

PROSPECT CAPITAL CORP
Form N-2/A
October 11, 2011

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As filed with the Securities and Exchange Commission on October 7, 2011

Registration No. 333-176637

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

✓ REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

✓ PRE-EFFECTIVE AMENDMENT NO. 1

o POST-EFFECTIVE AMENDMENT NO.

PROSPECT CAPITAL CORPORATION

(Exact Name of Registrant as Specified in Charter)

10 East 40th Street, 44th Floor
New York, NY 10016

(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (212) 448-0702

John F. Barry III

Brian H. Oswald

c/o Prospect Capital Management LLC

10 East 40th Street, 44th Floor

New York, NY 10016

(212) 448-0702

(Name and Address of Agent for Service)

Copies of information to:

Richard T. Prins

Skadden Arps Slate Meagher & Flom LLP

4 Times Square

New York, NY 10036

(212) 735-3000

Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a distribution reinvestment plan, check the following box. ✓

It is proposed that this filing will become effective (check appropriate box):

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- o when declared effective pursuant to section 8(c).
If appropriate, check the following box:
- o This post-effective amendment designates a new effective date for a previously filed post-effective amendment registration statement.
- o This form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act and the Securities Act registration statement number of the earlier effective registration statement for the same offering is .

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, \$.001 par value per share(2)				
Preferred Stock, \$.001 par value per share(2)				
Debt Securities(3)				
Warrants(4)				
Units(5)				
Total	\$750,000,000		\$750,000,000(6)	\$63,301(7)

- (1) Estimated solely for the purpose of calculating the registration fee. Pursuant to Rule 457(o) of the rules and regulations under the Securities Act of 1933 (the "Securities Act"), which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price. Pursuant to Rule 415(a)(6) under the Securities Act, this registration statement covers a total of \$530,675,000 of unsold securities that had previously been registered under the registrant's registration statement on Form N-2, initially filed with the Securities and Exchange Commission (the "SEC") on November 19, 2010 (No. 333-170724) (the "Prior Registration Statement") and that are being carried forward to this registration statement. The Prior Registration Statement initially registered securities for a maximum aggregate offering price of \$750,000,000 and of that amount the registrant has previously sold common stock for an aggregate offering price of \$219,325,000, leaving a balance of unsold securities with an aggregate offering price of \$530,675,000. In connection with the registration of securities on the Prior Registration Statement, the registrant paid a registration fee of \$37,837 covering such unsold securities and which registration fee is being carried forward to this registration statement and will continue to be applied to such unsold securities pursuant to Rule 415(a)(6). Pursuant to Rule 415(a)(6), the offering of the unsold securities registered under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this registration statement. If the registrant sells any of such unsold securities pursuant to the Prior Registration Statement after the date of the initial filing, and prior to the date of effectiveness, of this registration statement, the registrant will file a pre-effective amendment to this registration statement which will reduce the number of such unsold securities included on this registration statement.
- (2) Subject to Note 6 below, there is being registered hereunder an indeterminate principal amount of common stock or preferred stock as may be sold, from time to time separately or as units in combination with other securities registered hereunder.
- (3) Subject to Note 6 below, there is being registered hereunder an indeterminate principal amount of debt securities as may be sold, from time to time separately or as units in combination with other securities registered hereunder. If any debt securities are issued at an original issue discount, then the offering price shall be in such greater principal amount as shall result in an aggregate price to investors not to exceed \$750,000,000.
- (4) Subject to Note 6 below, there is being registered hereunder an indeterminate principal amount of warrants as may be sold, from time to time separately or as units in combination with other securities registered hereunder, representing rights to purchase common stock, preferred stock or debt securities.
- (5) Subject to Note 6 below, there is being registered hereunder an indeterminate number of units. Each unit may consist of a combination of any one or more securities being registered hereunder and may also include securities being issued by third parties, including the U.S. Treasury.
- (6) In no event will the aggregate offering price of all securities issued from time to time pursuant to this registration statement exceed \$750,000,000.

(7)

Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THE REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission has been declared effective. This preliminary prospectus 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 OCTOBER 7, 2011

\$750,000,000

PROSPECT CAPITAL CORPORATION

**Common Stock
Preferred Stock
Debt Securities
Warrants
Units**

We may offer, from time to time, in one or more offerings or series, together or separately, up to \$750,000,000 of our common stock, preferred stock, debt securities, warrants representing rights to purchase shares of common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, collectively, the Securities, to provide us with additional capital. Securities may be offered at prices and on terms to be disclosed in one or more supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our Securities.

We may offer shares of common stock, or warrants, options or rights to acquire shares of common stock, at a discount to net asset value per share in certain circumstances. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. At our 2010 annual meeting, held on December 10, 2010, our stockholders approved our ability to sell or otherwise issue an unlimited number of shares of our common stock at any level of discount from net asset value per share for a period of twelve months, expiring on December 10, 2011. We are currently seeking stockholder approval at our 2011 annual meeting, to be held on December 8, 2011, to continue for an additional year our ability to issue shares of common stock below net asset value, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering.

Our Securities may be offered directly to one or more purchasers, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our Securities through agents, underwriters or dealers without delivery of the prospectus and a prospectus supplement describing the method and terms of the offering of such Securities. Our common stock is traded on The NASDAQ Global Select Market under the symbol "PSEC." As of October 6, 2011, the last reported sales price for our common stock was \$8.71.

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

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

Investing in our Securities involves a heightened risk of total loss of investment and is subject to risks.

Before buying any Securities, you should read the discussion of the material risks of investing in our Securities in "Risk Factors" beginning on page 10 of this prospectus.

This prospectus contains important information about us that you should know before investing in our Securities. Please read it before making an investment decision and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. You may make inquiries or obtain this information free of charge by writing to Prospect Capital Corporation at 10 East 40th Street, 44th Floor, New York, NY 10016, or by calling 212-448-0702. Our Internet address is <http://www.prospectstreet.com>. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be a part of this prospectus. You may also obtain information about us from our website and the SEC's website (<http://www.sec.gov>).

The SEC has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

The date of this Prospectus is _____, 2011

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the SEC, using the "shelf" registration process. Under the shelf registration process, we may offer, from time to time on a delayed basis, up to \$750,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on the terms to be determined at the time of the offering. The Securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the Securities that we may offer. Each time we use this prospectus to offer Securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any prospectus supplement together with any exhibits and the additional information described under the heading "Available Information" and the section under the heading "Risk Factors" before you make an investment decision.

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PROSPECTUS SUMMARY

The following summary contains basic information about this offering. It does not contain all the information that may be important to an investor. For a more complete understanding of this offering, we encourage you to read this entire document and the documents to which we have referred.

Information contained or incorporated by reference in this prospectus may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which are statements about the future that may be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "plans," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act of 1933, as amended, or the Securities Act. The matters described in "Risk Factors" and certain other factors noted throughout this prospectus and in any exhibits to the registration statement of which this prospectus is a part, constitute cautionary statements identifying important factors with respect to any such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements. The Company reminds all investors that no forward-looking statement can be relied upon as an accurate or even mostly accurate forecast because humans cannot forecast the future.

The terms "we," "us," "our," "Prospect," and "Company" refer to Prospect Capital Corporation; "Prospect Capital Management" or the "Investment Adviser" refers to Prospect Capital Management LLC, our investment adviser; and "Prospect Administration" or the "Administrator" refers to Prospect Administration LLC, our administrator.

The Company

We are a financial services company that lends to and invests in middle market privately-held companies.

We were originally organized under the name "Prospect Street Energy Corporation" and we changed our name to "Prospect Energy Corporation" in June 2004. We changed our name again to "Prospect Capital Corporation" in May 2007 and at the same time terminated our policy of investing at least 80% of our net assets in energy companies. From our inception to the fiscal year ended June 30, 2007, we invested primarily in industries related to the industrial/energy economy. Since then, we have widened our strategy to focus on other sectors of the economy and continue to broaden our portfolio holdings.

We have been organized as a closed-end investment company since April 13, 2004 and have filed an election to be treated as a business development company under the 1940 Act. We are a non-diversified company within the meaning of the 1940 Act. Our headquarters are located at 10 East 40th Street, 44th Floor, New York, NY 10016, and our telephone number is (212) 448-0702.

The Investment Adviser

Prospect Capital Management, an affiliate of the Company, manages our investment activities. Prospect Capital Management is an investment adviser that has been registered under the Investment Advisers Act of 1940, or the Advisers Act, since March 31, 2004. Under an investment advisory and management agreement between us and Prospect Capital Management, or the Investment Advisory Agreement, we have agreed to pay Prospect Capital Management investment advisory fees, which will consist of an annual base management fee based on our gross assets, which we define as total assets without deduction for any liabilities, as well as a two-part incentive fee based on our performance.

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The Offering

We may offer, from time to time, in one or more offerings or series, together or separately, up to \$750,000,000 of our Securities, which we expect to use initially to maintain balance sheet liquidity, involving repayment of debt 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 objectives.

Our Securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to a particular offering will disclose the terms of that offering, including the name or names of any agents or underwriters involved in the sale of our Securities by us, the purchase price, and any fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters, or the basis upon which such amount may be calculated. See "Plan of Distribution." We may not sell any of our Securities through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of our Securities.

We may sell our common stock, or warrants, options or rights to acquire our common stock, at a price below the current net asset value of our common stock upon approval of our directors, including a majority of our independent directors, in certain circumstances. At our 2010 annual meeting, held on December 10, 2010, our stockholders approved our ability to sell or otherwise issue an unlimited number of shares of our common stock at any level of discount from net asset value per share for a period of twelve months, expiring on December 10, 2011. We are currently seeking stockholder approval at our 2011 annual meeting, to be held on December 8, 2011, to continue for an additional year our ability to issue shares of common stock below net asset value, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering. Similarly, our stockholders approved our ability to issue warrants, options or rights to acquire our common stock at our 2008 annual meeting of stockholders for an unlimited time period and in accordance with the 1940 Act which provides that the conversion or exercise price of such warrants, options or rights may be less than net asset value per share at the date such securities are issued or at the date such securities are converted into or exercised for shares of our common stock. See "Sales of Common Stock Below Net Asset Value" in this prospectus and in the prospectus supplement, if applicable. 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. We have no current intention of engaging in a rights offering, although we reserve the right to do so in the future.

Set forth below is additional information regarding the offering of our Securities:

Use of proceeds

Unless otherwise specified in a prospectus supplement, we intend to use the net proceeds from selling Securities pursuant to this prospectus initially to maintain balance sheet liquidity, involving repayment of debt under our credit facility, investments 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."

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Distributions

In June 2010, our Board of Directors approved a change in dividend policy from quarterly distributions to monthly distributions. Since that time, we have paid monthly distributions to the holders of our common stock and generally intend to continue to do so. The amount of the monthly distributions is determined by our Board of Directors and is based on our estimate of our investment company taxable income and net short-term capital gains. Certain amounts of the monthly distributions may from time to time be paid out of our capital rather than from earnings for the month as a result of our deliberate planning or accounting reclassifications. Distributions in excess of our current or accumulated earnings or profits constitute a return of capital and will reduce the stockholder's adjusted tax basis in such stockholder's common stock. After the adjusted basis is reduced to zero, these distributions will constitute capital gains to such stockholders. Certain additional amounts may be deemed as distributed to stockholders for income tax purposes. Other types of Securities will likely pay distributions in accordance with their terms. See "Price Range of Common Stock," "Distributions" and "Material U.S. Federal Income Tax Considerations."

Taxation

We have qualified and elected to be treated for U.S. Federal income tax purposes as a regulated investment company, or a RIC, under Subchapter M of the Internal Revenue Code of 1986, or the Code. As a RIC, we generally do not have to pay corporate-level U.S. Federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To maintain our qualification as a RIC and obtain RIC tax treatment, we must maintain specified source-of-income and asset diversification requirements and distribute annually 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. See "Distributions" and "Material U.S. Federal Income Tax Considerations."

Dividend reinvestment plan

We have a dividend reinvestment plan for our stockholders. This is an "opt out" dividend reinvestment plan. As a result, when we declare a dividend, the dividends are automatically reinvested in additional shares of our common stock, unless a stockholder specifically "opts 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 stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan."

The NASDAQ Global Select Market

Symbol

PSEC

Anti-takeover provisions

Our charter and bylaws, as well as certain statutory and regulatory requirements, contain provisions that may have the effect of discouraging a third party from making an acquisition proposal for us. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price of our common stock. See "Description Of Our Capital Stock."

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Management arrangements

Prospect Capital Management serves as our investment adviser. Prospect Administration serves as our administrator. For a description of Prospect Capital Management, Prospect Administration and our contractual arrangements with these companies, see "Business Management Services Investment Advisory Agreement," and "Business Management Services Administration Agreement."

Risk factors

Investment in our Securities involves certain risks relating to our structure and investment objective that should be considered by prospective purchasers of our Securities. We have a limited operating history upon which you can evaluate our business. In addition, as a business development company, our portfolio primarily includes securities issued by privately-held companies. These investments generally involve a high degree of business and financial risk, and are less liquid than public securities. We are required to mark the carrying value of our investments to fair value on a quarterly basis, and economic events, market conditions and events affecting individual portfolio companies can result in quarter-to-quarter mark-downs and mark-ups of the value of individual investments that collectively can materially affect our net asset value, or NAV. Also, our determinations of fair value of privately-held securities may differ materially from the values that would exist if there was a ready market for these investments. A large number of entities compete for the same kind of investment opportunities as we do. Moreover, our business requires a substantial amount of capital to operate and to grow and we seek additional capital from external sources. In addition, the failure to qualify as a RIC eligible for pass-through tax treatment under the Code on income distributed to stockholders could have a materially adverse effect on the total return, if any, obtainable from an investment in our Securities. See "Risk Factors" and the other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Securities.

Plan of distribution

We may offer, from time to time, up to \$750,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, or units comprised of any combination of the foregoing, on the terms to be determined at the time of the offering. Securities may be offered at prices and on terms described in one or more supplements to this prospectus directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The supplement to this prospectus relating to the offering will identify any agents or underwriters involved in the sale of our Securities, and will set forth any applicable purchase price, fee and commission or discount arrangement or the basis upon which such amount may be calculated. We may not sell Securities pursuant to this prospectus without delivering a prospectus supplement describing the method and terms of the offering of such Securities. For more information, see "Plan of Distribution."

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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. We caution you that some of the percentages indicated in the table below are estimates and may vary. In these tables, we assume that we have borrowed \$400 million under our credit facility, which is the maximum amount available under the credit facility. We do not intend to issue preferred stock during the year. Except where the context suggests otherwise, whenever this prospectus contains a reference to fees or expenses paid by "you" or "us" 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)(1)	5.00%
Offering expenses borne by us (as a percentage of offering price)(2)	0.50%
Dividend reinvestment plan expenses(3)	None
Total stockholder transaction expenses (as a percentage of offering price)(4)	5.50%
Annual expenses (as a percentage of net assets attributable to common stock)(4):	
Management fees(5)	3.35%
Incentive fees payable under Investment Advisory Agreement (20% of realized capital gains and 20% of pre-incentive fee net investment income)(6)	2.11%
Total advisory fees	5.46%
Interest payments on the credit facility	1.53%
Interest payments on the 2010 Notes(7)	0.84%
Interest payments on the 2011 Notes(8)	0.85%
Total interest expense	3.22%
Acquired Fund Fees and Expenses(9)	0.01%
Other expenses(10)	1.52%
Total annual expenses(6)(10)	10.21%

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 we would have borrowed all \$400 million available under our line of credit, that our annual operating expenses would remain at the levels set forth in the table above and that we would pay the 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	\$ 131.54	\$ 277.56	\$ 414.68	\$ 721.98

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 is unlikely to be material assuming a 5% annual return and is not included in the example. If we achieve sufficient returns on our

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investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our distributions to our common stockholders and our expenses would likely be higher. In addition, while the example assumes reinvestment of all dividends and other distributions at NAV, 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 distribution 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 distribution. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

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

- (1) In the event that the Securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the estimated applicable sales load.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the estimated offering expenses borne by us as a percentage of the offering price.
- (3) The expenses of the dividend reinvestment plan are included in "other expenses."
- (4) The related prospectus supplement will disclose the offering price and the total stockholder transaction expenses as a percentage of the offering price.
- (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). Although no plans are in place to borrow the full amount under our line of credit, assuming that we borrowed \$400 million, the 2% management fee of gross assets equals approximately 3.35% of net assets. See "Business Management Services Investment Advisory Agreement" and footnote 6 below.
- (6) Based on the incentive fee paid during our fiscal year ended June 30, 2011, 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 Services Investment Advisory Agreement" in this prospectus.
- (7) On December 21, 2010, the Company issued \$150 million in aggregate principal amount of 6.25% Convertible Senior Notes due 2015, which we refer to as the 2010 Notes. See "Business General" and "Risk Factors Risks Related to our Business" for more detail on the 2010 Notes.
- (8) On February 18, 2011, the Company issued \$172.5 million in aggregate principal amount of 5.5% Convertible Senior Notes due 2016, which we refer to as the 2011 Notes. See "Business General" and "Risk Factors Risks Related to our Business" for more detail on the 2011 Notes. The 2011 Notes and the 2010 Notes are referred to collectively as the Notes.
- (9) The Company's stockholders indirectly bear the expenses of underlying investment companies in which the Company invests. This amount includes the fees and expenses of investment companies in which the Company is invested in as of June 30, 2011. When applicable, fees and expenses are based on historic fees and expenses for the investment companies and for those investment companies with little or no operating history, fees and expenses are based on expected fees and expenses stated in the investment companies' prospectus or other similar communication without giving effect to any performance. Future fees and expenses for certain investment companies may be substantially higher or lower because certain fees and expenses are based on the performance of the investment companies, which may fluctuate over time. The amount of the Company's

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average net assets used in calculating this percentage was based on net assets of approximately \$1.1 billion as of June 30, 2011.

- (10) "Other expenses" are based on estimated amounts for the current fiscal year. The amount shown above represents annualized expenses during our three months ended June 30, 2011 representing all of our estimated recurring operating expenses (except fees and expenses reported in other items of this table) that are deducted from our operating income and reflected as expenses in our Statement of Operations. The estimate of our overhead expenses, including payments under an administration agreement with Prospect Administration, or the Administration Agreement, based on our projected allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations under the Administration Agreement. "Other expenses" does not include non-recurring expenses. See "Business Management Services Administration Agreement."

Table of Contents**SELECTED CONDENSED FINANCIAL DATA**

You should read the condensed consolidated financial information below with the Consolidated Financial Statements and notes thereto included in this prospectus. Financial information below for the years ended June 30, 2011, 2010, 2009, 2008 and 2007 has been derived from the financial statements that were audited by our independent registered public accounting firm. Certain reclassifications have been made to the prior period financial information to conform to the current period presentation. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" starting on page 33 for more information.

	For the Year/Period Ended June 30,				
	2011	2010	2009	2008	2007
(in thousands except data relating to shares, per share and number of portfolio companies)					
Performance Data:					
Interest income	\$ 134,454	\$ 86,518	\$ 62,926	\$ 59,033	\$ 30,084
Dividend income	15,092	15,366	22,793	12,033	6,153
Other income	19,930	12,675	14,762	8,336	4,444
Total investment income	169,476	114,559	100,481	79,402	40,681
Interest and credit facility expenses	(17,598)	(8,382)	(6,161)	(6,318)	(1,903)
Investment advisory expense	(46,051)	(30,727)	(26,705)	(20,199)	(11,226)
Other expenses	(11,606)	(8,260)	(8,452)	(7,772)	(4,421)
Total expenses	(75,255)	(47,369)	(41,318)	(34,289)	(17,550)
Net investment income	94,221	67,190	59,163	45,113	23,131
Realized and unrealized gains (losses)	24,017	(47,565)	(24,059)	(17,522)	(6,403)
Net increase in net assets from operations	\$ 118,238	\$ 19,625	\$ 35,104	\$ 27,591	\$ 16,728
Per Share Data:					
Net increase in net assets from operations(1)	\$ 1.38	\$ 0.33	\$ 1.11	\$ 1.17	\$ 1.06
Distributions declared per share	\$ (1.21)	\$ (1.33)	\$ (1.62)	\$ (1.59)	\$ (1.54)
Average weighted shares outstanding for the period	85,978,757	59,429,222	31,559,905	23,626,642	15,724,095
Assets and Liabilities Data:					
Investments	\$ 1,463,010	\$ 748,483	\$ 547,168	\$ 497,530	\$ 328,222
Other assets					
	7.125% 10/15/14	190,000	181,925		
	7.475% 10/15/12(c)	315,000	315,000		
Buckeye Technologies, Inc.					
	8.500% 10/01/13	60,000	61,050		
Caraustar Industries, Inc.					
	9.875% 04/01/11	235,000	247,338		
Georgia-Pacific Corp.					
	8.000% 01/15/24	530,000	530,000		
Neenah Paper, Inc.					
	7.375% 11/15/14	130,000	120,250		
Newark Group, Inc.					
	9.750% 03/15/14	200,000	176,000		
NewPage Corp.					
		250,000	261,875		

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10.000%
05/01/12

Norske Skog			
	8.625% 06/15/11	190,000	189,050
			2,328,188
Forest Products & Paper Total			2,328,188
Iron/Steel 0.5%			

Steel-Producers 0.2%

Steel Dynamics, Inc.			
	9.500% 03/15/09	160,000	167,600
			167,600
Steel-Specialty	0.3%		

UCAR Finance, Inc.			
	10.250%		
	02/15/12	215,000	228,975
			228,975
Iron/Steel Total			396,575
Metals & Mining	0.2%		

Mining Services 0.2%

**Hudson Bay Mining &
Smelting Co., Ltd.**

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

BASIC MATERIALS (continued)

Metals & Mining (continued)



Mining Services (continued)

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	9.625% 01/15/12	105,000	114,188
			114,188
Metals & Mining Total			114,188
BASIC MATERIALS TOTAL			7,295,494

COMMUNICATIONS 25.3%
Media 9.7%

Broadcast Services/Programs 0.3%



Fisher Communications, Inc.

8.625% 09/15/14

190,000

199,738

199,738

Cable TV 4.3%

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Atlantic Broadband Finance LLC			
	9.375% 01/15/14	390,000	362,700
Charter Communications Holdings II LLC			
	10.250% 09/15/10	320,000	318,400
Charter Communications Holdings LLC			
	9.920% 04/01/14(b)	1,210,000	629,200
CSC Holdings, Inc.			
	7.000% 04/15/12(b)	525,000	510,562
	7.625% 04/01/11	380,000	383,800
EchoStar DBS Corp.			
	6.625% 10/01/14	470,000	457,075
Insight Midwest LP			
	9.750% 10/01/09	275,000	284,281
Pegasus Satellite Communications, Inc.			
	11.250% 01/15/10(b)(d)	435,000	42,413
Telenet Group Holding NV			
	(a) 06/15/14		
	(11.500% 12/15/08)(b)	368,000	304,980
			3,293,411
Multimedia 1.5%			

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Advanstar Communications, Inc.	15.000% 10/15/11	310,000	325,112
Hights Cross Operating Co.	11.750% 08/15/11	120,000	127,200
Lamar Media Corp.	6.625% 08/15/15	310,000	311,550
Quebecor Media, Inc.	7.750% 03/15/16(b)	330,000	340,725
			1,104,587

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

COMMUNICATIONS (continued)

Media (continued)



Publishing-Newspapers 0.4%

Hollinger, Inc.

11.875% 03/01/11(b)	122,000	122,000
12.875% 03/01/11	177,000	184,744

306,744

Publishing-Periodicals 2.6%

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Dex Media West LLC	9.875% 08/15/13	624,000	691,860
Dex Media, Inc.	(a) 11/15/13 (9.000% 11/15/08)	250,000	209,375
PriMedia, Inc.	8.000% 05/15/13	500,000	447,500
RH Donnelley Corp.	8.875% 01/15/16(b)	290,000	302,325
WDAC Subsidiary Corp.	8.375% 12/01/14(b)	310,000	306,125
			1,957,185

Television 0.6%

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LIN Television Corp.	6.500% 05/15/13	135,000	129,600
Sinclair Broadcast Group, Inc.	8.750% 12/15/11	345,000	362,250
Media Total			491,850
Telecommunication Services 15.6%			7,353,515

Cellular Telecommunications 5.8%



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American Cellular Corp.	10.000% 08/01/11	135,000	146,981
Digicel Ltd.	9.250% 09/01/12(b)	340,000	359,125
Dobson Cellular Systems, Inc.	8.375% 11/01/11	400,000	424,000
	9.875% 11/01/12	255,000	278,587
Horizon PCS, Inc.	11.375% 07/15/12	190,000	218,025
iPCS Escrow Co.	11.500% 05/01/12	170,000	194,225
Nextel Communications, Inc.			

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

COMMUNICATIONS (continued)

Telecommunication Services (continued)



Cellular Telecommunications (continued)

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	7.375% 08/01/15	315,000	333,493
Nextel Partners, Inc.			
	8.125% 07/01/11	390,000	413,400
Rogers Cantel, Inc.			
	9.750% 06/01/16	385,000	473,550
Rogers Wireless, Inc.			
	8.000% 12/15/12	225,000	241,313
Rural Cellular Corp.			
	8.250% 03/15/12	320,000	338,000
	9.750% 01/15/10	65,000	66,463
	10.430% 11/01/12(b)(c)	285,000	297,112
US Unwired, Inc.			
	10.000% 06/15/12	500,000	566,264
			4,350,538
Satellite Telecommunications	2.0%		

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Inmarsat Finance II PLC			
	(a) 11/15/12		
	(10.375% 11/15/08)	460,000	387,550
Intelsat Bermuda Ltd.			
	8.250% 01/15/13(b)	640,000	655,200
PanAmSat Corp.			
	9.000% 08/15/14	226,000	238,995
Zeus Special Subsidiary Ltd.			
	(a) 02/01/15		
	(9.250% 02/01/10)(b)(c)	330,000	227,700
			1,509,445
Telecommunication Equipment	0.4%		

Lucent Technologies, Inc.				
	6.450%	03/15/29	360,000	302,400
Telecommunication Services	1.2%			302,400

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Syniverse Technologies, Inc.				
	7.750%	08/15/13	260,000	262,600
Time Warner Telecom Holdings, Inc.				
	9.250%	02/15/14	195,000	210,356
Time Warner Telecom, Inc.				
	10.125%	02/01/11	425,000	447,313
				920,269
Telephone-Integrated	5.1%			

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

COMMUNICATIONS (continued)

Telecommunication Services (continued)



Telephone-Integrated (continued)

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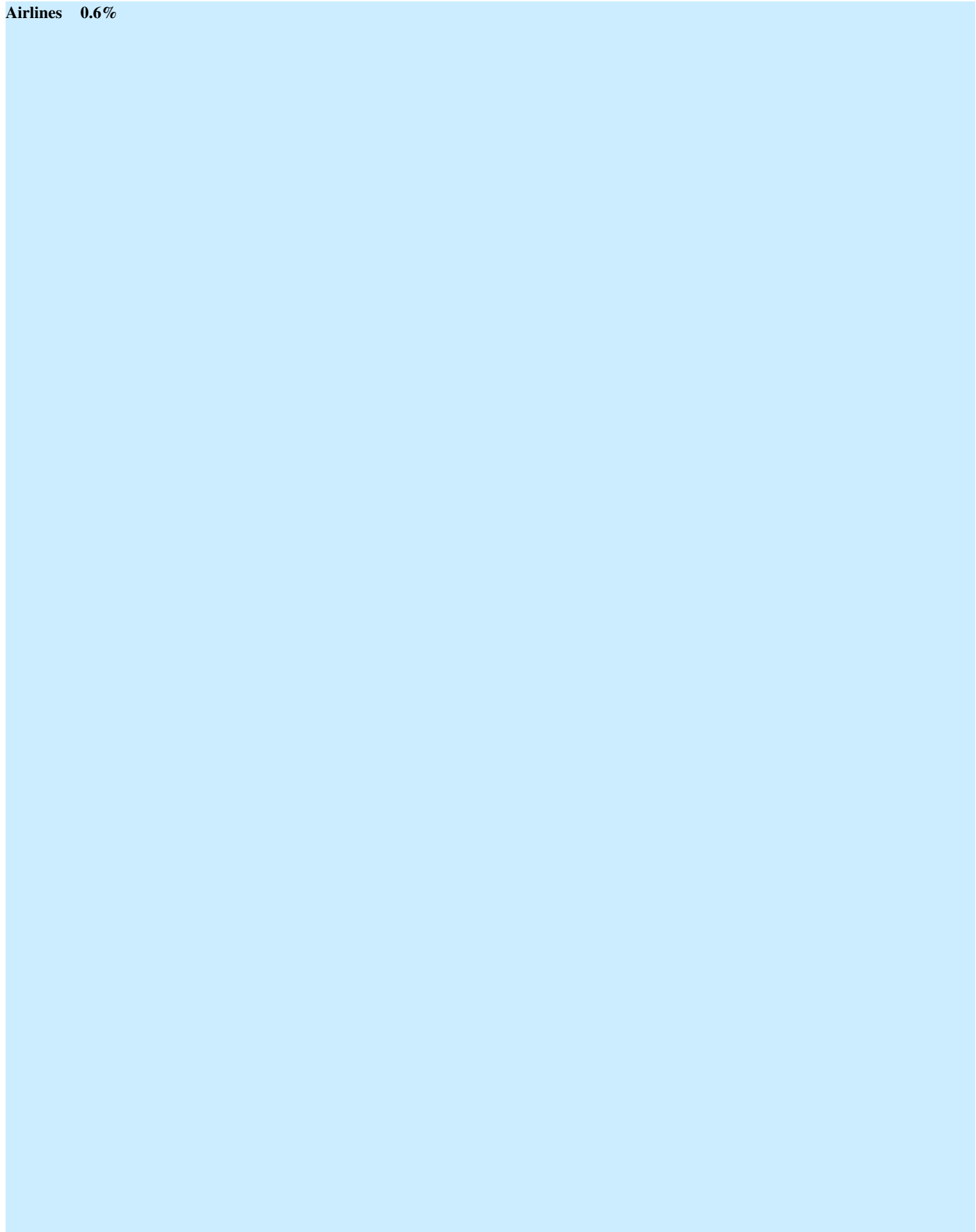
	11.000% 12/15/13	166,000	190,900
Cincinnati Bell, Inc.			
	7.000% 02/15/15	585,000	582,075
Citizens Communications Co.			
	9.000% 08/15/31	505,000	539,087
Qwest Capital Funding, Inc.			
	6.875% 07/15/28	710,000	654,975
Qwest Communications International, Inc.			
	7.500% 02/15/14	440,000	452,100
Qwest Corp.			
	7.500% 06/15/23	505,000	510,050
	8.875% 03/15/12	630,000	707,175
US LEC Corp.			
	12.716% 10/01/09(c)	225,000	244,125
			3,880,487
Wireless Equipment	1.1%		

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American Towers, Inc.			
	7.250% 12/01/11	335,000	350,913
SBA Telecommunications, Inc.			
	(a) 12/15/11		
	(9.750% 12/15/07)	492,000	464,940
			815,853
Telecommunication Services Total			11,778,992
COMMUNICATIONS TOTAL			19,132,507

CONSUMER CYCLICAL 21.5%

Airlines 0.6%



Airlines 0.6%

Continental Airlines, Inc.			
	7.568% 12/01/06	475,000	472,625
Airlines Total			472,625
Apparel 1.8%			472,625

Apparel Manufacturers 1.8%

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Broder Brothers Co.	11.250% 10/15/10	300,000	299,250
Levi Strauss & Co.	9.750% 01/15/15	550,000	585,750

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

CONSUMER CYCLICAL (continued)

Apparel (continued)



Apparel Manufacturers (continued)

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Phillips-Van Heusen Corp.			
	7.250% 02/15/11	370,000	379,250
	8.125% 05/01/13	60,000	63,900
Apparel Total			1,328,150
Auto Manufacturers 0.7%			1,328,150

Auto-Cars/Light Trucks 0.3%



General Motors Corp.

8.375% 07/15/33

265,000


186,825

186,825

Auto-Medium & Heavy Duty Trucks 0.4%

Navistar International Corp.			
	7.500% 06/15/11	330,000	332,475
			332,475
Auto Manufacturers Total			519,300
Auto Parts & Equipment	2.1%		

Auto/Truck Parts & Equipment-Original 0.5%



TRW Automotive, Inc.

9.375% 02/15/13

300,000

326,250

326,250

Auto/Truck Parts & Equipment-Replacement

0.7%


Commercial Vehicle Group, Inc.	8.000% 07/01/13	310,000	308,450
Rexnord Corp.	10.125% 12/15/12	200,000	219,500
			527,950

Rubber-Tires 0.9%

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Goodyear Tire & Rubber Co.	9.000% 07/01/15	695,000	698,475
			698,475
Auto Parts & Equipment Total			1,552,675
Distribution/Wholesale 0.2%			

Distribution/Wholesale 0.2%



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Buhrmann US, Inc.	7.875% 03/01/15	180,000	180,000
			180,000
Distribution/Wholesale Total			180,000

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

CONSUMER CYCLICAL (continued)

Entertainment 1.9%



Gambling (Non-Hotel) 0.5%

Global Cash Access LLC			
	8.750% 03/15/12	332,000	356,485
			356,485
Music	0.8%		

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Steinway Musical Instruments, Inc.			
	7.000% 03/01/14(b)	260,000	261,950
Warner Music Group			
	7.375% 04/15/14	390,000	391,950
			653,900
Resorts/Theme Parks	0.6%		

Six Flags, Inc.			
	9.625% 06/01/14	430,000	438,062
			438,062
Entertainment Total			1,448,447
Home Builders 1.4%			

Building-Residential/Commercial 1.4%

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D.R. Horton, Inc.			
	9.750% 09/15/10	415,000	473,100
K. Hovnanian Enterprises, Inc.			
	6.375% 12/15/14	310,000	292,175
	8.875% 04/01/12	170,000	178,075
Standard Pacific Corp.			
	7.000% 08/15/15	55,000	50,463
	9.250% 04/15/12	90,000	92,362
			1,086,175
Home Builders Total			1,086,175
Home Furnishings 0.4%			

Home Furnishings 0.4%

WII Components, Inc.			
	10.000% 02/15/12	260,000	260,000
			260,000
Home Furnishings Total			260,000
Leisure Time	0.7%		

Leisure & Recreational Products 0.3%

K2, Inc.			
	7.375% 07/01/14	245,000	246,837
			246,837

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

CONSUMER CYCLICAL (continued)

Leisure Time (continued)



Recreational Centers 0.4%

Town Sports International, Inc.

(a) 02/01/14

(11.000% 02/01/09)

395,000

284,400

284,400

Leisure Time Total

531,237

Lodging 8.4%

Casino Hotels 8.0%

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CCM Merger, Inc.	8.000% 08/01/13(b)	480,000	481,200
Chukchansi Economic Development Authority	8.000% 11/15/13(b)	335,000	345,050
	8.060% 11/15/12(b)(c)	275,000	282,563
Circus & Eldorado/Silver Legacy Capital Corp.	10.125% 03/01/12	355,000	380,738
Eldorado Casino Shreveport/Shreveport Capital Corp.	10.000% 08/01/12	761,933	609,546
Galaxy Entertainment Finance Co., Ltd.	9.875% 12/15/12(b)	290,000	300,875
Greektown Holdings LLC	10.750% 12/01/13(b)	385,000	387,406
Hard Rock Hotel, Inc.	8.875% 06/01/13	520,000	564,200
Inn of the Mountain Gods Resort & Casino	12.000% 11/15/10	325,000	342,875
Kerzner International Ltd.	6.750% 10/01/15	475,000	471,437
MGM Mirage	6.000% 10/01/09	270,000	267,975
	6.750% 09/01/12	480,000	486,000
	8.500% 09/15/10	115,000	124,200
Mohegan Tribal Gaming Authority	6.125% 02/15/13	210,000	208,950
Station Casinos, Inc.	6.000% 04/01/12	390,000	388,050
Wynn Las Vegas LLC	6.625% 12/01/14	450,000	444,375
			6,085,440

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

CONSUMER CYCLICAL (continued)

Lodging (continued)



Hotels & Motels 0.4%

Hilton Hotels Corp.			
	7.500% 12/15/17	260,000	286,807
			286,807
Lodging Total			6,372,247
Retail 3.0%			

Retail-Automobiles 0.4%

Asbury Automotive Group, Inc.			
	8.000% 03/15/14	320,000	321,600
			321,600
Retail-Drug Stores	0.3%		

Rite Aid Corp.			
	7.500% 01/15/15	270,000	260,213
Retail-Home Furnishings	0.6%		260,213

Tempur-Pedic, Inc.			
	10.250% 08/15/10	382,000	411,127
			411,127
Retail-Propane Distributors	1.1%		

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AmeriGas Partners LP	7.125% 05/20/16	240,000	242,400
Ferrellgas Partners LP	8.750% 06/15/12	300,000	303,750
Inergy LP/Inergy Finance Corp.	8.250% 03/01/16(b)	240,000	244,800
			790,950
Retail-Restaurants	0.4%		

Landry's Restaurants, Inc.				
		7.500% 12/15/14	305,000	295,469
Retail-Video Rental	0.2%			295,469

Movie Gallery, Inc.			
	11.000% 05/01/12	250,000	163,750
			163,750
Retail Total			2,243,109
Textiles 0.3%			

Textile-Products 0.3%

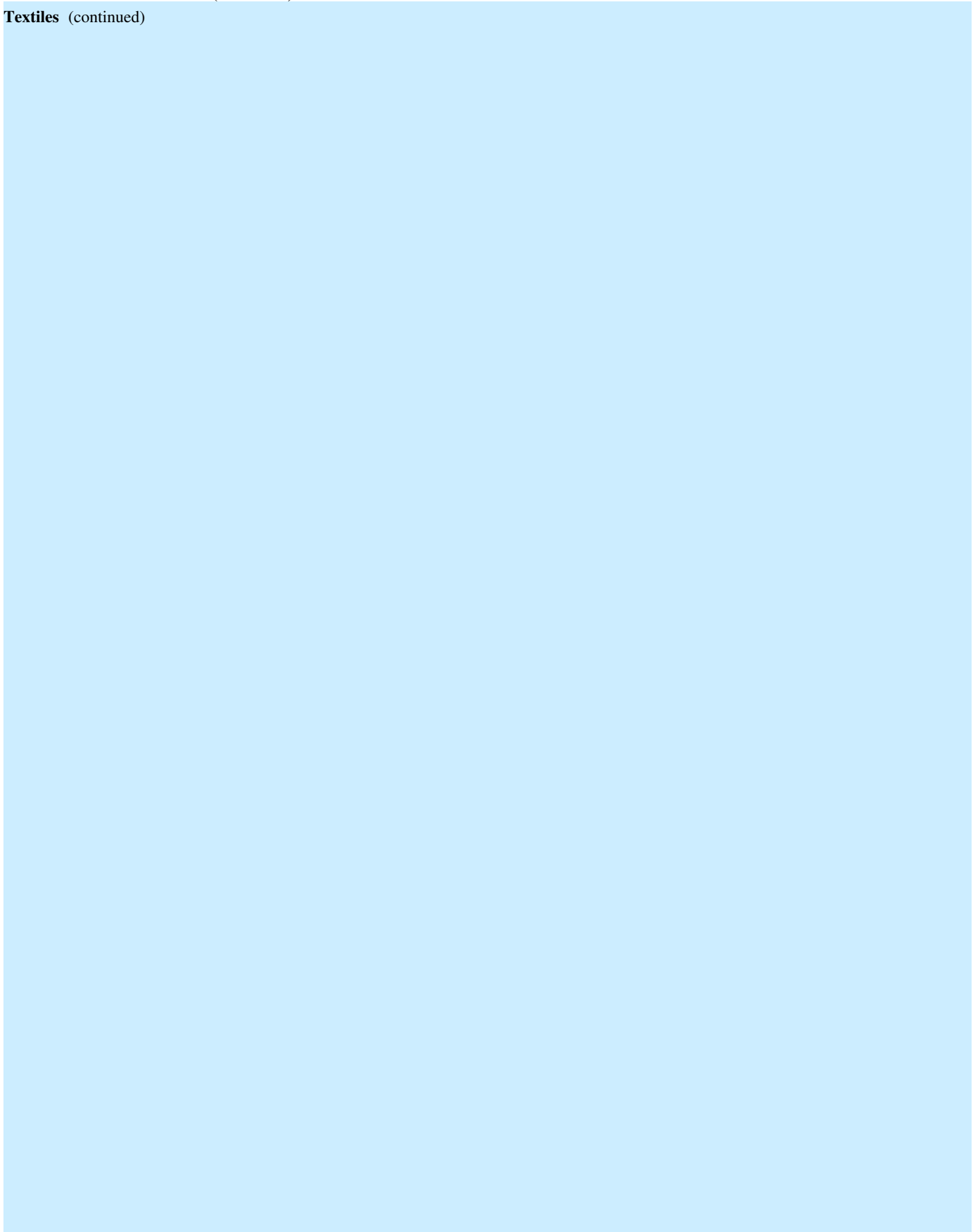
INVISTA



Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

CONSUMER CYCLICAL (continued)

Textiles (continued)



Textile-Products (continued)

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	9.250% 05/01/12(b)	235,000	250,275
			250,275
Textiles Total			250,275
CONSUMER CYCLICAL TOTAL			16,244,240

CONSUMER NON-CYCLICAL 17.8%
Agriculture 0.3%

Tobacco 0.3%



Alliance One International, Inc.			
	11.000% 05/15/12	265,000	250,425
Agriculture Total			250,425
Beverages 0.4%			250,425


Beverages-Wine/Spirits 0.4%



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Constellation Brands, Inc.			
	8.125% 01/15/12	245,000	257,556
			257,556
Beverages Total			257,556
Biotechnology	0.5%		

Medical-Biomedical/Gen 0.5%



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Bio-Rad Laboratories, Inc.			
	7.500% 08/15/13	340,000	358,700
			358,700
Biotechnology Total			358,700
Commercial Services	5.4%		

Commercial Services 0.6%



Iron Mountain, Inc.	7.750% 01/15/15	350,000	356,125
Mac-Gray Corp.	7.625% 08/15/15	90,000	91,800
			447,925

Commercial Services-Finance 0.3%

Dollar Financial Group, Inc.	9.750% 11/15/11	190,000	199,975
			199,975

Consulting Services	0.3%		
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FTI Consulting, Inc.

7.625% 06/15/13

200,000

210,000

210,000

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

CONSUMER NON-CYCLICAL (continued)

Commercial Services (continued)



Funeral Services & Related Items 0.6%

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Service Corp. International/US			
	7.700% 04/15/09	405,000	424,238
			424,238
Printing-Commercial	0.5%		

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Sheridan Group			
	10.250% 08/15/11	210,000	217,350
Vertis, Inc.			
	13.500% 12/07/09(b)	240,000	201,600
			418,950
Private Corrections	0.9%		

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Corrections Corp. of America			
	6.250% 03/15/13	360,000	358,200
GEO Group, Inc.			
	8.250% 07/15/13	355,000	359,437
			717,637
Rental Auto/Equipment	2.2%		

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Ashtead Holdings PLC			
	8.625% 08/01/15(b)	350,000	367,062
Hertz Corp.			
	8.875% 01/01/14(b)	330,000	344,850
NationsRent, Inc.			
	9.500% 10/15/10	435,000	476,325
United Rentals North America, Inc.			
	6.500% 02/15/12	295,000	293,525
	7.750% 11/15/13	150,000	150,375
			1,632,137
Commercial Services Total			4,050,862
Cosmetics/Personal Care	0.8%		

Cosmetics & Toiletries 0.8%



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DEL Laboratories, Inc.	8.000% 02/01/12	290,000	237,800
Elizabeth Arden, Inc.	7.750% 01/15/14	360,000	370,800
			608,600
Cosmetics/Personal Care Total			608,600

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

CONSUMER NON-CYCLICAL (continued)

Food 1.9%



Food-Confectionery 0.2%

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Merisant Co.			
	9.500% 07/15/13	215,000	134,913
Merisant Worldwide, Inc.			
	(a) 05/15/14		
	12.250% 11/15/08)	360,000	58,500
			193,413
Food-Miscellaneous/Diversified 1.4%			

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Dole Food Co., Inc.			
	8.625% 05/01/09	372,000	379,440
Pinnacle Foods Holding Corp.			
	8.250% 12/01/13	470,000	460,600
Reddy Ice Holdings, Inc.			
	(a) 11/01/12		
	(10.500% 11/01/08)	230,000	186,300
			1,026,340

Food-Retail 0.3%

Stater Brothers Holdings, Inc.			
	8.125% 06/15/12	220,000	222,200
			222,200
Food Total			1,441,953
Healthcare Services	3.5%		

Dialysis Centers 0.4%

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DaVita, Inc.			
	7.250% 03/15/15	325,000	331,500
			331,500
Medical-HMO	0.5%		

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Coventry Health Care, Inc.			
	8.125% 02/15/12	340,000	358,700
			358,700
Medical-Hospitals	1.4%		

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HCA, Inc.	7.875% 02/01/11	370,000	395,434
Tenet Healthcare Corp.	9.875% 07/01/14	630,000	644,962
			1,040,396

Medical-Outpatient/Home Medical 0.2%

Select Medical Corp.

7.625% 02/01/15

205,000

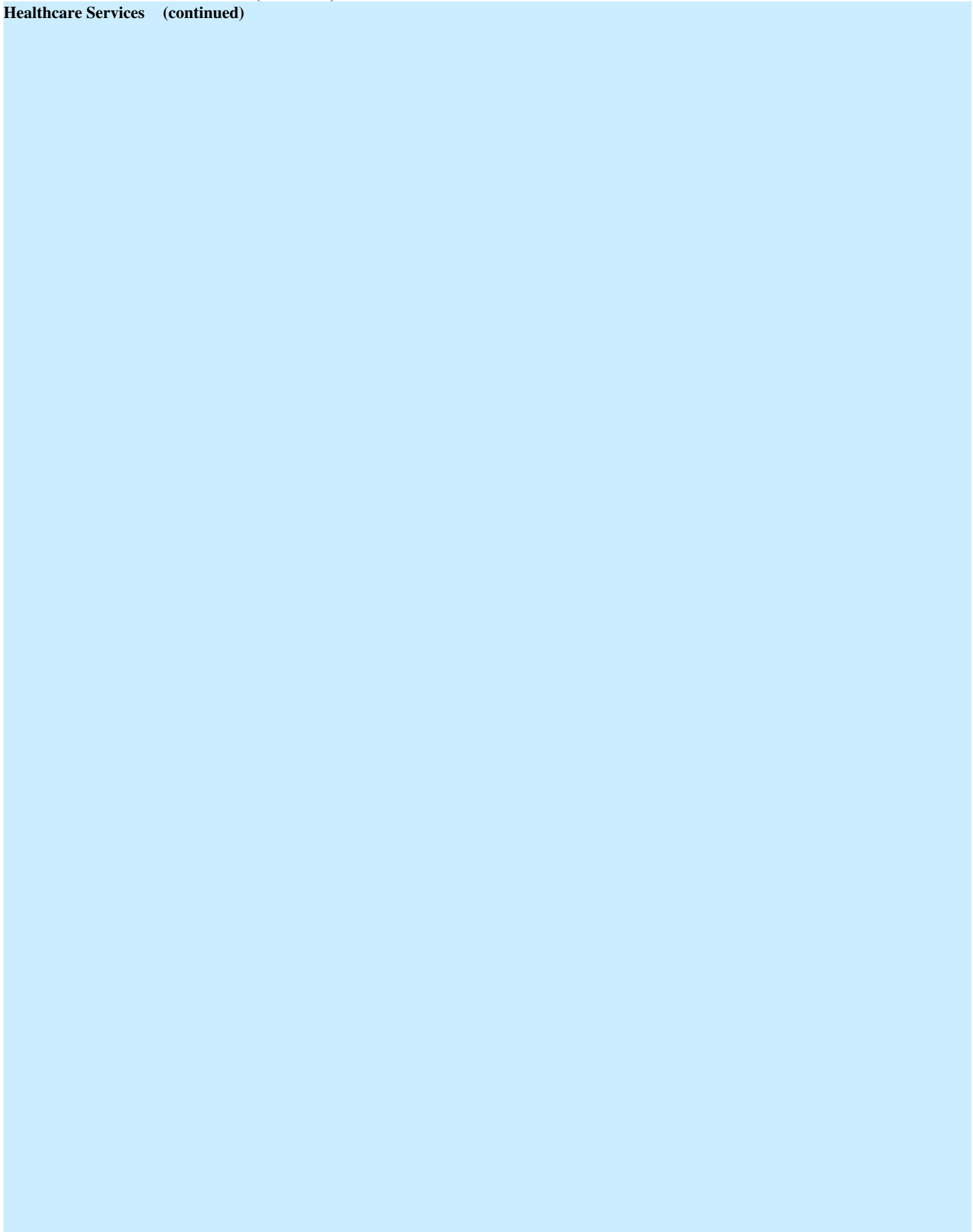
176,813

176,813

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

CONSUMER NON-CYCLICAL (continued)

Healthcare Services (continued)



MRI/Medical Diagnostic Imaging 0.3%

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MedQuest, Inc.			
	11.875% 08/15/12	145,000	111,650
MQ Associates, Inc.			
	(a) 08/15/12		
	(12.250% 08/15/08)	405,000	84,038
			195,688
Physician Practice Management	0.7%		

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US Oncology Holdings, Inc.			
	9.264% 03/15/15(c)	145,000	145,362
US Oncology, Inc.			
	9.000% 08/15/12	390,000	417,300
			562,662
Healthcare Services Total			2,665,759
Household Products/Wares 2.0%			

Consumer Products-Miscellaneous 1.7%

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Amscan Holdings, Inc.	8.750% 05/01/14	320,000	276,800
Jostens IH Corp.	7.625% 10/01/12	300,000	305,250
Playtex Products, Inc.	9.375% 06/01/11	350,000	367,062
Scotts Miracle-Gro Co., Class A	6.625% 11/15/13	330,000	336,600
			1,285,712
Office Supplies & Forms	0.3%		

ACCO Brands Corp.			
	7.625% 08/15/15	270,000	251,775
			251,775
Household Products/Wares Total			1,537,487
Pharmaceuticals 3.0%			

Medical-Drugs 1.0%

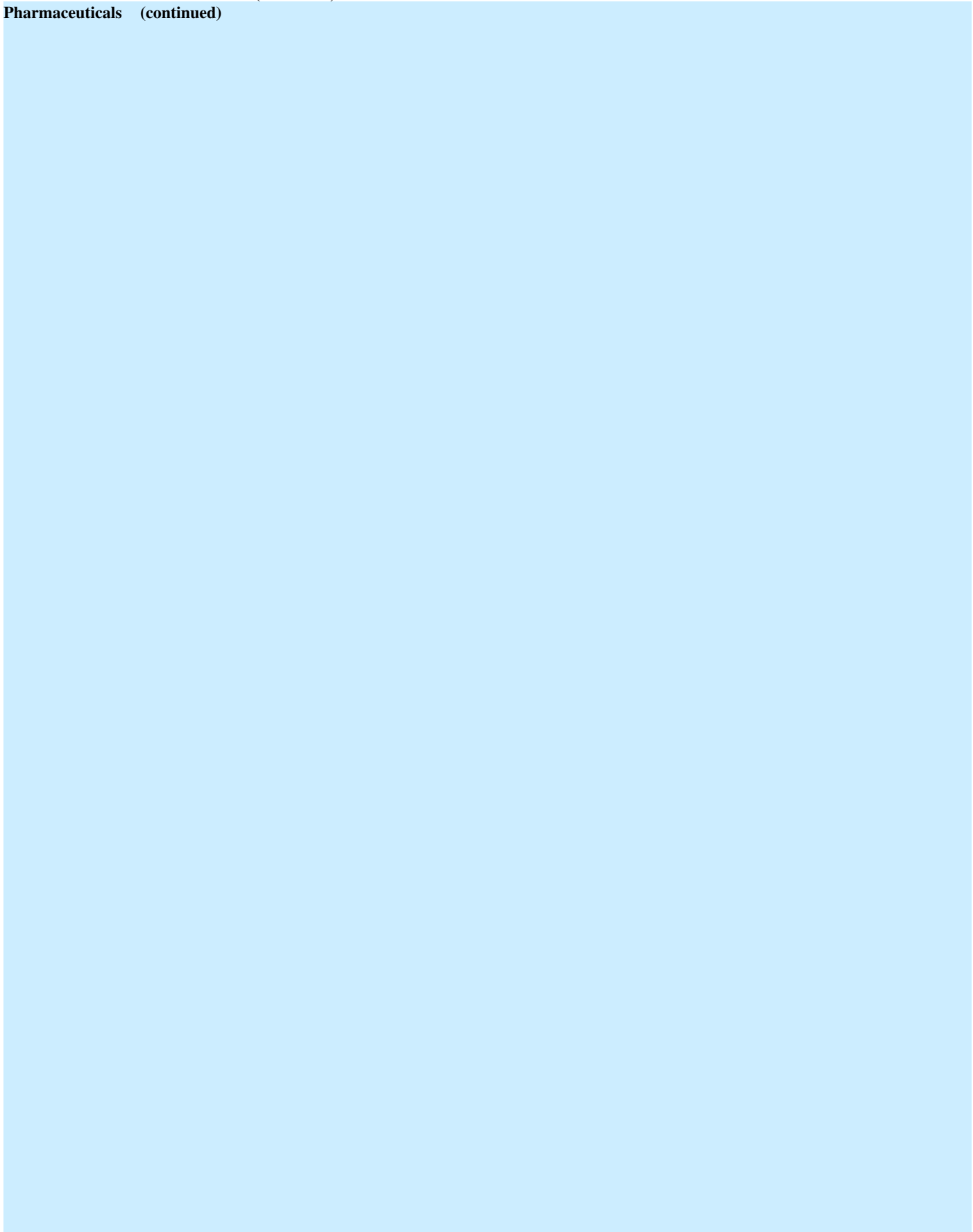
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Elan Finance PLC	7.750% 11/15/11	505,000	467,756
Warner Chilcott Corp.	9.000% 02/01/15(b)	270,000	267,300
			735,056

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

CONSUMER NON-CYCLICAL (continued)

Pharmaceuticals (continued)



Medical-Generic Drugs 0.6%

Mylan Laboratories, Inc.			
	6.375% 08/15/15	445,000	451,675
Medical-Wholesale Drug Distribution	0.8%		451,675

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AmerisourceBergen Corp.			
	5.875% 09/15/15(b)	225,000	226,969
Nycomed A/S			
	PIK,		
	11.750% 09/15/13(b)	322,321	399,608
			626,577

Pharmacy Services 0.2%

Omnicare, Inc.

6.750% 12/15/13

170,000

172,550

172,550


Vitamins & Nutrition Products 0.4%

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NBTY, Inc.			
	7.125% 10/01/15(b)	265,000	251,088
			251,088
Pharmaceuticals Total			2,236,946
CONSUMER NON-CYCLICAL TOTAL			13,408,288

ENERGY 11.8%
Coal 1.3%

Coal 1.3%



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Arch Western Finance LLC			
	6.750% 07/01/13	415,000	417,075
Massey Energy Co.			
	6.875% 12/15/13(b)	535,000	537,675
Coal Total			954,750
Oil & Gas 4.1%			954,750

Oil & Gas Drilling 0.3%



Pride International, Inc.

7.375% 07/15/14

220,000

235,400

235,400

Oil Companies-Exploration & Production 3.0%

Chesapeake Energy Corp.

6.375% 06/15/15

145,000

145,000

7.500% 06/15/14

370,000

394,050

Compton Petroleum Corp.

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

ENERGY (continued)
Oil & Gas (continued)



Oil Companies-Exploration & Production
(continued)

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	7.625% 12/01/13	310,000	316,200
Delta Petroleum Corp.			
	7.000% 04/01/15	200,000	193,500
Forest Oil Corp.			
	8.000% 12/15/11	220,000	240,350
Magnum Hunter Resources, Inc.			
	9.600% 03/15/12	283,000	305,994
Pogo Producing Co.			
	6.625% 03/15/15	225,000	225,562
Whiting Petroleum Corp.			
	7.250% 05/01/12	450,000	452,250
			2,272,906

Oil Refining & Marketing 0.8%

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Premcor Refining Group, Inc.			
	7.500% 06/15/15	235,000	250,275
Tesoro Corp.			
	6.625% 11/01/15(b)	325,000	328,250
			578,525
Oil & Gas Total			3,086,831
Oil & Gas Services	0.8%		

Oil-Field Services 0.8%



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Hornbeck Offshore Services, Inc.	6.125% 12/01/14(b)	365,000	363,175
Newpark Resources, Inc.	8.625% 12/15/07	270,000	270,338
Oil & Gas Services Total			633,513
Pipelines 5.6%			633,513

Pipelines 5.6%

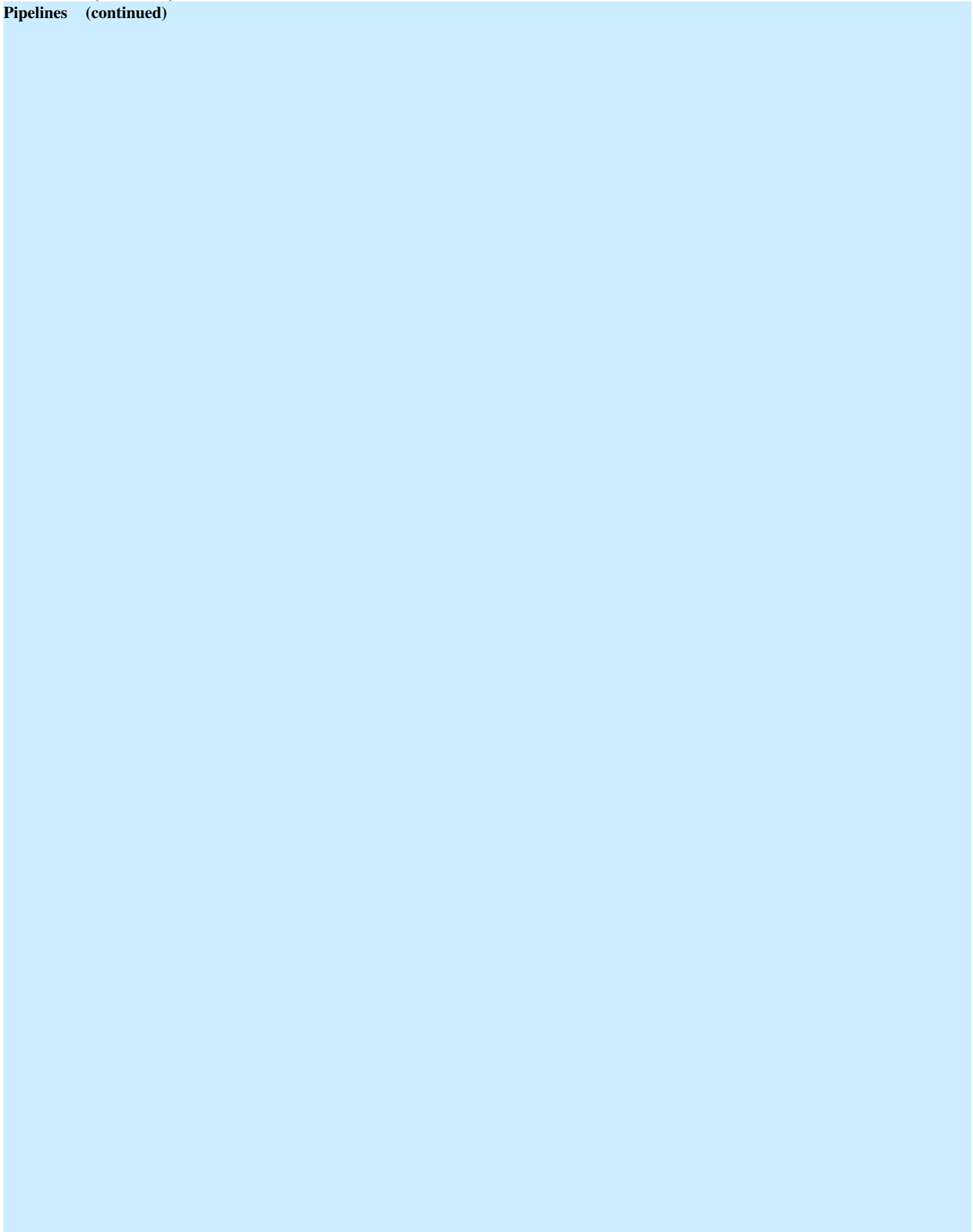


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Atlas Pipeline Partners LP	8.125% 12/15/15(b)	235,000	242,638
Colorado Interstate Gas Co.	6.800% 11/15/15(b)	460,000	478,400
El Paso Corp.	7.625% 09/01/08(b)	215,000	219,031
Northwest Pipeline Corp.	8.125% 03/01/10	130,000	137,963

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

ENERGY (continued)
Pipelines (continued)



Pipelines (continued)

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Pacific Energy Partners LP/Pacific Energy Finance Corp.			
	6.250% 09/15/15	410,000	409,487
Sonat, Inc.			
	7.625% 07/15/11	1,350,000	1,404,000
Southern Natural Gas Co.			
	8.875% 03/15/10	250,000	267,187
Williams Companies, Inc.			
	6.375% 10/01/10(b)	860,000	871,825
	8.125% 03/15/12	165,000	181,500
			4,212,031
Pipelines Total			4,212,031
ENERGY TOTAL			8,887,125

FINANCIALS 5.8%

Diversified Financial Services 5.2%

Finance-Auto Loans 2.3%



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Ford Motor Credit Co.			
	7.375% 02/01/11	500,000	451,271
General Motors Acceptance Corp.			
	6.875% 09/15/11(d)	405,000	364,418
	8.000% 11/01/31(d)	990,000	905,850
			1,721,539
Finance-Investment Banker/Broker	1.6%		

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E*Trade Financial Corp.	8.000% 06/15/11	365,000	384,163
LaBranche & Co., Inc.	11.000% 05/15/12	775,000	862,187
			1,246,350
Special Purpose Entity	1.3%		

Dow Jones CDX High Yield Index	8.750% 12/29/10(b)	980,000	1,002,050
			1,002,050
Diversified Financial Services Total			3,969,939
Real Estate Investment Trusts 0.2%			


REITS-Hotels 0.2%

Host Marriott LP			
	6.375% 03/15/15	145,000	145,362
			145,362
Real Estate Investment Trusts Total			145,362

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

FINANCIALS (continued)

Savings & Loans 0.4%



Savings & Loans/Thrifs-Western US 0.4%

Western Financial Bank			
	9.625% 05/15/12	255,000	286,876
Savings & Loans Total			286,876
FINANCIALS TOTAL			4,402,177

INDUSTRIALS 18.6%
Aerospace & Defense 2.4%



Aerospace/Defense-Equipment 1.9%

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Argo-Tech Corp.	9.250% 06/01/11	285,000	302,100
BE Aerospace, Inc.	8.500% 10/01/10	375,000	401,250
Sequa Corp.	8.875% 04/01/08	185,000	194,250
	9.000% 08/01/09	160,000	172,000
Standard Aero Holdings, Inc.	8.250% 09/01/14	140,000	123,550
TransDigm, Inc.	8.375% 07/15/11	250,000	261,875
			1,455,025

Electronics-Military 0.5%

L-3 Communications Corp.			
	5.875% 01/15/15	75,000	72,375
	6.375% 10/15/15	285,000	285,000
			357,375
Aerospace & Defense Total			1,812,400
Building Materials	0.9%		


Building & Construction Products-Miscellaneous

0.5%

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Nortek, Inc.			
	8.500% 09/01/14	200,000	199,000
NTK Holdings, Inc.			
	(a) 03/01/14		
	(10.750% 09/01/09)	295,000	205,025
			404,025
Building Products-Cement/Aggregation 0.4%			

RMCC Acquisition Co.



Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

INDUSTRIALS (continued)
Building Materials (continued)



**Building Products-Cement/Aggregation
(continued)**

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	9.500% 11/01/12(b)	265,000	270,300
			270,300
Building Materials Total			674,325
Electronics	0.7%		

Electronic Components-Miscellaneous 0.7%



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Flextronics International Ltd.			
	6.250% 11/15/14	305,000	303,475
Sanmina-SCI Corp.			
	6.750% 03/01/13	200,000	192,500
Electronics Total			495,975
Engineering & Construction			495,975
0.7%			

Building & Construction-Miscellaneous 0.7%



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J. Ray McDermott SA			
	11.500% 12/15/13(b)	445,000	529,550
Engineering & Construction Total			529,550
Environmental Control	1.7%		529,550

Non-Hazardous Waste Disposal 1.5%



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Allied Waste North America, Inc.			
	7.250% 03/15/15	225,000	230,062
	7.875% 04/15/13	590,000	616,550
Waste Services, Inc.			
	9.500% 04/15/14	305,000	311,100
			1,157,712
Recycling	0.2%		

Aleris International, Inc.			
	9.000% 11/15/14	120,000	126,300
			126,300
Environmental Control Total			1,284,012
Machinery-Construction & Mining	0.2%		

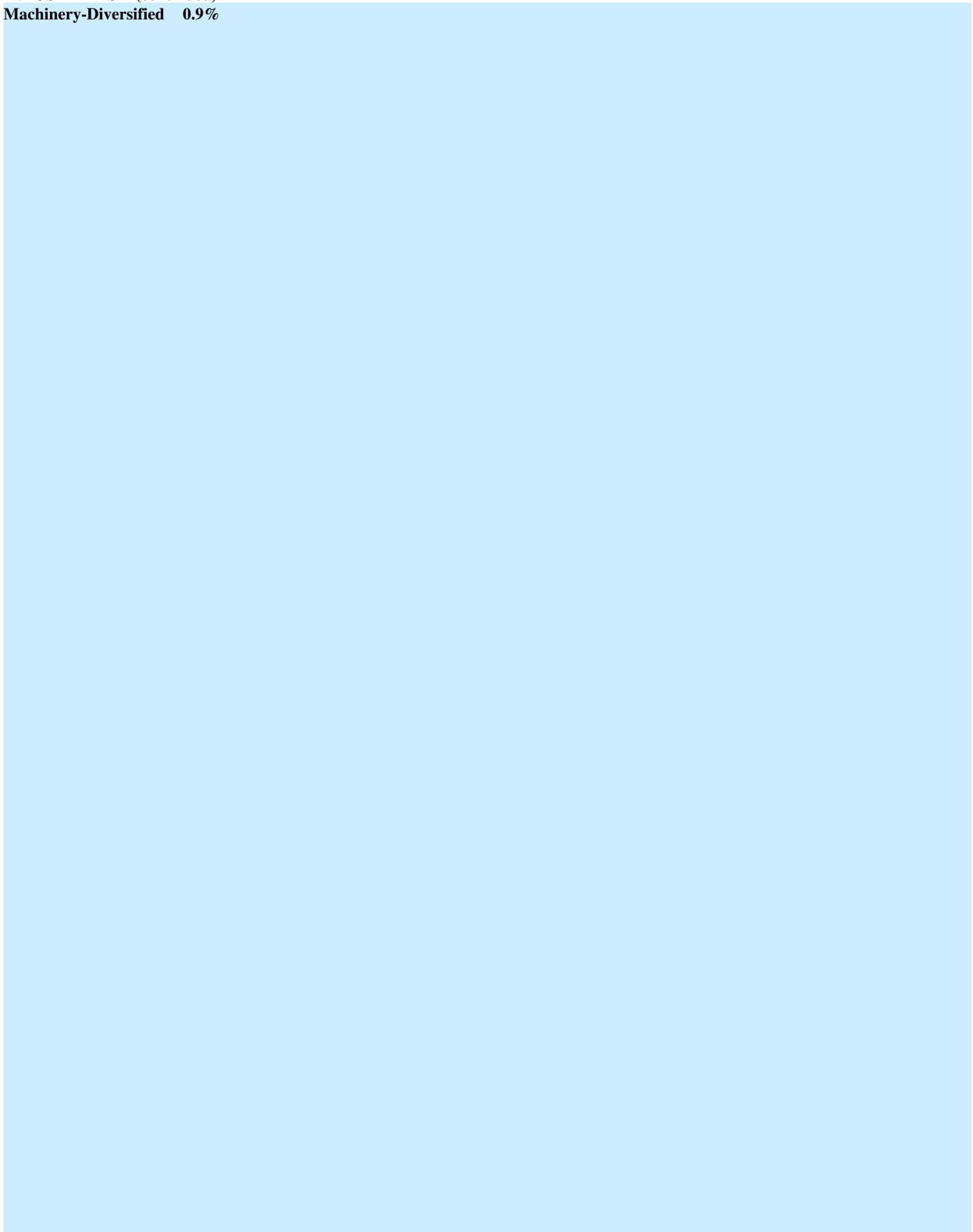
Machinery-Construction & Mining 0.2%

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Terex Corp.			
	7.375% 01/15/14	180,000	184,050
			184,050
Machinery-Construction & Mining Total			184,050

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

INDUSTRIALS (continued)
Machinery-Diversified 0.9%



Machinery-General Industry 0.6%

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Douglas Dynamics LLC	7.750% 01/15/12(b)	290,000	279,850
Manitowoc Co., Inc.	7.125% 11/01/13	165,000	169,950
			449,800
Machinery-Material Handling	0.3%		

Columbus McKinnon Corp.			
	8.875% 11/01/13	255,000	268,388
			268,388
Machinery-Diversified Total			718,188
Metal Fabricate/Hardware	1.1%		

Metal Processors & Fabrication 0.8%

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Mueller Group, Inc.			
	10.000% 05/01/12	225,000	246,094
Mueller Holdings, Inc.			
	(a) 04/15/14		
	(14.750% 04/15/09)	270,000	215,325
TriMas Corp.			
	9.875% 06/15/12	205,000	180,912
			642,331
Metal Products-Fasteners	0.3%		

FastenTech, Inc.			
	11.500% 05/01/11	230,000	220,225
			220,225
Metal Fabricate/Hardware Total			862,556
Miscellaneous Manufacturing	2.6%		

Diversified Manufacturing Operators 2.2%

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Bombardier, Inc.	6.300% 05/01/14(b)	640,000	579,200
J.B. Poindexter & Co.	8.750% 03/15/14	270,000	219,375
Koppers Industries, Inc.	9.875% 10/15/13	360,000	394,200
Trinity Industries, Inc.	6.500% 03/15/14	445,000	445,000
			1,637,775

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

INDUSTRIALS (continued)

Miscellaneous Manufacturing (continued)



Miscellaneous Manufacturing 0.4%

Samsonite Corp.			
	8.875% 06/01/11	295,000	311,225
			311,225
Miscellaneous Manufacturing Total			1,949,000
Packaging & Containers	3.8%		

Containers-Metal/Glass 2.0%

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Crown Americas LLC	7.750% 11/15/15(b)	410,000	427,425
Owens-Brockway Glass Container, Inc.	8.250% 05/15/13	900,000	940,500
Owens-Illinois, Inc.	7.500% 05/15/10	140,000	142,800
			1,510,725
Containers-Paper/Plastic	1.8%		

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Consolidated Container Co., LLC			
	(a) 06/15/09		
	(10.750% 06/15/07)	240,000	207,600
Jefferson Smurfit Corp.			
	8.250% 10/01/12	450,000	439,875
	PIK,		
	11.500% 10/01/15(b)	253,615	305,358
MDP Acquisitions PLC			
	9.625% 10/01/12	365,000	385,075
			1,337,908
Packaging & Containers Total			2,848,633
Transportation 3.6%			

Transportation-Marine 1.6%

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Ship Finance International Ltd.			
	8.500% 12/15/13	670,000	631,475
Stena AB			
	7.500% 11/01/13	555,000	545,981
			1,177,456
Transportation-Railroad	0.7%		

TFM SA de CV

9.375% 05/01/12

375,000

414,375

12.500% 06/15/12

100,000

113,000

527,375

Transportation-Services 1.0%

	Par (\$)	Value (\$)
Corporate Fixed-Income Bonds & Notes (continued)		

INDUSTRIALS (continued)
Transportation (continued)



Transportation-Services (continued)

	7.375% 05/01/14	450,000	461,250
Petroleum Helicopters, Inc.			
	9.375% 05/01/09	320,000	336,400
			797,650

Transportation-Trucks 0.3%

QDI LLC			
	9.000% 11/15/10	225,000	198,000
			198,000
Transportation Total			2,700,481
INDUSTRIALS TOTAL			14,059,170

TECHNOLOGY 0.7%

Office/Business Equipment 0.5%

Office Automation & Equipment 0.5%



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Xerox Corp.	7.125% 06/15/10	330,000	341,550
			341,550
Office/Business Equipment Total			341,550
Semiconductors 0.2%			

Electronic Components-Semiconductors 0.2%



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Amkor Technology, Inc.			
	9.250% 02/15/08	150,000	151,875
Semiconductors Total			151,875
TECHNOLOGY TOTAL			493,425

UTILITIES 6.4%
Electric 6.4%

Electric-Generation 1.6%



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AES Corp.			
	9.000% 05/15/15(b)	110,000	120,450
	9.500% 06/01/09	460,000	499,675
Edison Mission Energy			
	7.730% 06/15/09	585,000	606,938
			1,227,063
Electric-Integrated	1.8%		

CMS Energy Corp.

6.875% 12/15/15

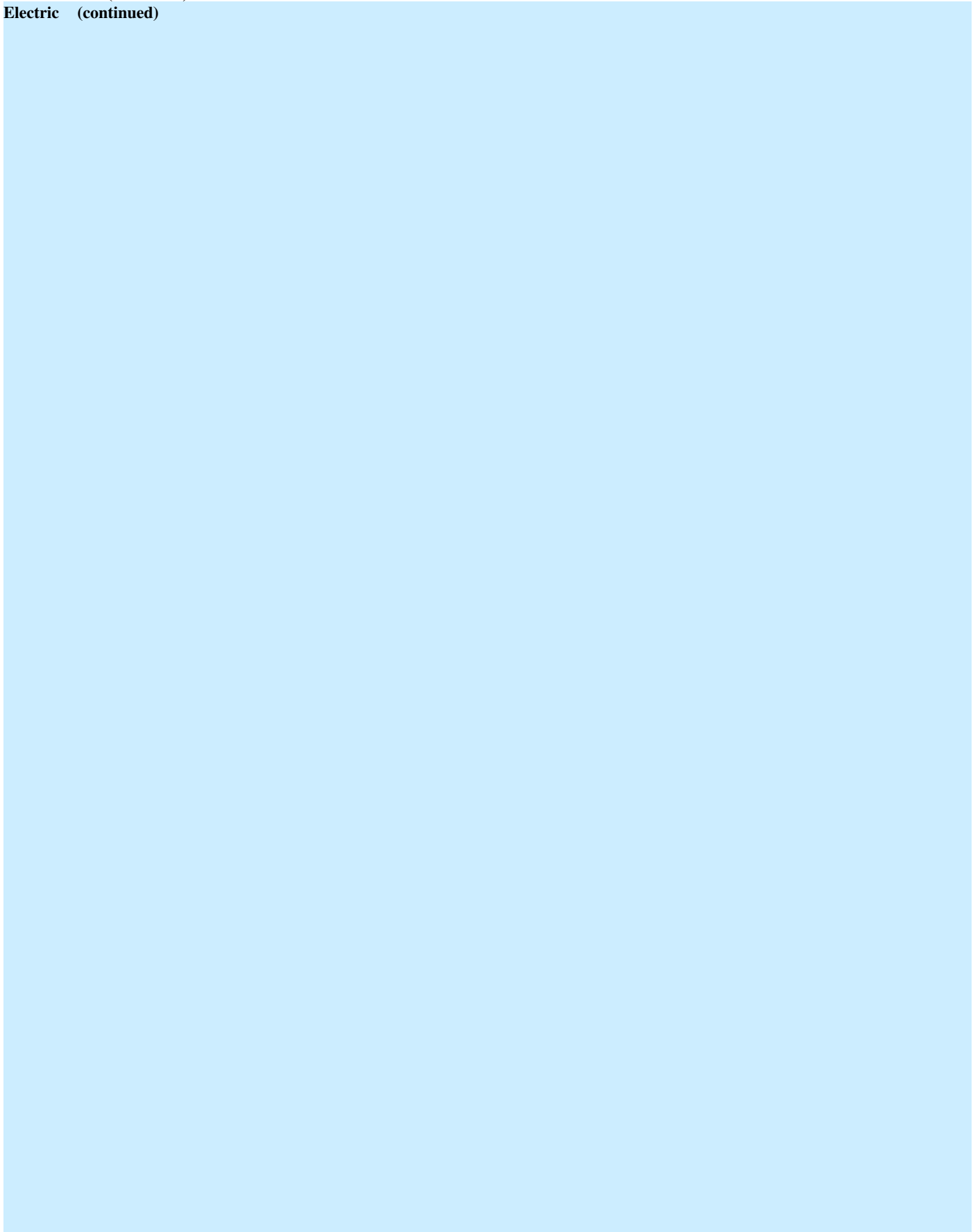
200,000

204,500

Corporate Fixed-Income Bonds & Notes (continued)	Par (\$)	Value (\$)
[Redacted content]		

UTILITIES (continued)

Electric (continued)



Electric-Integrated (continued)

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	8.500% 04/15/11	125,000	136,563
Nevada Power Co.			
	9.000% 08/15/13	120,000	132,744
	10.875% 10/15/09	221,000	239,785
Sierra Pacific Resources			
	6.750% 08/15/17(b)	355,000	355,887
TECO Energy, Inc.			
	7.000% 05/01/12	255,000	268,387
			1,337,866
Independent Power Producer	3.0%		

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Dynergy Holdings, Inc.			
	6.875% 04/01/11	300,000	299,250
	7.125% 05/15/18	140,000	135,800
	9.875% 07/15/10(b)	360,000	394,200
Mirant North America LLC			
	7.375% 12/31/13(b)	480,000	493,200
MSW Energy Holdings LLC			
	7.375% 09/01/10	170,000	175,950
	8.500% 09/01/10	325,000	347,750
NRG Energy, Inc.			
	7.250% 02/01/14	210,000	214,200
	7.375% 02/01/16	200,000	205,500
			2,265,850
Electric Total			4,830,779
UTILITIES TOTAL			4,830,779

Total Corporate Fixed-Income Bonds & Notes (cost of \$88,613,466)	88,753,204
---	-------------------

Preferred Stocks	2.6%	Shares	Value (\$)
[Redacted content]			

COMMUNICATIONS 1.0%

Media 1.0%



Radio 1.0%

Spanish Broadcasting System, Inc.			
	PIK,		
	10.750%	692	747,360
Media Total			747,360
COMMUNICATIONS TOTAL			747,360

FINANCIALS 1.6%

Real Estate Investment Trusts 1.6%

REITS - Diversified 1.6%



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iStar Financial, Inc.	7.800%	13,000	325,000
	7.875%	15,007	374,237
Sovereign Real Estate Investment Corp.	12.000%(b)	365,000	532,900
Real Estate Investment Trusts Total			1,232,137
FINANCIALS TOTAL			1,232,137

Total Preferred Stocks (cost of \$1,966,480)	1,979,497
---	------------------

		Shares	Value (\$)
Common Stocks	1.0%		

CONSUMER DISCRETIONARY 0.1%

Hotels, Restaurants & Leisure 0.1%



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	Shreveport Gaming Holdings, Inc. (e)	4,862	41,327
Hotels, Restaurants & Leisure Total			41,327
CONSUMER DISCRETIONARY TOTAL			41,327

INDUSTRIALS 0.0%

Commercial Services & Supplies 0.0%

Fairlane Management Corp.
(e)(f)(g)

8,000

Commercial Services & Supplies Total
INDUSTRIALS TOTAL

MATERIALS 0.1%
Chemicals 0.1%



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	Lyondell Chemical Co.	5,000	104,600
Chemicals Total			104,600
MATERIALS TOTAL			104,600

TELECOMMUNICATION SERVICES

0.5%

Diversified Telecommunication Services

0.3%

	NTL, Inc. (e)	2,942	193,731
Diversified Telecommunication Services Total			193,731

Wireless Telecommunication Services

0.2%

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	Sprint Nextel Corp.	7,853	188,707
Wireless Telecommunication Services Total			188,707
TELECOMMUNICATION SERVICES TOTAL			382,438

UTILITIES 0.3%

Independent Power Producers & Energy

Traders 0.3%

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	Dynergy, Inc., Class A (e)	13,000	70,330
	Mirant Corp. (e)	4,780	117,588
Independent Power Producers & Energy Traders Total			187,918
UTILITIES TOTAL			187,918

Total Common Stocks
(cost of \$852,412)

716,283

Par (\$)

Municipal Bond (Taxable) 0.8%

CALIFORNIA 0.8%

CA Cabazon Band Mission Indians

Municipal Bond (Taxable) (continued)	Par (\$)	Value (\$)
[Redacted content]		

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CALIFORNIA (continued)			
	13.000% 10/01/11(b)	575,000	577,081
		CALIFORNIA TOTAL	577,081
	Total Municipal Bond (Taxable) (cost of \$575,000)		577,081
Convertible Bonds	0.8%		

COMMUNICATIONS 0.8%

Telecommunication Services 0.8%

Telecommunication Equipment 0.8%



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Nortel Networks Corp.			
	4.250% 09/01/08	645,000	608,719
			608,719
	Telecommunication Services Total		608,719
	COMMUNICATIONS TOTAL		608,719

Total Convertible Bonds
(cost of \$593,587)

608,719

Units

Warrants 0.0%

COMMUNICATIONS 0.0%

Media 0.0%



Broadcast Services/Programs 0.0%

XM Satellite Radio Holdings, Inc.

Expires 03/15/10(b)(e)	600	15,600
		15,600
Media Total		15,600

Telecommunication Services 0.0%

Cellular Telecommunications 0.0%

UbiquiTel, Inc.				
	Expires 04/15/10(b)		525	5
				5
Telecommunication Services	0.0%			
Jazztel PLC				
	Expires 07/15/10(e)(f)(g)	EUR	350	
	Telecommunication Services Total			5
	COMMUNICATIONS TOTAL			15,605

INDUSTRIALS 0.0%

Metal Fabricate/Hardware 0.0%



Metal Processors & Fabrication 0.0%

Mueller Holdings, Inc.

Expires 04/15/14(e)(f)

190

224

224

Metal Fabricate/Hardware Total

224

Warrants (continued)	Units	Value (\$)
[Redacted content]		

INDUSTRIALS (continued)

Transportation 0.0%



Transportation - Trucks 0.0%

QDI LLC

Expires 01/15/07(b)(e)(f)	2,041	16,369
		16,369
Transportation Total		16,369
INDUSTRIALS TOTAL		16,593

Total Investments	136.8%	
(cost of \$103,278,069)(h)(i)		103,246,982
Other Assets & Liabilities, Net	(36.8)%	(27,766,266)
Net Assets	100.0%	75,480,716

Notes to Investment Portfolio:

* Security Valuation:

Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees, based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation. Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

Equity securities are valued at the last sale price on the principal exchange on which they trade, except for securities traded on the NASDAQ, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Forward currency exchange contracts are valued at the prevailing forward exchange rate of the underlying currencies.

Foreign securities are generally valued at the last sale price on the foreign exchange or market on which they trade. If any foreign share prices are not readily available as a result of limited share activity, the securities are valued at the last sale price of the local shares in the principal market in which such securities are normally traded.

Generally, trading in foreign securities is substantially completed each day at various times prior to the close of the New York Stock Exchange (NYSE). The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. Events affecting the values of such foreign securities and such exchange rates may occur between the times at which they are determined and the close of the customary trading session of the NYSE, which would not be reflected in the computation of the Fund's net asset value. If events materially affecting the values of such foreign securities occur and it is determined that market quotations are not reliable, then these foreign securities will be valued at their fair value using procedures approved by the Board of Trustees.

Investments for which market quotations are not readily available, or quotations which management believes are not appropriate, are valued at fair value under procedures approved by the Board of Trustees. If a security is valued at a fair value, such value is likely to be different from the last quoted market price for the

security.

(a) Step bond. This security is currently not paying coupon. Shown parenthetically are the next interest rate to be paid and the date the Fund will begin accruing at this rate.

(b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At February 28, 2006, these securities, which did not include any illiquid securities, except for the following, amounted to \$17,578,873 which represents 23.3% of net assets.

Security	Acquisition Date	Par/Units	Cost	Value
CA Cabazon Band				
Mission Indians	04/10/04	\$ 575,000	\$ 575,000	\$ 577,081
13.000% 10/01/11				
Hollinger, Inc.	09/30/04	122,000	122,000	122,000
QDI LLC	06/01/02	2,041		16,369
Ubiquitel, Inc.	04/11/00	525	26,600	5
				\$ 715,455

(c) The interest rate shown on floating rate or variable rate securities reflects the rate at February 28, 2006.

(d) The issuer has filed for bankruptcy protection under Chapter 11, and is in default of certain debt covenants. Income is not being accrued. At February 28, 2006, the value of these securities amounted to \$42,413, which represents 0.1% of net assets.

(e) Non-income producing.

(f) Represents fair value as determined in good faith under procedures approved by the Board of Trustees.

(g) Security has no value.

(h) Cost for federal income tax purposes is \$103,400,560.

(i) Unrealized appreciation and depreciation at February 28, 2006 based on cost of investments for federal income tax purposes was:

Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Depreciation
\$ 2,724,053	\$ (2,877,631)	\$ (153,578)

At February 28, 2006, the Trust had entered into the following forward currency exchange contracts:

Forward Currency Contracts to Sell	Value	Aggregate Face Value	Settlement Date	Unrealized Depreciation
EUR	\$ 581,332	\$ 580,477	03/23/06	\$ (855)
EUR	363,055	362,263	03/31/06	(792)
				\$ (1,647)

Acronym	Name
EUR	Euro Currency
PIK	Payment-In-Kind
REIT	Real Estate Investment Trust

Item 2. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officer, based on his evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, has concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-Q is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant)	Colonial Intermediate High Income Fund
By (Signature and Title)	/S/ Christopher L. Wilson Christopher L. Wilson, President
Date	April 26, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)	/S/ Christopher L. Wilson Christopher L. Wilson, President
Date	April 26, 2006
By (Signature and Title)	/S/ J. Kevin Connaughton J. Kevin Connaughton, Treasurer
Date	April 26, 2006
