

ALLIED CAPITAL CORP
Form 425
March 05, 2010

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

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): March 5, 2010

PROSPECT CAPITAL CORPORATION

(Exact name of registrant as specified in its charter)

Maryland
(State of jurisdiction)

333-114552
(Commission File No.)

43-2048643
(IRS Employer
Identification No.)

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

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: 212-448-0702

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events.

On March 5, 2010, Prospect Capital Corporation issued a press release terminating its solicitation in opposition to the proposed merger of Ares Capital Corporation and Allied Capital Corporation. A copy of the press release is filed as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

| Exhibit Number | Description |
|-----------------------|------------------------------------|
| 99.1 | Press Release, dated March 5, 2010 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, Prospect Capital Corporation has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Prospect Capital Corporation

Dated: March 5, 2010

By: /s/ John F. Barry III
John F. Barry III
Chief Executive Officer

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EXHIBIT INDEX

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Exhibit 99.1

Prospect Terminates Solicitation Following Allied Capital's Special Dividend

NEW YORK (Market Wire) March 5, 2010 Prospect Capital Corporation (NASDAQ: PSEC, Prospect) for weeks has stated that Prospect believes greater value could be achieved for shareholders of Allied Capital Corporation (Allied) beyond that offered by Ares Capital Corporation (Ares). While we disagree with the Allied board's refusal to respond in any constructive way to any of our offers, we believe that Prospect's efforts to shine a spotlight on the proposed Allied-Ares combination have succeeded in unlocking additional value for Allied's shareholders, as shown by the newly announced Allied special dividend.

After careful review and in light of the Allied board's manifest unwillingness to engage in any constructive discussions with Prospect, we have decided that it is not in the interest of Prospect and its shareholders to expend further resources on a solicitation in opposition to the proposed Allied-Ares combination. Accordingly, we have terminated our solicitation. Should the proposed Allied-Ares combination not be consummated and the Allied board wish to engage in a productive dialogue with us, we would welcome that opportunity.

ABOUT PROSPECT CAPITAL CORPORATION

Prospect Capital Corporation (www.prospectstreet.com) is a closed-end investment company that lends to and invests in private and microcap public businesses. Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments.

We have elected to be treated as a business development company under the Investment Company Act of 1940 (1940 Act). We are required to comply with a series of regulatory requirements under the 1940 Act as well as applicable NASDAQ, federal and state rules and regulations. We have elected to be treated as a regulated investment company under the Internal Revenue Code of 1986. Failure to comply with any of the laws and regulations that apply to us could have an adverse effect on us and our shareholders.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, whose safe harbor for forward-looking statements does not apply to business development companies. Such forward-looking statements may relate to us and/or our industry and address matters that involve risks and uncertainties. Forward-looking statements reflect our current views and assumptions with respect to future events, operations, business plans, business and investment strategies and portfolio management, the performance of our investments and our investment management business and the economy. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our industry, our beliefs, and our assumptions. Words such as intends, intend, intended, goal, estimate, estimates, expects, expect, project, projected, projections, plans, seeks, anticipates,

anticipated, should, could, may, will, designed to, foreseeable future, believe, believes, currently and believes and scheduled and variations of these words and similar expressions are intended to identify forward-looking statements. Our actual results or outcomes may differ materially from those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statement was made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are not guarantees of future performance and are subject to risks, uncertainties, and other factors, some of which are beyond our control and difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements, including without limitation:

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

difficulty in obtaining financing or raising capital, especially in the current credit and equity environment;

the level and volatility of prevailing interest rates and credit spreads, magnified by the current turmoil in the credit markets;

adverse developments in the availability of desirable loan and investment opportunities whether they are due to competition, regulation or otherwise;

a compression of the yield on our investments and the cost of our liabilities, as well as the level of leverage available to us;

our regulatory structure and tax treatment, including our ability to operate as a business development company and a regulated investment company;

the adequacy of our cash resources and working capital;

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

the ability of our investment adviser to locate suitable investments for us and to monitor and administer our investments,

authoritative generally accepted accounting principles or policy changes from such standard-setting bodies as the Financial Accounting Standards Board, the Securities and Exchange Commission, Internal Revenue Service, the NASDAQ, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business;

our ability to manage future growth;

our dependence on Prospect Capital Management's key management personnel;

the highly competitive market for investment opportunities in which we operate;

uncertainty as to the value of our portfolio investments;

additional risks to which senior securities, including debt, expose us;

changes in interest rates;

our need to raise additional capital to grow because of the requirement that we distribute most of our income;

the lack of liquidity in our investments;

fluctuations in our quarterly results;

fluctuations in our net asset value;

potential conflicts of interest and their impact on investment returns;

our incentive fee's impact on the types of investments made by Prospect Capital Management;

changes in laws or regulations;

risks relating to our operation as a business development company;

risks relating to our investments and securities

the integration of Patriot or other businesses we acquire or new business ventures we may start;

uncertainty as to whether Allied will enter into and consummate the proposed transaction with Prospect on the terms set forth in our offer; and

the risks, uncertainties and other factors we identify in Risk Factors and elsewhere in our filings with the SEC. Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this press release should not be regarded as a representation by us that our plans and objectives will be achieved. These risks and uncertainties include those described or identified in Risk Factors and elsewhere in our filings with the SEC. You should not place undue reliance on these forward-looking statements, which apply only as of the date of such filings.

For additional information, contact:

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