August 27, 2020

VIA ELECTRONIC MAIL (IMshareholderproposals@sec.gov)

U.S. Securities and Exchange Commission
Office of the Chief Counsel
Division of Investment Management
100 F Street
Washington, D.C. 20549

Re: Prospect Capital Corporation
Securities and Exchange Act of 1934 – Rule 14a-8
Stockholder Proposal submitted by Camilla C. Cane

Ladies and Gentlemen:

On June 23, 2020 I was sent a copy of a no action request letter that was sent to you on behalf of Prospect Capital Corporation from Mr. Burdon and Mr. Hoffman @Skadden.com. This no action request related to a Rule 14a-8(e)(2) post deadline submission claim. This letter added, “Rule 14a-8(e)(1) permits a company to exclude a shareholder proposal from its proxy materials without providing the proponent with a notice of deficiency “if the deficiency cannot be remedied, such as if (the proponent) fail(s) to submit a proposal by the company’s determined deadline.” It goes on to state, “The Company does not need to provide the shareholder with a notice of defect(s) if the defect(s) cannot be remedied.” I had submitted my proposed resolution and supporting statement to Prospect Capital on May 8, 2020.

Ms. Lisa Larkin of the SEC informed me on August 10, 2020 that the SEC was unable to concur with the company’s claim that the Company may exclude my proposal for this reason. Following this, Mr. Jonathan Li of Prospect Administration sent me an opposition statement on August 16, 2020 intended for inclusion in the Prospect Capital proxy. I responded via email to the SEC and Ms. Kristin Van Dask of Prospect on August 19, 2020 with numerous objections to what they stated, including issues that go beyond what is discussed in this letter. I also mailed you hard copy submissions of my objection statement to the Prospect Capital opposition statement.

On August 24, 2020 you received a new letter on behalf of Prospect Capital Corporation from Mr. Burdon and Mr. Hoffman @Skadden.com and they sent a copy of it to me. In it they say, related to the Rule 14a-8(e)(2) claim, “the Company does not at this time intend to continue to press with the Staff the argument in the No Action Request with which the Staff was unable to concur.”

In addition to persistently referring to me as a “Nominal Proponent” and alleging that my resolution was actually submitted by my husband which I strenuously object to, this new Burdon / Hoffman letter now tries to convince you to allow Prospect Capital to exclude my resolution due to claims that it relates to the Company’s ordinary business operations and because it contains materially false and misleading...
statements. It also heavily references the objection statement I sent to the SEC (with a copy to Ms. Van Dask) on August 19. The following is my response to what Mr. Burdon and Mr. Hoffman requested of you. Their first claim is:

1. The Company may exclude the Proposal pursuant to Rule 14a-8(i)(7) because the Proposal relates to the Company's ordinary business operations.

My Proposal reads as follows:

“Resolution - In order to improve PSEC's market competitiveness, improve shareholder returns, and make PSEC more attractive as an investment to prospective new institutional and individual shareholders, shareholders request that our Board negotiates a fee and incentive structure with the Advisor as soon as possible that, at their discretion and in accord with their fiduciary obligation to shareholders, is comparable to what has become the competitive BDC industry norm.”

I can't overstress how much I have learned about the BDC industry, the role of corporate management, the role of the board of directors, the importance of independent directors, and the role and rights of shareholders as I have considered and then pursued this resolution. I have learned that the independent members of a Board of an externally managed business development company have a role (and responsibility to shareholders) that to me is even more important than the role and responsibility that independent directors have in a manufacturing or service corporation such as an Apple, Amazon or General Motors. In addition to such important tasks as approving dividends and certifying the value of the BDC’s assets, the externally managed BDC board has to select an investment manager for the company on behalf of the shareholders and negotiate a management agreement with that manager that includes compensation terms and levels. The shareholders count on the independent directors to serve the shareholders well (and truly independently) in this function because the shareholders need the independent directors to choose an effective outside manager. The independent directors need to negotiate a competitive fee and incentive structure with the manager in order to give the manager an incentive to perform well for the shareholders but also to be sure that the management fee and incentive structure is competitive for the shareholders. In a competitive BDC industry, shareholders cannot afford for their independent directors to pay the external manager too little or too much. Every fee and incentive dollar paid to the external manager is a dollar that does not reach the bottom line of the company. In the BDC industry, where the vast majority of income must be distributed to shareholders, essentially every base fee and incentive compensation dollar paid to the external manager is not available for dividends for shareholders. This is not an issue related to “ordinary business operations.” It is related to policy and the fundamental essence of the shareholders’ relationship with the outside board members and the outside board members’ relationship to the external manager. The BDC’s independent directors are in essence extraordinary gate keepers for the shareholders.

My proposal relates to a significant policy issue that transcends ordinary business operations. It does not relate to “ordinary business operations” issues such as to whether the external manager should be investing in company debt and / or equity, real estate investment trusts or aircraft leases. It does not relate to ordinary business operations issues such as where the company should be headquartered, how many management layers the external manager should have or who should be recruited for specific jobs. If I had submitted a resolution covering those types of things I could be validly accused of attempting to micro manage ordinary business operations.
Again, I believe my resolution relates to a significant policy issue. On October 16, 2019 the SEC Staff released Legal Bulletin No. 14K(CF). In it the Commission commented on issues that go beyond ordinary business operations when it stated a proposal such as mine “would transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.”

The term micromanagement has also been raised when criticizing my proposal and support statement. In the same SEC Legal Bulletin No. 14K(CF) I referred to above the Commission said, “When a proposal prescribes specific actions that the company’s management or the board must undertake without affording them sufficient flexibility or discretion in addressing the complex matter presented by the proposal, the proposal may micromanage the company to such a degree that exclusion of the proposal would be warranted.”

My resolution was deliberately worded so that it would not be considered micro-management. It does not propose specific fee and incentive payout levels. It does not specify return hurdle rates or claw back provisions. It only seeks to give the shareholders of Prospect Capital a voice in letting the board, and especially the outside directors, a sense as to whether shareholders perceive that a more competitive external manager compensation agreement might be appropriate. It does not seek to take away the discretion of the outside directors to evaluate what the compensation structure should be given all of the services the external manager provides shareholders compared to what external managers of comparable firms in the BDC industry provide their shareholders for significantly lower base management fees. It does mention the fiduciary obligation of outside directors to act in the best interest of shareholders but yet with flexibility and at their discretion.

As I stated in my proposed resolution, this proposal is only focused on the opportunity to “improve PSEC’s competitiveness, improve shareholder returns and make PSEC more attractive as an investment to prospective new institutional and individual shareholders,” with regard to an issue that goes way beyond ordinary business operations.

Because my shareholder resolution as it is written does not relate to the company’s ordinary business operations and because it does not remotely attempt to micromanage the board or the management company, I request that the SEC issue a ruling that the company may not be allowed to exclude my proposal due to Rule 14a-8(i)(7).

The second claim of Mr. Burdon and Mr. Hoffman is:

2. The Company may exclude the Proposal pursuant to Rule 14a-8(i)(3) because the Proposal contains materially false and misleading statements.

One major issue that has troubled me as Prospect Capital and I have worked through the Rule 14a-8 shareholder resolution process is that Prospect Capital really did not give me the opportunity to exercise my Rule 14a-8 rights. I submitted my resolution on May 8, 2020. I did not receive an opportunity to challenge or attempt to correct any legitimate minor deficiencies long ago. It appears Prospect Capital was betting that the SEC would concur with their late submission claim. As stated above, “Rule 14a-8(f)(1) permits a company to exclude a shareholder proposal from its proxy materials without providing the proponent with a notice of deficiency “if the deficiency cannot be remedied ...” In addition, “The Company does not need to provide the shareholder with a notice of defect(s) if the defect(s) cannot be remedied.”
The SEC has ruled that my Resolution was not late. If it had been late it would have been something that could not be remedied. Right or wrong, it seems to me that Prospect Capital essentially acted as the judge and jury in deciding that they could short circuit the Rule 14a-8 process. Every one of the deficiencies that have now been claimed or revealed by me since the SEC restored life to my resolution and supporting statement can be easily remedied. In my August 19 letter to the SEC (with a copy to Ms. Van Dask), I already addressed a number of the objections raised by Mr. Burdon and Mr. Hoffman. In an act of good faith, in my letter I also self-reported “deficiencies” in my supporting statement that Mr. Li had not raised when he sent me the opposition statement on August 16. The deficiencies that Prospect Capital pointed out to me, as well as those I pointed out to Prospect Capital and the SEC, do not rise to the level of being “materially false and misleading.” They can be easily repaired and none of the deficiencies in my support statement affect my proposed resolution. Fixing the deficiencies would not create an impermissible new proposed resolution.

The Burdon / Hoffman letter mentions five specific issues I acknowledged with my support statement in my August 19 rebuttal letter. I will repeat them below with a statement of minor changes I am proposing in order to repair my supporting statement:

1. "I say generally because I must admit that my support statement is wrong where it states that my source of stock price information for PSEC was the PSEC 10Ks. 10Ks were mentioned previously and that source reference was accidentally cited again. It was the Yahoo Finance Web Site."

2. "In addition, I agree with the Company that it is wrong where my statement says Prospect’s calendar year 2019 total return was 6.3%.”

3. "I also see that another error in my support statement related to comparative performance. My statement says that for the 5 year period ending 12/31/19 the WEBDCI return averaged 7.9% compared to 3.5% for PSEC. There is a typographical error in that sentence because that was calculated for performance for the prior 3 year, not 5 year period and the intention was to utilize data for the last 3 year period."

4. "There is another issue with my proposed support statement. It relates to the link used (and cited in my submission) to obtain comparative WBDCI data."

All of these four objections deal with the following paragraph in my supporting statement that says:

“During the 10 calendar year period ending 12/31/19 the average annual total shareholder return (dividends plus stock price appreciation) generated by the WBDCI was 10.1% compared to 8.3% for PSEC. For 5 year period ending 12/31/19 the WBDCI return averaged 7.9% compared to 3.5% for PSEC. For the calendar year 2019 the WBDCI return was 28.3% compared to 6.3% for PSEC. (WBDCI information source: https://wilshire.com/Portals/0/analytics/indexes/fact-sheets/wilshire-business-development-company-index-fact-sheet.pdf, PSEC information source: 10Ks)”
I wish to restate it as follows:

"The following table compares historical total shareholder return (dividends plus stock price appreciation) performance of PSEC vs. the WBDCI (calendar year periods ending 12/31/19):

<table>
<thead>
<tr>
<th>Years</th>
<th>PSEC Avg. Total Return(1)</th>
<th>WBDCI Avg. Total Return(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years</td>
<td>4.7%</td>
<td>10.1%</td>
</tr>
<tr>
<td>3 years</td>
<td>1.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>1 year</td>
<td>13.5%</td>
<td>28.3%</td>
</tr>
</tbody>
</table>

(1) Source – Yahoo Finance data
(2) Source - [https://wilshire.com/indexcalculator/index.html](https://wilshire.com/indexcalculator/index.html)

This repair would address all four of the deficiencies mentioned above that relate to the source of my PSEC historical price and dividend data, the source of my WBDCI data, the incorrect PSEC average annual total return performance numbers I had cited that were originally distorted by inaccurate Yahoo Finance monthly closing price data for PSEC stock (that distorted the reported stock price appreciation portion of total shareholder returns). It will also clarify the contested 5 year vs. 3 year performance comparison by correcting the 3 year number as I originally intended (not changing the substance of the supporting statement but only repairing a minor deficiency).

Prospect Capital said I cherry picked my comparative statistics which they claim at a minimum implies that they are false or misleading. At the pre-deadline time I was working on my resolution and support statement the best comparative performance information I knew how to find was at the link I cited ([https://wilshire.com/Portals/0/analytics/indexes/fact-sheets/wilshire-business-development-company-index-fact-sheet.pdf](https://wilshire.com/Portals/0/analytics/indexes/fact-sheets/wilshire-business-development-company-index-fact-sheet.pdf)). I thought it was a static link but it turns out that, unbeknownst to me, it is dynamic. When I accessed it for my supporting statement work it had industry performance information through 12/31/19. It is not my fault that the shareholder resolution process has deadlines so far in advance of when a proxy is issued. I have now learned that I can customize WBDCI performance data through this link ([https://wilshire.com/indexcalculator/index.html](https://wilshire.com/indexcalculator/index.html)). I was not aware of this resource at the time I was working on my resolution and support statement but being able to cite it now lets me fix a deficiency of a now inaccurate citation and prove that the Wilshire BDC Index data I cited is accurate.

The comparative time-frames cited above are three of the four used as the standard by Wilshire in their total return summary reports for their indices (I would have liked to have added the 5 year comparative returns (the fourth used by Wilshire) but I was concerned about exceeding my 500 word limit). I would be happy to modify what I have written above in the repaired statement and add comparative 5 year performance if what I have utilized is impermissible “cherry picking” but I would not want to do it if it would be considered an impermissible material change to my support statement, make me exceed my 500 word limit, or make it so that my modification would make my modified support statement an impermissible new statement.

The fifth Burdon / Hoffman letter quote related to issues I mentioned in my August 19 rebuttal letter with my support statement says:

5. "My support statement says, 'The "standard" fee/incentive structure which used to be basically 2%/20% has evolved into one that is basically 1.5%/17.5%, and 1.5%/15% in many cases, with more shareholder friendly total return hurdles and look-backs.' I agree
that the adoption of 17.5% and 15% income and capital gains incentive fees has not come as fast as 1.5% and 1.0% base fees . . ."

This relates to the section of my support statement that says,

"The “standard” fee/incentive structure which used to be basically 2%/20% has evolved into one that is basically 1.5%/17.5%, and 1.5%/15% in many cases, with more shareholder friendly total return hurdles and look-backs."

To eliminate any possibility that what my support statement says is false or misleading I wish to repair it and say,

"The “standard” fee/incentive structure which used to be basically 2%/20% has evolved into one that is basically 1.5%/20%, with more shareholder friendly total return incentive fee hurdles and look-backs and incentive fees less than 20% in some cases."

This repair still supports my assertion that the base management fee in the BOC industry has evolved to 1.5%. Prospect Capital has acknowledged this in the statement they submitted in opposition to my resolution and supporting statement where they said,

"The Company acknowledges that the average base management fee for the peer group of listed BDCs included in the independently prepared expense comparison presented to the Board of Directors in connection with its June 2020 reapproval of the Investment Advisory Agreement is approximately 1.5% of gross assets, whereas the Company’s base management fee is 2.0% of gross assets.”

This repair also reflects that the migration of incentive fees away from 20% has not yet resulted in a 17.5% or 15% incentive fee standard. It does reflect a migration from a 20% incentive fee standard as Prospect Capital’s internal study confirms with its report of a current average industry income incentive fee of 19.19%. Prospect Capital was silent about externally managed BOC industry trends for management agreement hurdle rates or incentive fee look-backs. I believe the BlackRock TCP Capital Corp. study summary (https://tcpcapital.com/investor-relations/events-and-presentations/default.aspx, page 16) I referenced in my August 19 letter (copy attached) supports the truth of my claim for these elements of competitive industry trends for externally managed BOC compensation agreements.

The fact remains that Prospect Capital’s External Manager is receiving a base management fee that is materially and significantly (33.3%) higher (2.0% vs. 1.5%) than what is becoming the industry standard for BDCs for BOC assets financed with a 61(a)(2) asset coverage ratio of 200% or more. Prospect Capital’s external manager will receive a base fee that is even more significantly (100%) higher (2.0% vs. 1.0%) than the industry average for BOC assets financed with an asset coverage ratio of under 200% (should that asset coverage flexibility be utilized).


2. Our approach to rule 14a-8(i)(3) no-action requests
As we noted in SLB No. 14, there is no provision in rule 14a-8 that allows a shareholder to revise his or her proposal and supporting statement. We have had, however, a longstanding practice of issuing no-action responses that permit shareholders to make revisions that are minor in nature and do not alter the substance of the proposal. We adopted this practice to deal with proposals that comply generally with the substantive requirements of rule 14a-8, but contain some minor defects that could be corrected easily.

In addition, Point 5 of SEC Staff Legal Bulletin No. 14 dated July 13, 2001 (https://www.sec.gov/interp/legal/cfslb14.htm), relates to when the SEC “responses afford a shareholder an opportunity to revise their proposals and supporting statements.” It states the following for, “Type of revision we may permit:”

"If the proposal contains specific statements that may be materially false or misleading or irrelevant to the subject matter of the proposal, we may permit the shareholder to revise or delete these statements."

While I believe defects in my supporting statement are minor in nature and easily repairable with the minor corrections I have illustrated, the SEC has even offered the shareholder (through Rule 14a-8(i)(3)) an opportunity to revise statements that are considered materially false or misleading.

I have no interest in making any modifications to my proposed resolution. The desired corrections do not alter the substance of my proposal. I was not previously afforded the opportunity to remediate. Therefore I ask that the SEC rule that I be allowed to repair the minor errors and misstatements in my support statement. I ask the SEC to refuse the Company’s request to exclude my Proposal pursuant to Rule 14a-8(i)(3) because the section of the edited support statement, as I would like to modify it (above), will not result in an attempt to submit a new resolution nor will it contain materially false and misleading statements. In addition, it will have allowed me to exercise my Rule 14a-8 rights.

I am also mailing hard copies of this submission to you. Thank you again for your advocacy for the rights of individual shareholders.

Cc: Ms. Kristin Van Dask – Prospect Capital
Mr. Kenneth Burdon - @Skadden
Mr. Michael Hoffman- @Skadden

Attachment: BlackRockTCP Capital study – BDC industry fee structure as of 06-30-20
# Investor Friendly Advisory Fee Structure

<table>
<thead>
<tr>
<th></th>
<th>BlackRock TCP Capital Corp</th>
<th>Average Externally Managed BDC(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base Management Fee</strong></td>
<td>1.5% up to 1.0x debt to equity; 1.0% above 1.0x debt to equity (based on gross assets (less cash and cash equivalents))</td>
<td>1.50% - 1.75% on gross assets (up to 1.0x debt to equity; 1.0% above 1.0x debt to equity for those BDCs that have adopted a reduced minimum asset coverage ratio)</td>
</tr>
<tr>
<td><strong>Incentive Fee Hurdle</strong></td>
<td>7% annualized total return on NAV, cumulative (infinite) lookback</td>
<td>7% annualized NII return on NAV, no lookback</td>
</tr>
<tr>
<td><strong>Incentive Compensation</strong></td>
<td>Capital Gains: 17.5% of cumulative net realized gains less net unrealized depreciation, subject to a cumulative (infinite), annualized 7% total return hurdle</td>
<td>Capital Gains: 20% of cumulative net realized gains less net unrealized depreciation</td>
</tr>
<tr>
<td></td>
<td>Ordinary Income: 17.5% subject to a cumulative (infinite), annualized 7% total return hurdle</td>
<td>Ordinary Income: 20% subject to quarterly hurdle rate calculated quarterly</td>
</tr>
</tbody>
</table>

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(1) Source: SEC filings. Represents average fee structure for publicly traded, externally managed BDCs with a market capitalization of more than $200 million. As of June 30, 2020.