed \$200 million (the size of our credit facility), the 2% management fee of gross assets equals 3.00% of net assets. See Management Management Services Investment Advisory Agreement in the accompanying prospectus and footnote 7 below.
- (6) Based on an annualized level of incentive fee paid during our quarter ended March 31, 2009, all of which consisted of an income incentive fee. For a more detailed discussion of the calculation of the two-part incentive fee, see Management Management Services Investment Advisory Agreement in the accompanying prospectus.
- (7) We may borrow additional money before and after the proceeds of this offering are substantially invested. After this offering, we will have an increased amount available for us under our \$200 million credit facility. For more information, see Risk Factors Risks Relating To Our Business Changes in interest rates may affect our cost of capital and net investment income and Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Operating Expenses Financial Condition, Liquidity and Capital Resources in the accompanying prospectus. The table above assumes that we have borrowed \$200 million under our credit facility, which is the maximum amount available under the credit facility. If we do not borrow amounts following this offering, our base management fee, as a percentage of net assets attributable to common stock, will decrease from the percentage shown in the table above, as borrowings will not represent a portion of our overall assets.
- (8) Other expense is based on our annualized expenses during our quarter ended March 31, 2009. See Management Management Services Administration Agreement in the accompanying prospectus.

Table of Contents

RISK FACTORS

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

Failure to extend our existing credit facility, which is currently scheduled to expire on June 6, 2009, 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 Rabobank Nederland is currently scheduled to terminate June 6, 2009, in which case we will not be able to make further borrowings under the facility after that date and the outstanding principal balance on that date will mature on June 6, 2010. At May 15, 2009 we had \$129.0 million drawn under the facility. We are currently in negotiations with Rabobank Nederland and certain other banks to extend the revolving period although we have not yet received any commitments from potential lenders. While we are optimistic that we can successfully reach an agreement, we cannot provide assurances that we will be able to obtain an extension and currently expect that the interest rate we pay is likely to increase and that certain other terms may be less favorable than those currently in effect. 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 one-year term-out period through one or more of the following: (1) cash collections on our securities pledged under the facility, (2) at our option, 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, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

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

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

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

We have obtained approval from our stockholders for us to be able to sell an unlimited number of shares of our common stock at any level of discount from NAV per share in certain circumstances during the one-year period ending February 12, 2010 as described in the accompanying prospectus. The issuance or sale by us of shares of our

common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than

S-5

Table of Contents

the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see "Sales of Common Stock Below Net Asset Value" in this prospectus supplement and in the accompanying prospectus.

USE OF PROCEEDS

The net proceeds from the sale of 5,000,000 shares of our common stock in this offering will be \$ (or \$ if the over-allotment option is exercised in full) after deducting estimated offering expenses of approximately \$300,000 payable by us.

We expect to use the net proceeds of this offering initially to maintain balance sheet liquidity, involving repayment of a portion of the amounts outstanding under our credit facility, investment in high quality short-term debt instruments or a combination thereof, and thereafter to make long-term investments in accordance with our investment objective. The revolving period for our credit facility with Rabobank Nederland continues until June 6, 2009, with a term-out maturity to June 6, 2010. As of May 15, 2009 we had \$129.0 million outstanding under our credit facility. Interest under our credit facility is charged at LIBOR plus 250 basis points. Additionally, Rabobank charges a fee on the unused portion of the facility equal to 37.5 basis points per annum, or 50.0 basis points per annum if that unused portion is greater than 50% of the total amount of the facility. After June 6, 2009, pricing for outstanding borrowings under our existing facility will increase by 100 basis points.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of March 31, 2009:

on an actual basis; and

on an as adjusted basis giving effect to the distribution of shares in connection with our dividend reinvestment plan on April 20, 2009 and our sale of 3,680,000 shares of our common stock on April 22, 2009, at a net price of \$7.32 per share after deducting offering expenses of \$210,000 payable by us and to reductions of borrowings under our credit facility; and

on an as further adjusted basis giving effect to the transactions noted in the prior column, to the sale of 5,000,000 shares in this offering, at a net price of \$ per share after deducting estimated offering expenses of approximately \$300,000 payable by us, and our receipt of the estimated net proceeds from this offering and to reductions of borrowings under our credit facility.

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

	As of March 31, 2009		
	As Adjusted		
	Actual	for the April 22, 2009 Offering	As Further Adjusted for this Offering(3)
	(In 000s, except shares and per share data)		
	(Unaudited)		
Long-term debt, including current maturities:			
Borrowings under senior credit facility	\$ 137,567	\$ 137,214 ⁽¹⁾	\$ (2)
Amount owed to affiliates	6,555	6,555	
Total long-term debt	144,122	143,769	
Stockholders' equity:			
Common stock, par value \$0.001 per share (100,000,000 common shares authorized; 31,286,128 shares outstanding actual, 35,180,584 ⁽⁴⁾ shares outstanding as adjusted and 40,180,584 shares outstanding as further adjusted ⁽⁵⁾)	31	35	
Paid-in capital in excess of par value	456,398	485,176	
Undistributed net investment income	12,171	12,171	
Accumulated realized losses on investments	(12,311)	(12,311)	
Net unrealized depreciation on investments	(12,265)	(12,265)	
Total stockholders' equity	444,024	472,806	
Total capitalization	\$ 588,146	\$ 616,575	\$

- (1) As of April 22, 2009, we had approximately \$137.2 million outstanding under our credit facility, representing a reduction of \$0.4 million of borrowings subsequent to March 31, 2009.
- (2) As of May 15, 2009, we had approximately \$129.0 million outstanding under our credit facility, representing a \$8.6 million reduction of borrowings subsequent to March 31, 2009 and a \$8.2 million reduction of borrowings on May 7, 2009.
- (3) The net proceeds from the sale of our common stock in this offering may be used to repay in part amounts outstanding under the credit facility.
- (4) Includes 214,456 shares of our common stock issued on April 20, 2009 in connection with our dividend reinvestment plan and 3,680,000 shares in connection with our sale of our common stock on April 22, 2009.
- (5) Excludes any shares issued upon the exercise of the underwriters' over-allotment option.

S-7

Table of Contents

DISTRIBUTIONS AND PRICE RANGE OF COMMON STOCK

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

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

98% of our ordinary income for the calendar year;

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

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

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

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

We maintain an **opt out** dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend then each stockholder's dividend will be automatically reinvested in additional shares of our common stock, unless the stockholder has specifically **opted out** of the dividend reinvestment plan so as to receive cash dividends. 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. See **Dividend Reinvestment Plan** in the accompanying prospectus. The tax consequences of distributions to stockholders are described in the accompanying prospectus under the label **Material U.S. Federal Income Tax Consequences**. To the extent prudent and practicable, we intend to declare and pay dividends on a quarterly basis.

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

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

S-8

Table of Contents

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

	NAV(1)	Stock Price High(2)	Low(2)	Premium (Discount) of High to NAV	Premium (Discount) of Low to NAV	Dividend Declared
Twelve Months Ending June 30, 2005						
First quarter	\$ 13.67	\$ 15.45	\$ 14.42	13.0%	5.5%	
Second quarter	13.74	15.15	11.63	10.3%	(15.4)%	\$ 0.100
Third quarter	13.74	13.72	10.61	(0.1)%	(22.8)%	0.125
Fourth quarter	14.59	13.47	12.27	(7.7)%	(15.9)%	0.150
Twelve Months Ending June 30, 2006						
First quarter	\$ 14.60	\$ 13.60	\$ 11.06	(6.8)%	(24.2)%	\$ 0.200
Second quarter	14.69	15.46	12.84	5.2%	(12.6)%	0.280
Third quarter	14.81	16.64	15.00	12.4%	1.3%	0.300
Fourth quarter	15.31	17.07	15.83	11.5%	3.4%	0.340
Twelve Months Ending June 30, 2007						
First quarter	\$ 14.86	\$ 16.77	\$ 15.30	12.9%	3.0%	\$ 0.380
Second quarter	15.24	18.79	15.60	23.3%	2.4%	0.385
Third quarter	15.18	17.78	16.40	17.1%	8.0%	0.3875
Fourth quarter	15.04	18.68	16.91	24.2%	12.4%	0.390
Twelve Months Ending June 30, 2008						
First quarter	\$ 15.08	\$ 18.68	\$ 14.16	23.9%	(6.1)%	\$ 0.3925
Second quarter	14.58	17.17	11.22	17.8%	(23.0)%	0.395
Third quarter	14.15	16.00	13.55	13.1%	(4.2)%	0.400
Fourth quarter	14.55	16.12	13.18	10.8%	(9.4)%	0.40125
Twelve Months Ending June 30, 2009						
First quarter	\$ 14.63	\$ 14.24	\$ 11.12	(2.7)%	(24.0)%	\$ 0.4025
Second quarter	14.43	13.08	6.29	(9.4)%	(56.4)%	0.40375
Third quarter	14.19	12.89	6.38	(9.2)%	(55.0)%	0.405
Fourth Quarter (to 5/15/09)	(3)	10.48	7.95	(3)	(3)	

(1)

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

- (2) The High/Low Stock Price is calculated as of the last reported sales price on a given day in the applicable quarter.
- (3) NAV has not yet been finally determined for any day after March 31, 2009.

Table of Contents

On May 15, 2009, the last reported sales price of our common stock was \$9.55 per share, and our most recently determined NAV per share was \$14.19 as of March 31, 2009. As of March 31, 2009, we had approximately 46 stockholders of record.

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

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by Registrant or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under(3)
Common Stock	100,000,000	0	31,286,128

S-10

Table of Contents**SELECTED CONDENSED FINANCIAL DATA**

You should read the condensed financial information below with the Financial Statements and Notes thereto included in this prospectus. Financial information for the twelve months ended June 30, 2008, 2007, 2006 and 2005 and for the period from April 13, 2004 (inception) through June 30, 2004 has been derived from the audited financial statements for that period. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results for the three and nine months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2009. See Management's Discussion and Analysis of Financial Condition and Results of Operations starting on page S-13 for more information.

	For the Year/Period Ended June 30,				
	2008	2007	2006	2005	2004(1)
	(In thousands except data relating to shares, per share and number of portfolio companies)				
Performance Data:					
Interest income	\$ 59,033	\$ 30,084	\$ 13,268	\$ 4,586	\$
Dividend income	12,033	6,153	3,601	3,435	
Other income	8,336	4,444		72	
Total investment income	79,402	40,681	16,869	8,093	
Interest and credit facility expenses	(6,318)	(1,903)	(642)		
Investment advisory expense	(20,199)	(11,226)	(3,868)	(1,808)	
Other expenses	(7,772)	(4,421)	(3,801)	(3,874)	(100)
Total expenses	(34,289)	(17,550)	(8,311)	(5,682)	(100)
Net investment income	45,113	23,131	8,558	2,411	(100)
Realized and unrealized gains (losses)	(17,522)	(6,403)	4,338	6,340	
Net increase in net assets from operations	\$ 27,591	\$ 16,728	\$ 12,896	\$ 8,751	\$ (100)
Per Share Data(2):					
Net increase in net assets from operations	\$ 1.17	\$ 1.06	\$ 1.83	\$ 1.24	na
Distributions declared per share	\$ (1.59)	\$ (1.54)	\$ (1.12)	\$ (0.38)	na
Average weighted shares outstanding for the period	23,626,642	15,724,095	7,056,846	7,055,100	100
Assets and Liabilities Data:					

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

Investments	\$ 497,530	\$ 328,222	\$ 133,969	\$ 55,030	\$
Other assets	44,248	48,280	4,511	48,879	1
Total assets	541,778	376,502	138,480	103,909	1
Amount drawn on credit facility	91,167		28,500		
Amount owed to related parties	6,641	4,838	745	77	100
Other liabilities	14,347	71,616	965	865	
Total liabilities	112,155	76,454	30,210	942	100
Net assets	\$ 429,623	\$ 300,048	\$ 108,270	102,967	\$ 99

Investment Activity Data:

No. of portfolio companies at period end

	29(3)	24(3)	15	6	
Acquisitions	\$ 311,947	\$ 167,255	\$ 83,625	\$ 79,018	\$
Sales, repayments, and other disposals	\$ 127,212	\$ 38,407	\$ 9,954	\$ 32,083	\$

(1) For the period April 13, 2004 (inception) through June 30, 2004

(2) Per share data is based on average weighted shares for the period

(3) Includes a net profits interest in Charlevoix Energy Trading LLC (Charlevoix), remaining after loan was paid

Table of Contents

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2009	2008	2009	2008
	(In thousands except data relating to shares, per share and number of portfolio companies)			
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Performance Data:				
Interest income	\$ 16,065	\$ 14,890	\$ 50,862	\$ 42,538
Dividend income	4,445	3,423	13,833	7,507
Other income	159	3,687	13,986	5,909
 Total investment income	 20,669	 22,000	 78,681	 55,954
 Interest and credit facility expenses	 (1,345)	 (1,863)	 (4,828)	 (4,719)
Investment advisory expense	(5,907)	(5,618)	(20,535)	(14,227)
Other expenses	(1,697)	(1,600)	(6,136)	(5,564)
 Total expenses	 (8,949)	 (9,081)	 (31,499)	 (24,510)
 Net investment income	 11,720	 12,919	 47,182	 31,444
 Realized and unrealized gains (losses)	 3,611	 (14,178)	 (11,329)	 (27,839)
 Net increase (decrease) in net assets from operations	 \$ 15,331	 \$ (1,259)	 \$ 35,853	 \$ 3,864
Per Share Data(1):				
Net increase (decrease) in net assets from operations	\$ 0.51	\$ (0.05)	\$ 1.21	\$ 0.16
Distributions declared per share	\$ (0.41)	\$ (0.40)	\$ (1.21)	\$ (1.18)
Average weighted shares outstanding for the period	29,971,508	23,858,492	29,708,458	22,349,987
Assets and Liabilities Data:				
Investments	\$ 555,041	\$ 429,156	\$ 555,041	\$ 429,156
Other assets	47,765	50,851	47,765	50,851
 Total assets	 602,806	 480,007	 602,806	 480,007
 Amount drawn on credit facility	 137,567	 90,667	 137,567	 90,667
Amount owed to related parties	6,555	6,493	6,555	6,493
Other liabilities	14,660	11,129	14,660	11,129
 Total liabilities	 158,782	 108,289	 158,782	 108,289
 Net assets	 \$ 444,024	 \$ 371,718	 \$ 444,024	 \$ 371,718

Investment Activity Data:

No. of portfolio companies at period end	31(2)	31(2)	31(2)	31(2)
Acquisitions	\$ 6,356	\$ 31,794	\$ 90,376	\$ 193,034
Sales, repayments, and other disposals	\$ 10,782	\$ 28,891	\$ 23,859	\$ 66,063

(1) Per share data is based on average weighted shares for the period.

(2) Includes a net profits interest in Charlevoix Energy Trading LLC (Charlevoix), remaining after loan was paid.
S-12

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

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

References herein to we, us or our refer to Prospect Capital Corporation and its subsidiary unless the context specifically requires otherwise.

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this prospectus supplement. Historical results set forth are not necessarily indicative of our future financial position and results of operations.

Note on Forward Looking Statements

Some of the statements in this discussion constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein involve risks and uncertainties, including statements as to:

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;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

We generally use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this prospectus supplement.

We have based the forward-looking statements included in this discussion on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the Securities and Exchange Commission (SEC), including any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Market Conditions

In 2008 and early 2009, the financial services industry has been negatively affected by turmoil in the global capital markets. What began in 2007 as a deterioration of credit quality in subprime residential mortgages has spread rapidly to other credit markets. Market liquidity and credit quality conditions are significantly weaker today than two years ago.

We believe that Prospect Capital is well positioned to navigate through these adverse market conditions. As a BDC, we are limited to a maximum 1 to 1 debt to equity ratio, and as of March 31, 2009, our debt to equity ratio was 0.31 to 1. As of March 31, 2009, we have borrowed \$137,567 against our credit facility with Rabobank Nederland. The revolving period for this facility continues until June 6, 2009, with a term out

S-13

Table of Contents

maturity on June 6, 2010, and we expect to enter into a new extended facility prior to this date. While we are optimistic, we cannot guarantee the completion of such extension. See Risk Factors Failure to extend our existing credit facility could harm our results of operations and ability to pay expenses and make distributions in this prospectus supplement.

We also continue to generate liquidity through public stock offerings and the realization of portfolio investments. On March 19, 2009 and April 27, 2009, we completed public stock offerings for 1.5 million and 3.68 million shares of our common stock at \$8.20 per share and \$7.75 per share, raising \$12,300 and \$28,520 of gross proceeds, respectively. Our loan to Diamondback Operating L.P. was repaid in January 2009. As is typical for our portfolio, we currently have investments in various stages in the exit process that continue to draw interest from prospective buyers.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ materially. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

Basis of Consolidation

Under the 1940 Act rules, the regulations pursuant to Article 6 of Regulation S-X, and the American Institute of Certified Public Accountants Audit and Accounting Guide for Investment Companies, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services and benefits to us. Our March 31, 2009, June 30, 2008, and March 31, 2008 financial statements include our accounts and the accounts of Prospect Capital Funding, LLC, our only wholly-owned, closely-managed subsidiary that is also an investment company. All intercompany balances and transactions have been eliminated in consolidation.

Investment Classification

We are a non-diversified company within the meaning of 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. Affiliated investments and affiliated companies 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.

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. 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. Specifically, we record all security transactions on a trade date basis. Investments in other, non-security financial instruments are recorded on the basis of subscription date or redemption date, as applicable. Amounts for investments recognized or derecognized but not yet settled are reported as Receivables for investments sold and Payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Valuation

Our Board of Directors has established procedures for the valuation of our investment portfolio. These procedures are detailed below.

S-14

Table of Contents

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 the independent valuation firm;
- 2) the independent valuation firm engaged by our Board of Directors conducts independent appraisals and makes their own independent assessment;
- 3) the audit committee of our Board of Directors reviews and discusses the preliminary valuation of our Investment Adviser and that of the independent valuation firm; and
- 4) the Board of Directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the independent valuation firm and the audit committee.

Investments are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted) calculated based on an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, inf

The transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the Board of Directors of the corporation before the person becomes an interested stockholder.

Upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction in commenced, excluding for purposes of determining the number of shares outstanding those shares owned (1) by persons who are directors and officers and (2) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

On or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's Board of Directors and by the holders of at least 66²/₃% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder.

Under Section 203, an interested stockholder is defined as any person who is:

The owner of 15% or more of the outstanding voting stock of the corporation; or

An affiliate or associate of the corporation and who was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

The provisions of Section 203 could delay or frustrate a change of control of QuadraMed, deny stockholders the receipt of a premium on their Common Stock and have an adverse effect on the Common Stock. The provisions also could discourage, impede or prevent a merger or tender offer, even if such event would be favorable to the interests of stockholders. Our stockholders, by adopting

Table of Contents

an amendment to the Certificate of Incorporation, could elect not to be governed by Section 203, which election would be effective 12 months after adoption. However, they have not made such an election.

Limitations on Directors' Liability

Delaware law authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. This duty of care requires that, when acting on behalf of the corporation, directors must exercise an informed business judgment based on all material information reasonably available to them. Absent the limitations authorized by Delaware law, directors could be accountable to corporations and their stockholders for monetary damages for conduct that does not satisfy their duty of care. Although Delaware law does not change directors' duty of care, it enables corporations to limit available relief to equitable remedies such as injunction or rescission. Our amended and restated Certificate of Incorporation limits the liability of our directors to QuadraMed and its stockholders to the fullest extent permitted by Delaware law. Specifically, directors of QuadraMed will not be personally liable for monetary damages for breach of a director's fiduciary duty as a director, except for liability for:

Any breach of the director's duty of loyalty to QuadraMed or its stockholders;

Acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

Unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Delaware General Corporation Law section 174; or

Any transaction from which the director derived an improper personal benefit.

The inclusion of this provision in our amended and restated Certificate of Incorporation may have the effect of reducing the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited QuadraMed and its stockholders.

Potential Anti-takeover Effect of Certain Provisions of the Amended and Restated Certificate of Incorporation and Bylaws

Our amended and restated Certificate of Incorporation and Bylaws contain other provisions that could have an anti-takeover effect. The provisions are intended to enhance the likelihood of continuity and stability in the composition of the Board and in the policies formulated by the Board. These provisions also are intended to help ensure that the Board, if confronted by an unsolicited proposal from a third party which has acquired a block of our stock, will have sufficient time to review the proposal and appropriate alternatives to the proposal and to act in what it believes to be the best interest of the stockholders. The following is a summary of such provisions included in our Certificate of Incorporation and Bylaws.

Our amended and restated Certificate of Incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting. The Certificate of Incorporation and the Bylaws also provide that, except as otherwise required by law, special meetings of the stockholders can be called only by (1) the Chairman of the Board of Directors, (2) the Chairman or the Secretary at the written request of a majority of the total number of directors which the Company would have if there were

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

no vacancies upon not fewer than 10 nor more than 60 days' written notice, or (3) the holders of shares entitled to cast not less than 10 percent of the votes at such special meeting upon not fewer than 10 nor more than 60 days' written notice.

The Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders of QuadraMed, including proposed nominations of persons for election to the Board. Stockholders at an annual meeting may only consider proposals or nominations specified in the notice of a meeting or brought before the meeting by or at the direction of the Board or by a stockholder who was a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has given our Secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting. Although the Bylaws do not give the Board the power to approve or disapprove stockholder nominations of candidates or proposals regarding other business to be conducted at an annual meeting, these procedures may have the effect of prohibiting stockholders from raising proposals at annual meetings if the proper procedures are not followed or may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect its own slate of directors or otherwise attempting to obtain control of QuadraMed.

Our Certificate of Incorporation also contains a provision requiring the affirmative vote of at least 66 2/3% of our outstanding voting stock to approve any of a broad range of business combinations with a person or an affiliate or associate of such person, which

Table of Contents

is (or as a result of the transaction would be) an interested stockholder. Under this provision, an interested stockholder is defined as a any person who:

was the owner of 15% or more of our outstanding voting stock at any time within the two-year period immediately prior to the consummation of the proposed business combination;

is an affiliate or associate of QuadraMed and at any time during such two-year period owned 15% or more of our outstanding stock; or

succeeds to any shares of our voting stock which at any time during such two year period were owned by an interested stockholder, in a transaction not involving a public offering.

This $66\frac{2}{3}\%$ vote is not required if the business combination has been approved by two-thirds of our Board.

Our Certificate of Incorporation and Bylaws provide that the affirmative vote of holders of at least $66\frac{2}{3}\%$ of the total votes, eligible to be cast in the election of directors, is required to amend, alter, change or repeal certain of their provisions. This requirement of a super-majority vote to approve amendments to the Certificate of Incorporation and Bylaws could enable a minority of QuadraMed stockholders to exercise veto power over any such amendments. The Board has no current plans to formulate or effect additional measures that could have an anti-takeover effect.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Series A Preferred Stock and Common Stock is EquiServe, Inc.

Table of Contents**SELLING HOLDERS**

Information about the selling holders may change over time. Any changed information will be set forth in a prospectus supplement to the extent we are advised of such changes. From time to time, additional information concerning ownership of the shares may rest with certain holders thereof not named in the table below and of whom we are unaware. All information in the following tables and related footnotes has been supplied to us by the selling holders, and we have relied on their representations.

The following table and accompanying notes set forth certain information, as of December 10, 2004, regarding the selling holders. Under this prospectus, the selling holders and any of their respective transferees, assignees, donees, distributees, pledgees, or other successors-in-interest may offer and sell from time to time an aggregate of 4,000,000 shares of Series A Preferred Stock, or 29,411,765 shares of our Common Stock upon conversion of the Series A Preferred Stock. The shares listed below are being registered to permit public sales of these securities by the selling holders, and the selling holders may offer all, some or none of their securities.

The number of shares of Series A Preferred Stock and Common Stock that may be actually purchased by certain selling holders and the number of shares of Series A Preferred Stock and Common Stock that may be actually sold by each selling holder will be determined by such selling holder. Because certain selling holders may purchase all, some or none of the shares of Series A Preferred Stock or Common Stock which can be purchased upon conversion of the Series A Preferred Stock and each selling holder may sell all, some or none of the shares of Series A Preferred Stock and Common Stock which each holds, and because the offering contemplated by this prospectus is not currently being underwritten, no estimate can be given as to the number of shares of Series A Preferred Stock and Common Stock that will be held by the selling holders upon termination of the offering. In addition, the selling holders listed below may have acquired, sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their shares of Series A Preferred Stock and Common Stock since the date as of which the information in the tables is presented.

The following table sets forth information regarding the beneficial ownership of shares of Common Stock by the selling holders as of the date of this prospectus, and the number of shares of Series A Preferred Stock and Common Stock covered by this prospectus. Except as otherwise noted below, none of the selling holders has held any position or office, or has had any other material relationship with us or any of our affiliates within the past three years.

The information set forth in the following table regarding the beneficial ownership after resale of shares is based on the assumption that each selling holder will purchase the maximum number of shares of Series A Preferred Stock or Common Stock issuable upon conversion of the Series A Preferred Stock owned by the selling holder and each selling holder will sell all of the shares of Series A Preferred Stock and Common Stock owned by the selling holder and covered by the prospectus. If all of the shares of our Series A Preferred Stock and Common Stock listed below are sold pursuant to this prospectus, then the selling holders will sell 4,000,000 shares of Preferred Stock, or 29,411,765 shares of our Common Stock, or 42.3% of the total number of shares of our Common Stock outstanding.

Ownership Before Offering		Securities Offered by this Prospectus		Ownership After Offering		
Series A Preferred	Common	Series A Preferred	Common	Series A Preferred	Common	%
	(1)				(1)	

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

MACKAY SHIELDS								
Avaya Inc. Master Pension Trust	11,400	113,278	11,400	83,824	0	29,454	**%	
Briggs & Stratton Retirement Plan High Yield	5,700	57,037	5,700	41,912	0	15,125	**%	
City of New York Fire Department Pension Fund	20,300	149,265	20,300	149,265	0	0	0%	
City of New York Police Pension Fund High Yield	33,500	246,324	33,500	246,324	0	0	0%	
City of Montreal High Yield	8,500	88,769	8,500	62,500	0	26,269	**%	
Mackay Shields Trust Core Bond Plus	2,500	18,382	2,500	18,382	0	0	0%	
Mackay Shields Trust High Yield Corporate Bond	36,200	372,846	36,200	266,176	0	106,670	0%	
Mackay Shields Long Short Fund Goldman Sachs	37,300	359,665	37,300	274,265	0	85,400	**%	
Mackay Shields Master Long/Short Fund Goldman Sachs	188,700	1,820,450	188,700	1,387,500	0	432,950	1.0%	
Park Employee s Annuity and Benefit Fund Core Plus High Yield	2,500	25,546	2,500	18,382	0	7,164	**%	
Fairfax County Employees Retirement System High Yield	9,800	97,532	9,800	72,059	0	25,473	**%	

Table of Contents

First South Agricultural Credit Association Retirement Plan High Yield	100	735	100	735	0	0	0%
Fondation Lucie et Andre Chagnon High Yield	10,000	100,595	10,000	73,529	0	27,066	*%
The 1199 Health Care Employees Pension Fund High Yield	50,400	520,245	50,400	370,588	0	149,657	*%
Oshkosh Truck Corp. High Yield	700	5,147	700	5,147	0	0	0%
Stichting Philips Pension Funds High Yield	24,100	223,377	24,100	177,206	0	46,171	*%
RWDSU Local 338 Retirement High Yield	3,300	24,265	3,300	24,265	0	0	0%
New York Life Separate Account 40A High Yield	9,400	96,980	9,400	69,118	0	27,862	*%
Police Officers Pension System of the City of Houston	22,500	204,447	22,500	165,441	0	39,006	*%
NISOURCE Corp. Services Company High Yield	23,200	231,037	23,200	170,588	0	60,449	*%
Nations Master Investment High Yield	216,900	2,069,296	216,900	1,594,853	0	474,443	1.1%
Nations Annuity Fund High Yield	15,800	144,834	15,800	116,176	0	28,658	*%
Los Angeles Fire and Police High Yield	49,800	494,339	49,800	366,176	0	128,163	*%
The Mainstay Funds, Inc.; on behalf of its High Yield Corp Bond FD	814,000	7,565,444	814,000	5,985,294	0	1,580,150	3.3%
Mainstay Total Return High Yield	10,700	78,676	10,700	78,676	0	0	0%
The Mainstay Funds, Inc.; on behalf of its Diversified Income FD	9,500	97,715	9,500	69,853	0	27,862	*%
The Mainstay Funds, Inc.; on behalf of its Strategic Value Fund	2,500	24,750	2,500	18,382	0	6,368	*%
Mainstay VP Series Fund, Inc.; on behalf of its High Yield Corp Bd Port	234,600	2,211,384	234,600	1,725,000	0	486,384	1.2%
VP Series Total Return High Yield	4,900	36,029	4,900	36,029	0	0	0%
San Antonio Fireman & Police Pension High Yield	15,400	152,241	15,400	113,235	0	39,006	*%
Tennessee Valley Authority Nuclear Decommissioning Trust	5,800	200,264	5,800	42,647	0	157,617	*%
ZAZOVE							
Century National Insurance Company	60,000	802,581	60,000	441,176	0	361,405	*%
National Union Fire Insurance Co of Pittsburgh PA	148,000	2,131,054	148,000	1,088,235	0	1,042,819	2.5%
Qwest Occupational Health Trust	12,000	124,853	12,000	88,235	0	36,618	*%
Qwest Pension Trust	60,000	648,148	60,000	441,176	0	206,972	*%
San Diego County Employees Retirement Association	128,000	1,028,741	128,000	941,176	0	87,565	*%
Star Vest Convertible Securities Fund, LTD	8,000	90,666	8,000	58,824	0	31,842	*%
Gene T Pretti	24,000	184,431	24,000	176,471	0	7,960	*%
Zazove Aggressive Growth Fund, LP	84,000	806,856	84,000	617,647	0	189,209	*%
Zazove High Yield Convertible Securities Fund, LP	68,000	695,328	68,000	500,000	0	195,328	*%
Zazove Convertible Securities Fund, Inc.	48,000	425,381	48,000	352,941	0	72,440	*%
LC CAPITAL							
LC Capital Master Fund, LTD	180,000	3,111,451	180,000	1,323,529	0	1,787,922	4.3%
TRIAGE							
Triage Capital Management, B LP	16,000	247,067	16,000	117,647	0	129,420	*%

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

Triage Offshore Fund, LTD	64,000	949,056	64,000	470,588	0	478,468	1.2%
AVENUE CAPITAL							
Avenue Investments, LP	48,000	352,941	48,000	352,941	0	0	0%
Avenue Special Situations Fund III, LP	176,000	1,294,118	176,000	1,294,118	0	0	0%
Avenue International, LTD	176,000	1,294,118	176,000	1,294,118	0	0	0%
CONCORDIA ADVISORS							
Concordia Distressed Debt Fund, LP	120,000	882,353	120,000	882,353	0	0	0%

Table of Contents

WHITEBOX								
Whitebox Convertible Arbitrage Advisors LLC	140,000	1,029,412	140,000	1,029,412	0	0	0%	
ANGELO GORDON								
AG Domestic Convertibles LP	84,000	617,647	84,000	617,647	0	0	0%	
AG Offshore Convertibles LTD	196,000	1,441,176	196,000	1,441,176	0	0	0%	
HARBOR CAPITAL MANAGEMENT								
Coastal Convertibles LTD	20,000	147,059	20,000	147,059	0	0	0%	
DEUTSCHE BANK AG								
	64,000	470,588	64,000	470,588	0	0	0%	
BANK OF AMERICA SECURITIES								
	196,000	1,892,975	196,000	1,439,377	0	453,598	1.1%	

* Less than 1%

(1) Includes:

- (a) Warrants to purchase shares of our Common Stock, issued in connection with the 2008 Notes. The warrants are owned as follows: Century National Insurance Company 361,405; National Union Fire Insurance Co. of Pittsburgh 1,042,819; Gene T. Pretti 7,960; Qwest Occupational Health Trust 36,618; Qwest Pension Trust 206,972; San Diego County Employees Retirement Association 87,565; StarVest Convertible Securities Fund 31,842; Zazove Aggressive Growth Fund 159,209; Zazove High Yield Convertible Securities 135,328; LC Capital Master Fund 517,429; Triage Capital Management 125,377; Triage Offshore Fund 179,110.
- (b) Unregistered shares of Common Stock resulting from the exercise of warrants, issued in connection with the 2008 Notes. The unregistered Common Stock is owned as follows: Avaya Inc. Master Pension Trust 29,454; Briggs & Stratton Retirement Plan 15,125; City of Montreal High Yield 26,269; Mackay Shields Trust High Yield Corporate Bond 106,670; Park Employee s Annuity and Benefit Fund Core Plus High Yield 7,164; Fairfax County Employees Retirement System High Yield 25,473; Fondation Lucie et Andre Chagnon High Yield 27,066; The 1199 Health Care Employees Pension Fund High Yield 149,657; Stichting Philips Pension Funds High Yield 46,171; New York Life Separate Account 40A High Yield 27,862; Police Officers Pension System of the City of Houston 39,006; NISOURCE Corp. Services Company High Yield 60,499; Nations Master Investment High Yield 474,443; Nations Annuity Fund High Yield 28,658; Los Angeles Fire and Police High Yield 128,163; The Mainstay Funds, Inc. on behalf of its High Yield Corp Bond FD 1,580,150; The Mainstay Funds, Inc. on behalf of its Diversified Income FD 27,862; The Mainstay Funds, Inc. on behalf of its Strategic Value Fund 6,368; Mainstay VP Series Fund, Inc. on behalf of its High Yield Corp Bd Port 486,384; San Antonio Fireman & Police Pension High Yield 39,006; Tennessee Valley Authority Nuclear Decommissioning Trust 157,617; Zazove Aggressive Growth Fund 30,000; Zazove High Yield Convertible Securities 60,000.

Table of Contents

PLAN OF DISTRIBUTION

We are registering a total of 4,000,000 shares of our Series A Preferred Stock, and 29,411,765 shares of our Common Stock issuable upon conversion of the Series A Preferred Stock. We will not receive any of the proceeds from the sale by the selling holders of the shares of the Series A Preferred Stock or Common Stock. A selling holder is a person named in the section of this prospectus entitled "Selling Holders" and also includes any donee, pledgee, transferee, or other successor-in-interest selling shares of our Series A Preferred Stock or Common Stock received after the date of this prospectus from a selling holder as a gift, pledge, partnership distribution, or other non-sale related transfer.

We will bear all costs, fees and expenses in connection to our obligation to register the shares of the Series A Preferred Stock and Common Stock offered by this prospectus. If the shares of Series A Preferred Stock or Common Stock are sold through broker-dealers or agents, the selling holders will be responsible for any compensation to such broker-dealers or agents.

The selling holders may pledge or grant a security interest in some or all of the shares of Series A Preferred Stock or Common Stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of Series A Preferred Stock or Common Stock from time to time pursuant to this prospectus. The selling holders also may transfer and donate the shares of Series A Preferred Stock or Common Stock in other circumstances in which case the transferees, donees, pledgees or other successors-in-interest will be the selling beneficial owners for purpose of this prospectus.

The selling holders will sell their shares of Series A Preferred Stock and Common Stock subject to the following:

all or a portion of the shares of Series A Preferred Stock or Common Stock beneficially owned by selling holders or their respective pledgees, donees, transferees or successors-in-interest, may be sold on any national securities exchange or quotation service on which the shares of Series A Preferred Stock or Common Stock may be listed or quoted at the time of sale, in the over-the counter market, in privately negotiated transactions, through the writing of options, whether such options are listed on an options exchange or otherwise, short sales or in combination of such transactions;

each sale may be made at market prices prevailing at the time of such sale, at negotiated prices, at fixed prices, or at varying prices determined at the time of sale; and

some or all of the shares of Series A Preferred Stock or Common Stock may be sold through one or more broker-dealers or agents and may involve crosses, block transactions in which the broker-dealer will attempt to sell shares as agent but may position and resell a portion of the block as principal to facilitate the transaction, or hedging transactions. The selling holders may enter into hedging transactions with broker-dealers or agents, which may in turn engage in short sales of Series A Preferred Stock and Common Stock in the course of hedging in positions they assume. The selling holders may also sell shares of Series A Preferred Stock and Common Stock short and deliver shares of Series A Preferred Stock and Common Stock to close out short positions, or loan pledge shares of Series A Preferred Stock and Common Stock to broker-dealers or agents that in turn may sell such shares.

In connection with such sales through one or more broker-dealers or agents, such broker-dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling holders and receive commissions from the purchasers of the shares of Series A Preferred Stock or Common Stock for whom they act as broker-agent or to whom they sell as principal (which discounts, concessions or commissions as to particular broker-dealers or agents may be excess of those customary in the types of transactions involved). Any

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

broker-dealer or agent participating in any such sale may be deemed to be an underwriter within the meaning of the Securities Act of 1933, as amended, and will be required to deliver a copy of this prospectus to any person who purchases any shares of Series A Preferred Stock or Common Stock from or through such broker-dealer or agent. We know of no existing arrangements between stockholders and any other stockholder, broker, dealer, underwriter or agent relating to the sale or distribution of the shares of Series A Preferred Stock or Common Stock.

The selling holders and any broker-dealer participating in the distribution of the shares of Series A Preferred Stock and Common Stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, and any profits realized by the selling holder, and commissions paid, or any discounts or concessions allowed to any broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act of 1933. In addition, any shares of Series A Preferred Stock and Common Stock covered by this prospectus which qualify for sale pursuant to Rule 144 may be sold under Rule 144 rather than pursuant to this prospectus.

If required at the time a particular offering of the shares of Series A Preferred Stock and Common Stock is made, a prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part, will be distributed which will set forth the aggregate amount of shares of Series A Preferred Stock and Common Stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other

Table of Contents

terms constituting compensation from the selling holder and any discounts, commissions or concessions allowed or reallocated or paid to broker-dealers.

Under the securities laws of some states, the shares of Series A Preferred Stock and Common Stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of Series A Preferred Stock and Common Stock may not be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with. There can be no assurance that any selling holder will sell any or all of the shares of Series A Preferred Stock or Common Stock registered pursuant to the registration statement of which this prospectus forms a part.

The selling holders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the shares of Series A Preferred Stock and Common Stock by the selling holders and participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of Series A Preferred Stock and Common Stock to engage in market-making activities with respect to the shares of Series A Preferred Stock and Common Stock. All of the foregoing may affect the marketability of the shares of Series A Preferred Stock and Common Stock and the ability of any person or entity to engage in market-making activities with respect to the shares of Series A Preferred Stock and Common Stock.

We will bear all expenses of the registration of the shares of Series A Preferred Stock and Common Stock, pursuant to the terms of the registration rights agreement entered into with the selling holders, including, without limitation, Securities and Exchange Commission and expenses of compliance with state securities or blue sky laws.

The selling holders will pay all underwriting discounts and selling commissions and expenses, brokerage fees and transfer taxes. We will indemnify the selling holders against liabilities, including some liabilities under the Securities Act of 1933, in accordance with the registration rights agreement or the selling holders will be entitled to contribution. We will be indemnified by the selling holders against civil liabilities, including liabilities under the Securities Act of 1933, that may arise from any written information furnished to us by the selling holders for use in this prospectus, in accordance with the registration rights agreement or will be entitled to contribution. Once sold under this registration statement, of which this prospectus forms a part, the shares of Series A Preferred Stock and Common Stock will be freely tradable in the hands of persons other than affiliates.

LEGAL MATTERS

The validity of the shares of our Series A Preferred Stock and Common Stock that may be sold using this prospectus will be passed upon for us by Miles & Stockbridge P.C., McLean, Virginia.

EXPERTS

The consolidated financial statements and the related consolidated financial statement schedule incorporated by reference into this prospectus and registration statement from the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as amended, have been audited by BDO Seidman, LLP, independent registered public accounting firm, to the extent and for the periods set forth in their reports incorporated herein by reference, and are incorporated herein in reliance upon such reports given upon the authority of said firm as experts in

auditing and accounting.

The consolidated financial statements and the related consolidated financial statement incorporated by reference into this prospectus and registration statement from the Company's Annual Report on Form 10-K for the year ended December 31, 2003, as amended, have been audited by Pisenti & Brinker LLP, independent registered public accounting firm, to the extent and for the year indicated in their report thereon. Such consolidated financial statements, and the related financial statement schedule, have been incorporated by reference into this prospectus and registration statement in reliance upon the report of Pisenti & Brinker LLP and upon the authority of such firm as experts in auditing and accounting.

Table of Contents

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION, DATED DECEMBER 15, 2004

**4,000,000 Shares of Series A Cumulative Mandatory Convertible Preferred Stock, par value \$0.01 per share,
and Common Stock, par value \$0.01 per share, Issuable upon Conversion of the Series A Preferred Stock**

QuadraMed Corporation

PROSPECTUS

TABLE OF CONTENTS

<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	7
<u>Cautionary Note Regarding Forward-Looking Statements</u>	18
<u>Where You Can Find More Information</u>	18
<u>Incorporation of Documents by Reference</u>	19
<u>Use of Proceeds</u>	20
<u>Dividend Policy</u>	20
<u>Description of Securities</u>	21
<u>Selling Holders</u>	27
<u>Plan of Distribution</u>	30
<u>Legal Matters</u>	31
<u>Experts</u>	31

Table of Contents**PART II: INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. Other Expenses of Issuance and Distribution**

The following table provides the fees and expenses, payable by our Company in connection with the issuance and distribution of the securities being registered hereunder. Except for the SEC registration fees, all amounts are estimates.

SEC registration fee	\$ 11,770
Other fees	\$
Printing and filing expenses	\$ *
Legal fees and expenses	\$ *
Accounting fees and expenses	\$ *
Blue sky fees and expenses	\$
Transfer agent fees	\$
	<hr/>
Total	\$ 11,770
	<hr/>

* To be filed by amendment.

Item 15. Indemnification of Directors and Officers

Under Section 145 of the Delaware General Corporation Law (the "DGCL"), a corporation may indemnify its directors, officers, employees and agents and its former directors, officers, employees and agents and those who serve, at the corporation's request, in such capacities with another enterprise, against expenses (including attorney's fees), as well as judgments, fines and settlements in nonderivative lawsuits, actually and reasonably incurred in connection with the defense of any action, suit or proceeding in which they or any of them were or are made parties or are threatened to be made parties by reason of their serving or having served in such capacity. The DGCL provides, however, that such person must have acted in good faith and in a manner such person reasonably believed to be in (or not opposed to) the best interests of the corporation and, in the case of a criminal action, such person must have had no reasonable cause to believe his or her conduct was unlawful. In addition, the DGCL does not permit indemnification in an action or suit by or in the right of the corporation, where such person has been adjudged liable to the corporation, unless, and only to the extent that, a court determines that such person fairly and reasonably is entitled to indemnity for costs the court deems proper in light of liability adjudication. Indemnity for costs the court deems proper in light of liability adjudication. Indemnity is mandatory to the extent a claim, issue or matter has been successfully defended.

Our Certificate of Incorporation and Bylaws provide that, to the extent permitted by law, the Company shall fully indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was or has agreed to become a director, officer, employee, or agent of the Company, or is or was serving at the request of the Company as director, officer, employee, or agent of another corporation, partnership, joint venture, trust, employee benefit, plan or enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action, suit or proceeding by reason of that fact that the person is or was or has agreed to become an employee or agent of the Company, or is or was serving or has agreed to serve at the request of the Company as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding and any appeal therefrom, if the person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding had not reasonable cause to believe the person's conduct

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

was unlawful; except that in the case of an action or suit by or in the right of the Company to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such proceeding, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The Certificate of Incorporation and Bylaws further provide that the Company shall advance expenses incurred by a director or officer in defending any such action if the director or officer undertakes to repay such amount if it is determined that the director or officer is not entitled to indemnification. The Company also shall purchase and maintain insurance to protect itself and any such director, officer, or other person against any liability asserted against him and incurred by him in respect of such service whether or

II-1

Table of Contents

not the Company would have the power to indemnify him against such liability by law or under the provisions of the Certificate of Incorporation or Bylaws.

Further, the Company has entered into indemnification agreements with its directors and certain of its senior executive officers. Pursuant to the terms of the indemnification agreements, each of the senior executive officers and directors of the Company will be indemnified by the Company to the fullest extent permitted by Delaware law in the event such officer is made or threatened to be made a party to a claim arising out of such person acting in his capacity as an officer or director of the Company.

The registration rights agreement associated with the Series A Preferred Stock provides that the holders of the Series A Preferred Stock and Common Stock issuable upon the conversion of the Series A Preferred Stock shall indemnify the Company and its directors and officers from and against any and all losses, claims, damages, expenses (including reasonable costs of investigation and fees, disbursements, and other charges of counsel and any amounts paid in settlement) or other liabilities to which the Company or its directors and officers may become subject under the securities laws, any other federal law, any state or common law rule or regulation which results from, arises out of, or is based upon any untrue, or alleged untrue, statement or omission, or alleged omission, of material fact by the holders contained in any registration statement, prospectus, or preliminary prospectus (as amended or supplemented) or any document incorporated by reference in any of the foregoing, if such information was furnished in writing by the holder to the Company for use in such document.

Item 16. Exhibits and Financial Statement Schedules

The following exhibits are filed as part of this registration statement. Certain of the following exhibits have been previously filed with the SEC and are incorporated herein by reference from the document described in parentheses. Certain others are filed herewith.

Exhibit Number	Exhibit Description
4.1	Amended and Restated Bylaws of QuadraMed. (Exhibit 3.1 to our Current Form on Form 8-K as filed with the SEC on November 1, 2004.)
4.2	Third Amended and Restated Certificate of Incorporation of QuadraMed. (Exhibit 3.5 to our Annual Report Amended on Form 10-K/A, as filed with the SEC on August 24, 1998.)
4.3	Amendment to the Third Amended and Restated Certificate of Incorporation of QuadraMed. (Exhibit 3.1 to our Registration Statement on Form S-1, No. 333- 112040, as filed with the SEC on January 21, 2004.)
4.4	Certificate of Designation, Powers, Preferences and Rights of the Series A Cumulative Mandatory Convertible Preferred Shares. (Exhibit 3.1 to our Current Report on Form 8-K as filed with the SEC on June 17, 2004)
4.5	Form of Common Stock certificate. (Exhibit 4.2 to our Registration Statement on Form SB-2, No. 333-5180-LA, as filed with the SEC on June 28, 1996, as amended by Amendment No. 1, Amendment No. 2 and Amendment No. 3 thereto, as filed with the SEC on July 26, 1996, September 9, 1996, and October 2, 1996, respectively.)
4.6	Securities Purchase Agreement, dated as of April 17, 2003, among QuadraMed Corporation and certain investors listed on the signature pages attached thereto. (Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.7	Form of Note. (Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.8	Warrant Agreement dated as of April 17, 2003, by and between QuadraMed Corporation and The Bank of New York, as warrant agent. (Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

- 4.9 Indenture, dated as of April 17, 2003, between QuadraMed Corporation and the Bank of New York, as trustee. (Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
- 4.10 Registration Rights Agreement, dated as of April 17, 2003, among QuadraMed, the investors listed on the signature pages thereto, and Philadelphia Brokerage Corporation. (Exhibit 4.5 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
- 4.11 Security Agreement, dated as of April 17, 2003, made by QuadraMed Corporation in favor of The Bank of New York, as collateral agent. (Exhibit 4.6 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
- 4.12 Registration Rights Agreement dated as of June 15, 2004, by and between QuadraMed and the investors identified on the signature pages thereto. (Exhibit 4.1 to our Current Report on Form 8-K as filed with the SEC on June 17, 2004)

Table of Contents

4.13	Registration Rights Agreement dated as of June 30, 2004, by and between QuadraMed and the shareholders identified on the signature pages thereto. (Exhibit 4.1 to our Current Report on Form 8-K as filed with the SEC on July 30, 2004.)
4.14	Form of Preferred Stock certificate for the Series A Cumulative Mandatory Convertible Preferred Shares. (Exhibit 4.17 to our Pre-Effective Amendment No. 3 to our Registration Statement on Form S-1, No. 333-112040, as filed with the SEC on August 25, 2004.)
5.1**	Opinion of Miles & Stockbridge, P.C. regarding the validity of the securities offered.
23.1**	Consent of BDO Seidman, LLP, Independent Registered Public Accounting Firm.
23.2**	Consent of Pisenti & Brinker, LLP, Independent Registered Public Accounting Firm.
23.3**	Consent of Miles & Stockbridge, P.C. (included in Exhibit 5.1).
24.1**	Power of Attorney (included in Signature Page hereto).

** Filed herewith.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Fairfax, Commonwealth of Virginia, on this 15th day of December, 2004.

QUADRAMED CORPORATION

By: */s/* LAWRENCE P. ENGLISH
Lawrence P. English
Chairman, Chief Executive Officer

Know all men by these presents, the undersigned officers or directors of the registrant, by virtue of their signatures to this registration statement appearing below, hereby constitute and appoint Lawrence P. English attorney-in-fact in their names, place, and stead to execute any and all further amendments to this registration statement in the capacities set forth opposite their names and hereby ratify all that said attorney-in-fact may do by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<i>/s/</i> LAWRENCE P. ENGLISH	Chairman, Chief Executive Officer (Principal Executive Officer)	December 15, 2004
Lawrence P. English		
<i>/s/</i> JOHN C. WRIGHT	Executive Vice President, Chief Financial Officer (Principal Financial and Accounting Officer)	December 15, 2004
John C. Wright		
<i>/s/</i> F. SCOTT GROSS	Director	December 15, 2004
F. Scott Gross		
<i>/s/</i> WILLIAM K. JURIKA	Director	December 15, 2004
William K. Jurika		
<i>/s/</i> ROBERT L. PEVENSTEIN	Director	December 15, 2004
Robert L. Pevenstein		
<i>/s/</i> MICHAEL J. KING	Director	December 15, 2004
Michael J. King		

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

/s/ CORNELIUS T. RYAN	Director	December 15, 2004
<hr/>		
Cornelius T. Ryan		
/s/ JOSEPH A. FESHBACH	Director	December 15, 2004
<hr/>		
Joseph A. Feshbach		
/s/ ROBERT W. MILLER	Director	December 15, 2004
<hr/>		
Robert W. Miller		
/s/ JAMES E. PEEBLES	Director	December 15, 2004
<hr/>		
James E. Peebles		

Table of Contents**EXHIBIT INDEX**

Certain of the following exhibits have been previously filed with the SEC and are incorporated herein by reference from the document described in parentheses. Certain others are filed herewith.

Exhibit Number	Exhibit Description
4.1	Amended and Restated Bylaws of QuadraMed. (Exhibit 3.1 to our Current Report on Form 8-K as filed with the SEC on November 1, 2004.)
4.2	Third Amended and Restated Certificate of Incorporation of QuadraMed. (Exhibit 3.5 to our Annual Report Amended on Form 10-K/A, as filed with the SEC on August 24, 1998.)
4.3	Amendment to the Third Amended and Restated Certificate of Incorporation of QuadraMed. (Exhibit 3.1 to our Registration Statement on Form S-1, No.333-112040, as filed with the SEC on January 21, 2004.)
4.4	Certificate of Designation, Powers, Preferences and Rights of the Series A Cumulative Mandatory Convertible Preferred Shares. (Exhibit 3.1 to our Current Report on Form 8-K as filed with the SEC on June 17, 2004)
4.5	Form of Common Stock certificate. (Exhibit 4.2 to our Registration Statement on Form SB-2, No. 333-5180-LA, as filed with the SEC on June 28, 1996, as amended by Amendment No. 1, Amendment No. 2 and Amendment No. 3 thereto, as filed with the SEC on July 26, 1996, September 9, 1996, and October 2, 1996, respectively.)
4.6	Securities Purchase Agreement, dated as of April 17, 2003, among QuadraMed Corporation and certain investors listed on the signature pages attached thereto. (Exhibit 4.1 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.7	Form of Note. (Exhibit 4.2 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.8	Warrant Agreement dated as of April 17, 2003, by and between QuadraMed Corporation and The Bank of New York, as warrant agent. (Exhibit 4.3 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.9	Indenture, dated as of April 17, 2003, between QuadraMed Corporation and the Bank of New York, as trustee. (Exhibit 4.4 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.10	Registration Rights Agreement, dated as of April 17, 2003, among QuadraMed, the investors listed on the signature pages thereto, and Philadelphia Brokerage Corporation. (Exhibit 4.5 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.11	Security Agreement, dated as of April 17, 2003, made by QuadraMed Corporation in favor of The Bank of New York, as collateral agent. (Exhibit 4.6 to our Current Report on Form 8-K filed with the SEC on April 30, 2003.)
4.12	Registration Rights Agreement dated as of June 15, 2004, by and between QuadraMed and the investors identified on the signature pages thereto. (Exhibit 4.1 to our Current Report on Form 8-K as filed with the SEC on June 17, 2004)
4.13	Registration Rights Agreement dated as of June 30, 2004, by and between QuadraMed and the shareholders identified on the signature pages thereto. (Exhibit 4.1 to our Current Report on Form 8-K as filed with the SEC on July 15, 2004.)
4.14	Form of Preferred Stock certificate for the Series A Cumulative Mandatory Convertible Preferred Shares. (Exhibit 4.17 to our Pre-Effective Amendment No. 3 to our Registration Statement on Form S-1, No. 333-112040, as filed with the SEC on August 25, 2004.)
5.1**	Opinion of Miles & Stockbridge, P.C. regarding the validity of the securities offered.
23.1**	Consent of BDO Seidman, LLP, Independent Registered Public Accounting Firm.

Edgar Filing: PROSPECT CAPITAL CORP - Form 497

- 23.2** Consent of Pisenti & Brinker, LLP, Independent Registered Public Accounting Firm.
- 23.3** Consent of Miles & Stockbridge, P.C. (included in Exhibit 5.1).
- 24.1** Power of Attorney (included on the Signature Page hereto).
-

** Filed herewith.