COMMSCOPE INC
Form S-4/A
October 11, 2007

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As filed with the Securities and Exchange Commission on October 11, 2007

Registration No. 333-145398

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

AMENDMENT NO. 2
TO

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CommScope, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**3663**	**36-4135495**
(State or other jurisdiction of organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1100 CommScope Place, SE
P.O. Box 339
Hickory, North Carolina 28602
(828) 324-2200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Frank B. Wyatt, II
Senior Vice President, General Counsel and Secretary
1100 CommScope Place, SE
P.O. Box 339
Hickory, North Carolina 28602
(828) 324-2200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Lois Herzeca	**Justin Choi**	**James Lidbury**
Fried, Frank, Harris, Shriver & Jacobson LLP	**Senior Vice President, General Counsel and Secretary**	**Mayer, Brown, Rowe & Maw LLP**
		71 South Wacker Drive

One New York Plaza	**Andrew Corporation**	**Chicago, Illinois 60606**
New York, New York 10004	**3 Westbrook Center**	**(312) 782-0600**
(212) 859-8000	**Westchester, Illinois 60154**	
	(708) 236-6600	

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement and upon completion of the merger described in the enclosed proxy statement/prospectus.

If any of the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the registration statement for the same offering. o

The Registrant hereby amends the 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 this 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 date as the Commission, acting pursuant to said Section 8(a), may determine.

SPECIAL MEETING OF STOCKHOLDERS
MERGER PROPOSED   YOUR VOTE IS VERY IMPORTANT

The board of directors of Andrew Corporation has approved a merger to effect the acquisition of Andrew by CommScope, Inc., and Andrew is soliciting the vote of its stockholders to approve the merger.

If the merger is consummated, Andrew will become an indirect wholly owned subsidiary of CommScope and holders of Andrew common stock will receive for each share of Andrew common stock they own $13.50 in cash plus the stub portion of the merger consideration which, at the election of CommScope, will consist of either (i) $1.50 in cash, (ii) a fraction of a share of CommScope common stock equal to (A) $1.50 divided by (B) the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective or (iii) a combination of cash and a fraction of a share of CommScope common stock (determined as described above) together equaling $1.50. If the stub portion of the merger consideration includes a fraction of a share of CommScope common stock, no assurance can be given that the actual market value of the stub portion will equal or exceed $1.50 after the merger. If CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock, approximately 4.9 million shares of CommScope common stock would be issued in connection with the merger, representing approximately 7% of the outstanding shares of CommScope common stock immediately following the consummation of the merger, based on the closing price of a share of CommScope common stock on, and the number of shares of CommScope common stock outstanding as of, September 21, 2007. If CommScope elects to pay the stub portion of the merger consideration entirely in cash, no shares of CommScope common stock would be issued in connection with the merger. CommScope common stock is listed on the New York Stock Exchange under the symbol "CTV". On   , 2007, the last trading day before the date of this proxy statement/prospectus, the closing price of CommScope common stock was $ per share. Andrew common stock is listed on the Nasdaq Global Market under the symbol "ANDW". On   , 2007, the closing price of Andrew common stock was $ per share.

At the special meeting, stockholders of Andrew will be asked to adopt the merger agreement.

The date, time and place of the special meeting is as follows:

, 2007
, local time
[Location]

This proxy statement/prospectus provides you with information about CommScope, Andrew and the proposed merger. You may obtain other information about CommScope and Andrew from documents filed with the Securities and Exchange Commission. We encourage you to read this entire proxy statement/prospectus carefully.

Ralph E. Faison
President and Chief Executive Officer
Andrew Corporation

FOR A DISCUSSION OF SIGNIFICANT MATTERS THAT SHOULD BE CONSIDERED BEFORE VOTING AT THE SPECIAL MEETING, SEE THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE   .

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED OR DISAPPROVED THE SHARES OF COMMSCOPE COMMON STOCK THAT MAY BE ISSUED IN THE MERGER OR DETERMINED WHETHER THIS PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated , 2007, and is first being mailed to the stockholders of Andrew on or about , 2007.

THIS PROXY STATEMENT/PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

ANDREW CORPORATION
3 Westbrook Corporate Center
Westchester, IL 60154
(708) 236-6600

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON , 2007

To the stockholders of Andrew Corporation:

You are cordially invited to attend a special meeting of stockholders of Andrew Corporation, a Delaware corporation, to be held on , 2007 at , local time, at , for the following purposes:

To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of June 26, 2007, by and among CommScope, Inc., a Delaware corporation, DJRoss, Inc., a Delaware corporation and an indirect wholly owned subsidiary of CommScope, and Andrew, as the same may be amended from time to time, which we refer to in this proxy statement/prospectus as the merger agreement (adoption of the merger agreement by Andrew stockholders will constitute approval of all of the transactions contemplated in the merger agreement). We refer to this proposal in the proxy statement/prospectus as Proposal No. 1.

To consider and vote upon a proposal for an adjournment of the special meeting to solicit additional proxies for approval of Proposal No. 1, if necessary. We refer to this proposal in the proxy statement/prospectus as Proposal No. 2.

To transact such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

You are entitled to vote only if you were a holder of Andrew common stock at the close of business on , 2007.

YOUR PROXY IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE SPECIAL MEETING, PLEASE VOTE IN ANY ONE OF THE FOLLOWING WAYS:

USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD;

USE THE INTERNET WEBSITE SHOWN ON THE PROXY CARD; OR

MARK, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY CARD IN THE POSTAGE-PAID ENVELOPE. IT REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

By Order of the Board of Directors,

Justin C. Choi,
Senior Vice President, General Counsel and Secretary

Westchester, Illinois
, 2007

ANDREW'S BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT ADOPTION OF THE MERGER AGREEMENT IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, ANDREW AND ITS STOCKHOLDERS, AND RECOMMENDS THAT ANDREW STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 1 AND "FOR" PROPOSAL NO. 2.

ADDITIONAL INFORMATION

This proxy statement/prospectus "incorporates by reference" important business and financial information about CommScope and Andrew from documents that are not included in or delivered with this proxy statement/prospectus. For a more detailed description of the information incorporated by reference in this proxy statement/prospectus and how you may obtain it, see the section entitled "Where You Can Find More Information."

You may also obtain any of the documents incorporated by reference from the appropriate company, the Securities and Exchange Commission, which we refer to as the SEC, or the SEC's Internet web site at http://www.sec.gov. Documents incorporated by reference in this proxy statement/prospectus are available from the appropriate company without charge, excluding all exhibits unless specifically incorporated by reference in such documents. Stockholders may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses:

CommScope, Inc.
Attn: Investor Relations
1100 CommScope Place, S.E.
P.O. Box 339
Hickory, North Carolina 28602
Telephone: (828) 324-2200
E-mail: investor.relations@CommScope.com

or

Andrew Corporation
Attn: Investor Relations
3 Westbrook Corporate Center
Suite 900
Westchester, Illinois 60154
Telephone: (800) 232-6767
E-mail: investor.relations@andrew.com

or

Morrow & Co., Inc.
470 West Avenue
Stamford, Connecticut 06902
Call Toll-Free (800) 607-0088
E-mail: Andrew.info@morrowco.com

If you would like to request documents, please do so by , 2007, which is five business days before the special meeting, to receive them before the special meeting. If you request any information that is incorporated by reference into this proxy statement/prospectus, the appropriate company will respond to your request within one business day of receipt of your request, and send the requested documents to you by first class mail, or other equally prompt means.

QUESTIONS AND
ANSWERS ABOUT THE MERGER

Q: **WHAT IS THE MERGER?**

A: CommScope and Andrew have entered into an Agreement and Plan of Merger, dated as of June 26, 2007, which we refer to in this proxy statement/prospectus as the merger agreement. The merger agreement contains the terms and conditions of the proposed acquisition of Andrew by CommScope. Under the merger agreement, Andrew and DJRoss, Inc., an indirect wholly owned subsidiary of CommScope, will merge, with Andrew surviving as an indirect wholly owned subsidiary of CommScope. This transaction is referred to as the merger. For a more complete description of the merger, see the section entitled "Proposal No. 1 The Merger."

Q: **WHAT WILL ANDREW STOCKHOLDERS RECEIVE IN THE MERGER?**

A: As a result of the merger, Andrew stockholders will receive for each share of Andrew common stock they own

- $13.50 in cash, plus
- what we refer to as the stub portion of the merger consideration, which, at the election of CommScope, will consist of either
  - $1.50 in cash;
  - a fraction of a fully paid and nonassessable share of CommScope common stock equal to (A) $1.50 divided by (B) the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective; or
  - a combination of cash and a fraction of a share of CommScope common stock (determined as described above) together equaling $1.50.

CommScope must elect at least two business days before the effective date of the merger which option it will utilize. Therefore, the Andrew stockholders will vote to approve or disapprove the merger before CommScope is required to decide on the form of the consideration comprising the stub portion of the merger consideration. It is possible that Andrew stockholders could receive $15.00 in cash for each share of Andrew common stock they own, or they could receive a combination of cash and CommScope common stock depending on the election made by CommScope. If CommScope common stock is issued as part of the merger consideration, Andrew stockholders will also receive a cash payment in lieu of any fractional share of CommScope common stock that they would otherwise receive.

Q: **WHAT WILL BE THE NAME AND TRADING SYMBOL OF THE COMPANY AFTER THE MERGER?**

A: Following the merger, CommScope will retain its name and will continue to have its common stock listed on the New York Stock Exchange under the symbol "CTV" and Andrew common stock will be delisted from the Nasdaq Global Market and will no longer be registered under the Securities Exchange Act of 1934, as amended, and there will be no further market for Andrew common stock.

Q: **WHAT PERCENTAGE OF COMMSCOPE SHARES WILL BE HELD BY CURRENT ANDREW STOCKHOLDERS?**

A: If CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock, approximately 4.9 million shares of CommScope common stock would be issued in respect of Andrew common stock, the Andrew notes, and Andrew stock options and restricted shares in connection with the merger, representing approximately 7% of the outstanding

shares of CommScope common stock immediately following the consummation of the merger, assuming that a CommScope common stock price of $52.62 per share (which was the closing price on September 21, 2007) is used in the calculation and based on the number of shares of CommScope common stock outstanding as of September 21, 2007. The number of shares of CommScope common stock issued in connection with the merger will be lower if CommScope elects to pay the stub portion of the merger consideration only partially in CommScope common stock. If CommScope elects to pay the stub portion of the merger consideration entirely in cash, no shares of CommScope common stock would be issued in connection with the merger.

Q:

WHO WILL SERVE ON THE BOARD OF DIRECTORS OF COMMSCOPE AFTER THE MERGER?

A:

There will be no change in the board of directors of CommScope as a result of the merger.

Q:

WHY AM I RECEIVING THIS PROXY STATEMENT/PROSPECTUS?

A:

You are receiving this proxy statement/prospectus because you have been identified as a stockholder of Andrew. Stockholders of Andrew are entitled to vote at the special meeting. This document serves as a proxy statement of Andrew, used to solicit proxies for the special meeting, and as a prospectus of CommScope, which may be used to offer shares of common stock, along with cash, in exchange for shares of Andrew common stock pursuant to the terms of the merger agreement. This document contains important information about the merger and the special meeting and you should read it carefully.

Q:

WHEN AND WHERE WILL THE SPECIAL MEETING TAKE PLACE?

A:

The special meeting of Andrew is scheduled to take place at , local time, on , 2007, at .

Q:

WHO IS ENTITLED TO VOTE AT THE SPECIAL MEETING?

A:

Holders of record of Andrew common stock as of the close of business on , 2007, which we refer to as the record date, are entitled to vote at the special meeting. Each Andrew stockholder has one vote for each share of Andrew common stock that the stockholder owns on the record date. On , 2007, there were shares of Andrew common stock outstanding.

Q:

WHAT VOTE IS REQUIRED TO APPROVE THE MERGER?

A:

Andrew stockholders must adopt the merger agreement, which adoption requires the affirmative vote of the holders of at least a majority of the shares of Andrew common stock issued and outstanding on the record date. Adoption of the merger agreement by Andrew stockholders will constitute approval of all of the transactions contemplated in the merger agreement.

Q:

WHAT ELSE IS REQUIRED TO CONSUMMATE THE MERGER?

A:

In addition to the receipt of the stockholder approval described above, certain regulatory approvals, including U.S. and certain foreign antitrust clearances, along with other closing conditions set forth in the merger agreement, must be satisfied or waived. For a more complete description of the conditions to the consummation of the merger, we urge you to read the section entitled "The Merger Agreement Conditions to Completion of the Merger" in this proxy statement/prospectus and the merger agreement attached to this proxy statement/prospectus as Annex A.

Q:

DO ANDREW'S STOCKHOLDERS HAVE PROTECTION AGAINST FLUCTUATIONS IN THE MARKET VALUE OF SHARES OF COMMSCOPE'S COMMON STOCK BETWEEN NOW AND THE EFFECTIVE TIME OF THE MERGER?

A:

Yes. CommScope can elect to use CommScope common stock to pay all or part of the stub portion of the merger consideration to be received by Andrew's stockholders in the merger. The

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number of shares of CommScope common stock that CommScope will be required to issue will increase or decrease based on the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective so that the market value, measured by such volume weighted average, of any shares of CommScope common stock that CommScope may elect to issue will remain constant. Nevertheless, it is possible that the actual market value of any shares of CommScope common stock so issued as of the effective time of the merger may be higher or lower than such weighted average.

Q:

HOW WILL ANDREW STOCK OPTIONS BE AFFECTED BY THE MERGER?

A:

All Andrew stock options will vest automatically as a result of the merger. Prior to the effective time of the merger, holders of Andrew stock options may elect to have some or all of their stock options cancelled as of the effective time of the merger in which case such holder will receive with respect to each share of Andrew common stock subject to the cancelled stock option an amount equal to the merger consideration less the exercise price of such cancelled stock option. Holders of Andrew stock options who do not elect to have their stock options cancelled as described in the previous sentence will have each non-cancelled stock option converted into an option to acquire a number of shares of CommScope common stock (the determination of the number of shares of CommScope common stock covered by such option in such conversion and the exercise price applicable to such converted option are described in more detail herein). For further information, see the section entitled "The Merger Agreement Treatment of Stock Options and Restricted Stock Units."

Q:

HOW WILL ANDREW RESTRICTED STOCK UNITS BE AFFECTED BY THE MERGER?

A:

At the effective time of the merger, except as described below, each restricted stock unit (including performance stock units) will be assumed by CommScope and will be converted into the right to receive, upon vesting (which vesting will occur at the effective time of the merger to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit award agreement), shares of CommScope common stock (if CommScope common stock is issued as part of the merger consideration) and cash; the method for determining the number of shares of CommScope common stock and the amount of cash to be received are described in more detail herein. However, to the extent provided in the applicable stock plans of Andrew or the terms of any restricted unit award agreement, a restricted stock unit will vest at the effective time of the merger and will be cancelled as of the effective time for an all-cash payment of $15.00 for each share of Andrew common stock underlying the restricted stock unit. For further information, see the section entitled "The Merger Agreement Treatment of Stock Options and Restricted Stock Units."

Q:

WHAT ARE THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO ME?

A:

The merger will be a taxable transaction for U.S. federal income tax purposes to a holder of Andrew common stock. The receipt of cash and CommScope common stock by a holder of Andrew common stock will cause the holder to recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between the cash and the value of CommScope common stock the holder of Andrew common stock receives in the merger and the adjusted tax basis of the holder's shares of Andrew common stock.

Tax matters are very complicated, and the tax consequences of the merger to a particular Andrew stockholder will depend in part on such stockholder's circumstances. Accordingly, we urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

For further information, see the section entitled "Material United States Federal Income Tax Consequences."

Q:

WHAT IS PROPOSAL NO. 2?

A:

If Andrew fails to receive a sufficient number of votes to approve Proposal No. 1, Andrew may propose to adjourn the special meeting, if a quorum is present, for a period of not more than 30 days for the purpose of soliciting additional proxies to approve Proposal No. 1. Andrew does not intend to propose adjournment at the special meeting if there are sufficient votes to approve Proposal No. 1. Andrew's proposal to adjourn the special meeting, if necessary, to solicit additional proxies is referred to herein as Proposal No. 2.

Q:

HOW DOES ANDREW'S BOARD OF DIRECTORS RECOMMEND THAT I VOTE?

A:

After careful consideration, Andrew's board of directors recommends that the Andrew stockholders vote **"FOR"** Proposal No. 1 to adopt the merger agreement and **"FOR"** Proposal No. 2 to adjourn the special meeting to solicit additional proxies for approval of Proposal No. 1, if necessary. For further information about the Andrew board recommendation, see the sections entitled "The Special Meeting Board Recommendation," "Proposal No. 1 The Merger Reasons for the Merger" and "Proposal No. 2 Possible Adjournment of the Special Meeting."

Q:

WHAT RISKS SHOULD I CONSIDER IN DECIDING WHETHER TO VOTE IN FAVOR OF THE ADOPTION OF THE MERGER AGREEMENT?

A:

You should carefully review the section of this proxy statement/prospectus entitled "Risk Factors," which presents risks and uncertainties related to the merger, CommScope common stock and the business of each of CommScope and Andrew.

Q:

WHEN DO YOU EXPECT THE MERGER TO BE CONSUMMATED?

A:

We anticipate that the consummation of the merger will occur by the end of 2007, but we cannot predict the exact timing. For further information, see the section entitled "The Merger Agreement Conditions to Completion of the Merger."

Q:

WHAT DO I NEED TO DO NOW?

A:

We urge you to read this proxy statement/prospectus carefully, including its annexes and exhibits, and to consider how the merger affects you. After such consideration, please provide your proxy instructions as soon as possible so that your shares may be represented at the special meeting. You may provide your proxy instructions in one of three different ways:

- Mail your signed and completed proxy card in the enclosed return envelope;
- Call the toll-free number included on your proxy card; or
- Vote via the Internet by following the instructions on your proxy card.

Please provide your proxy instructions only once and as soon as possible so that your shares can be voted at the special meeting. If your shares of Andrew common stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in "street name" and the proxy materials are being forwarded to you together with a voting instruction card. Your broker or other nominee will vote your shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or other nominee regarding how to instruct your broker or other nominee to vote your shares.

Q:

WHAT HAPPENS IF I DO NOT VOTE, DO NOT FULLY COMPLETE OR RETURN A PROXY CARD OR OTHERWISE PROVIDE PROXY INSTRUCTIONS?

A:

Proposal No. 1 The failure to return your proxy card or otherwise provide proxy instructions will have the same effect as voting **"AGAINST"** the adoption of the merger agreement and could be a

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factor in establishing a quorum for the special meeting, which is required to transact business at the meeting.

Proposal No. 2 The failure to return your proxy card or otherwise provide proxy instructions could be a factor in establishing a quorum for the special meeting, which is required to transact business at the meeting. If, however, a quorum is otherwise present at the special meeting, the failure to return your proxy card or otherwise provide proxy instructions will have no effect on the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies for adoption of the merger agreement.

If you submit a signed proxy without specifying the manner in which you would like your shares to be voted, your shares will be voted **"FOR"** the adoption of the merger agreement and, if necessary, **"FOR"** the adjournment of the special meeting to solicit additional proxies for adoption of the merger agreement.

Q:

MAY I VOTE IN PERSON?

A:

If your shares are registered directly in your name with Andrew's transfer agent, you are considered, with respect to those shares, the stockholder of record, and the proxy materials and proxy card are being sent directly to you on behalf of Andrew. If you are an Andrew stockholder of record, you may attend the special meeting to be held on , 2007, and vote your shares in person, rather than signing and returning your proxy card or otherwise providing proxy instructions.

If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in "street name" and the proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the special meeting. Because a beneficial owner is not the stockholder of record, you may not vote these shares in person at the special meeting unless you obtain a "legal proxy" from the broker, trustee or nominee that holds your shares, giving you the right to vote the shares at the meeting.

Q:

MAY I CHANGE MY VOTE AFTER I HAVE PROVIDED PROXY INSTRUCTIONS?

A:

Yes. You may change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways:

- Send a written notice stating that you would like to revoke your proxy;
- Submit new proxy instructions either on a new proxy card, by telephone or via the Internet; or
- Attend the meeting and vote in person (if you are entitled to do so, as described in the preceding question and answer).

Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change those instructions.

Q:

SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

No. After the merger is consummated, you will receive written instructions from Mellon Investor Services, L.L.C., acting as CommScope's exchange agent, which we refer to as the exchange agent, explaining how to exchange your stock certificates representing shares of Andrew common stock for cash and for shares of CommScope common stock, if shares are being issued as part of the merger consideration. Any shares of CommScope common stock issued as part of the merger consideration will be issued in uncertificated book entry form. You will also receive a cash payment in lieu of any fractional share of CommScope common stock. We refer to the shares of CommScope common stock issuable in the merger, along with the cash consideration and any cash payment in lieu of any fractional share, as the merger consideration. **Please do not send in your stock certificates with your proxy.**

Q: **HOW WILL ANDREW STOCKHOLDERS RECEIVE THE MERGER CONSIDERATION?**

A: Following the merger, Andrew stockholders will receive a letter of transmittal and instructions on how to obtain the merger consideration in exchange for your Andrew common stock. You must return the completed letter of transmittal and your Andrew stock certificates as described in the instructions, and you will receive the merger consideration as soon as practicable after the exchange agent receives your completed letter of transmittal and Andrew stock certificates. If you hold shares through a brokerage account, your broker will surrender the necessary stock certificates to the exchange agent.

Q: **AM I ENTITLED TO APPRAISAL RIGHTS?**

A: Under the General Corporation Law of Delaware, which we refer to as the DGCL, holders of Andrew common stock are entitled to appraisal rights in connection with the merger, but in order to exercise such appraisal rights a holder of Andrew common stock must comply with the applicable Delaware statute. For further information, see the section entitled "The Special Meeting Appraisal Rights" for additional information.

Q: **WHO IS PAYING FOR THIS PROXY SOLICITATION?**

A: Andrew is conducting this proxy solicitation and will bear the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement/prospectus, the proxy card and any additional information furnished to stockholders. Andrew has retained Morrow & Co., Inc. to aid in Andrew's proxy solicitation process. Andrew estimates that its proxy solicitor fees will be approximately $10,000, plus reimbursement of out-of-pocket expenses. Andrew may also reimburse brokerage houses and other custodians, nominees and fiduciaries for their costs of forwarding proxy and solicitation materials to beneficial owners.

Q: **DO I NEED TO ATTEND THE SPECIAL MEETING IN PERSON?**

A: No. It is not necessary for you to attend the special meeting to vote your shares if Andrew previously has received your proxy, although you are welcome to attend.

Q: **WHO CAN HELP ANSWER MY QUESTIONS?**

A: If you have questions about the merger, including the procedures for voting your shares, or would like additional copies, without charge, of this proxy statement/prospectus, you should contact:

Andrew Corporation
Attn: Investor Relations
3 Westbrook Corporate Center
Westchester, Illinois 60154
Telephone:(800) 232-6767
E-mail: investor.relations@andrew.com

Morrow & Co., Inc.
470 West Avenue
Stamford, Connecticut 06902
Call Toll-Free (800) 607-0088
E-mail: Andrew.info@morrowco.com

SUMMARY OF THE PROXY STATEMENT/PROSPECTUS

This summary highlights selected information from this document and may not contain all information that is important to you. To understand the merger more fully, you should read carefully this entire document, including its annexes and exhibits, and the documents incorporated by reference into this document. For further information, including a list of documents incorporated by reference, see the section entitled "Where You Can Find More Information." The merger agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement as it, and not this description, is the legal document that governs the merger.

Comparative Per Share Market Price Information

CommScope common stock is listed on the New York Stock Exchange under the symbol "CTV". Andrew common stock is listed on the Nasdaq Global Market under the symbol "ANDW". On June 26, 2007, the last full trading day prior to the public announcement of the proposed merger, CommScope common stock closed at $55.16 per share on the New York Stock Exchange and Andrew common stock closed at $12.98 per share on the Nasdaq Global Market. On , 2007, the last full trading day prior to the date of this proxy statement/prospectus, CommScope common stock closed at $ per share on the New York Stock Exchange and Andrew common stock closed at $ per share on the Nasdaq Global Market. For further information, see the section entitled "Market Price and Dividend Information" for additional historical prices of CommScope common stock and Andrew common stock.

The Companies

CommScope, Inc.
1100 CommScope Place, S.E.
P.O. Box 339
Hickory, North Carolina 28602
Telephone: (828) 324-2200

CommScope is a world leader in infrastructure solutions for communications networks. CommScope's highly-engineered cable and connectivity solutions enable a host of information-rich and interactive services that are delivered to the home, office and mobile devices. CommScope focuses on the "last mile" in communications networks, which is the distribution access, or final link to the customer. CommScope believes it is a global leader in structured cabling solutions for business enterprise applications and a global leader in broadband coaxial cables for the cable television industry. CommScope also designs, manufactures and markets a broad line of high-performance electronic, coaxial, and fiber optic cables and related products for data networking, Internet access, wireless communication, telephony and other broadband applications. In addition, CommScope is an industry leader in the design and manufacture of environmentally secure enclosures to integrate complex equipment for digital subscriber line (DSL) and Fiber-to-the-Node (FTTN) deployments by telecommunication service providers in the United States.

DJRoss, Inc. is an indirect wholly owned subsidiary of CommScope that was incorporated in Delaware on June 19, 2007. DJRoss does not engage in any operations and exists solely to facilitate the merger. For additional information about CommScope, see the section entitled "Business of CommScope."

Andrew Corporation
3 Westbrook Corporate Center
Suite 900
Westchester, Illinois 60154
Telephone: (800) 232-6767

Andrew Corporation designs, manufactures and delivers innovative and essential equipment and solutions for the global communications infrastructure market. Andrew serves operators and original equipment manufacturers from facilities in 35 countries. Andrew, headquartered in Westchester, Illinois, is an S&P Midcap 400 company founded in 1937. For additional information about Andrew, see the section entitled "Business of Andrew."

The Special Meeting

Date, Time and Place. The special meeting will take place at , on , 2007 at , local time.

What you are being asked to vote on. At the special meeting, Andrew stockholders will vote on Proposal No. 1 to adopt the merger agreement and Proposal No. 2 to adjourn the special meeting to solicit additional proxies for approval of Proposal No. 1, if necessary. Adoption of the merger agreement by Andrew stockholders will constitute approval of all of the transactions contemplated in the merger agreement.

Who may vote. You may vote at the special meeting if you owned Andrew common stock at the close of business on the record date, , 2007. On that date, there were shares of Andrew common stock outstanding and entitled to vote. You may cast one vote for each share of Andrew common stock that you owned on the record date.

What vote is needed. The affirmative vote in person or by proxy of the holders of at least a majority of the shares of Andrew common stock issued and outstanding on the record date is required to approve Proposal No. 1. Approval of Proposal No. 2 requires the affirmative vote of the holders of at least a majority of the shares of Andrew common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter, if a quorum is present.

Share Ownership of Management. As of August 7, 2007, shares representing approximately 0.3% of the outstanding shares of Andrew common stock were held by Andrew's directors, executive officers and their respective affiliates.

For further information regarding the special meeting, see the section entitled "The Special Meeting."

Recommendations to Stockholders of Andrew

After careful consideration, Andrew's board of directors recommends that Andrew stockholders vote **"FOR"** Proposal No. 1 to adopt the merger agreement and **"FOR"** Proposal No. 2 to adjourn the special meeting to solicit additional proxies for approval of Proposal No. 1, if necessary. For further information, see the section entitled "The Special Meeting Andrew Board Recommendation."

Structure of the Merger

In the merger, DJRoss, Inc., an indirect wholly owned subsidiary of CommScope, will merge with and into Andrew, and Andrew will become an indirect wholly owned subsidiary of CommScope. Holders of Andrew common stock will receive, for each share of Andrew common stock they own, the merger consideration consisting of (1) $13.50 in cash and (2) the stub portion of the merger consideration, which will consist of, at CommScope's election, either (i) $1.50 in cash, (ii) a fraction of a fully paid and nonassessable share of CommScope common stock equal to (A) $1.50 divided by (B) the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective, or (iii) a combination of cash and a fraction of a share of CommScope common stock (determined as described above) together equaling $1.50. All Andrew stock options will vest automatically as a result of the merger and holders of Andrew stock options may elect to cancel some or all of their stock options as of the effective time of the merger, in which case they will be entitled to receive in respect of each share of common stock subject to such cancelled options an amount equal to the merger consideration less the exercise price of such options. If the holders of Andrew stock options do not elect to cancel their stock options, such Andrew stock options will be converted into options to acquire CommScope common stock (the number of shares of CommScope common stock to be represented by such converted stock option is determined as described in the merger agreement). At the effective time of the merger, except as described below, each restricted stock unit (including performance stock units) will be assumed by CommScope and will be converted into the right to receive, upon vesting (which vesting will occur at the effective time of the merger to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit award agreement), the merger consideration. However, to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit award agreement, a restricted stock unit will vest at the effective time of the merger and will be cancelled as of the effective time for an all-cash payment of $15.00 for each share of Andrew common stock underlying the restricted stock unit. The warrant issued to TruePosition, Inc. for the purchase of 1,000,000 shares of Andrew common stock at an exercise price of $17.70 per share of Andrew common stock, which we refer to as the Andrew warrant, will become exercisable for the merger consideration in accordance with the terms of the Andrew warrant. The $3^1/_4$% convertible subordinated notes due 2013, issued by Andrew, which we refer to as the Andrew notes, will cease to be convertible into Andrew common stock and will become convertible into the merger consideration in accordance with the terms of the indenture governing the Andrew notes.

Conversion of Andrew Stock in the Merger

Each share of Andrew common stock issued and outstanding immediately prior to the completion of the merger, but excluding shares of Andrew common stock held in the treasury of Andrew and shares for which appraisal rights have been asserted in accordance with the DGCL, will be converted into the right to receive $13.50 in cash, plus the stub portion of the merger consideration, which, at the election of CommScope, will consist of either (i) $1.50 in cash; (ii) a fraction of a share of CommScope common stock equal to $1.50 divided by the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective; or (iii) a combination of cash and a fraction of a share of CommScope common stock (determined as described above) together equaling $1.50.

The value of the merger consideration, based on such volume weighted average, will not be adjusted as a result of changes to the market price of CommScope or Andrew common stock prior to the effective time of the merger; however, the exchange ratio used to determine the number of shares of CommScope common stock, if any, to be issued as the stock portion of the merger consideration will be adjusted to reflect stock splits, reclassifications and other similar changes to CommScope's common stock or Andrew's common stock which occur on or after the date of the merger agreement and prior to the effective time of the merger. Because CommScope has the right to determine whether or not to issue CommScope common stock to pay the stub portion of the merger consideration, the exact form of consideration to be received by a holder of Andrew common stock for the stub portion of the merger consideration may not be finally determined until after the date of the special meeting.

If CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock, approximately 4.9 million shares of CommScope common stock would be issued in respect of Andrew common stock, the Andrew notes, and Andrew stock options and restricted shares in connection with the merger, representing approximately 7% of the outstanding shares of CommScope common stock immediately following the consummation of the merger, assuming that a CommScope common stock price of $52.62 per share (which was the closing price on September 21,

2007) is used in the calculation and based on the number of shares of CommScope common stock outstanding as of September 21, 2007. The number of shares of CommScope common stock issued in connection with the merger will be lower if CommScope elects to pay the stub portion of the merger consideration only partially in CommScope common stock. If CommScope elects to pay the stub portion of the merger consideration entirely in cash, no shares of CommScope common stock would be issued in connection with the merger. For further information about the structure of the merger, see the section entitled "Proposal No. 1 The Merger General Description of the Merger."

Stock Options, Warrant and Notes

All Andrew stock options will automatically vest as a result of the merger and holders of Andrew stock options will be able to elect to have some or all of their options cancelled as of the effective time of the merger, in which case the holders of such stock options will be entitled to receive in respect of each share of common stock subject to such cancelled stock option an amount equal to the merger consideration less the exercise price of the cancelled stock option. If a holder of Andrew stock options does not elect to have all of such stock options cancelled, each stock option not cancelled will be converted into an option to acquire shares of CommScope common stock.

From and after the effective time of the merger, the Andrew warrant will become exercisable for the merger consideration in accordance with the terms of the Andrew warrant.

From and after the effective time of the merger, the Andrew notes will cease to be convertible into Andrew common stock and will become convertible into the merger consideration in accordance with the terms of the indenture governing the Andrew notes. In addition, following the merger, CommScope will be required to offer to repurchase any Andrew notes not converted into the merger consideration at a price equal to 100% of the principal amount thereof, together with accrued and unpaid interest up to, but excluding, the date of such repurchase.

For further information, see the sections entitled "The Merger Agreement Treatment of Stock Options and Restricted Stock Units," " Treatment of Andrew Warrant and Andrew Notes," and " Conditions to Completion of the Merger."

Risk Factors

In evaluating the merger agreement, you should read this proxy statement/prospectus carefully and especially consider the factors discussed in the section entitled "Risk Factors."

Andrew's Reasons for the Merger

In reaching its decision to approve the merger, Andrew's board of directors consulted with senior management and Andrew's financial and legal advisors and considered a number of material factors. Those factors included, but were not limited to, a significant trend of industry consolidation, a purchase price that was deemed to be highly favorable and the product of a vigorous negotiation process, the lack of better strategic alternatives thought to be available to Andrew and the opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as Merrill Lynch, as to the fairness, from a financial point of view, of the merger consideration, as of the date of such opinion and subject to the assumptions and limitations set forth in such opinion. Andrew's board of directors also considered a number of negative factors explained in more detail below. For further information about Andrew's reasons for the merger, see the section entitled "Proposal No. 1 The Merger Andrew's Reasons for the Merger."

Opinion of Andrew's Financial Advisor

On June 26, 2007, Merrill Lynch delivered to Andrew's board of directors its oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the merger consideration pursuant to the merger agreement was fair, from a financial point of view, to the holders of Andrew common stock. A copy of Merrill Lynch's written opinion is attached to this proxy statement/prospectus as Annex B. Merrill Lynch was not requested to and did not provide any financial advisory services to Andrew in connection with the merger, including advice concerning the structure, the specific amount of the merger consideration, or any other aspects of the merger, other than the delivery of its opinion. Merrill Lynch did not participate in negotiations with respect to the merger consideration or the other terms of the merger or the merger agreement. We encourage you to read carefully both the section entitled "Proposal No. 1 The Merger Opinion of Andrew's Financial Advisor" and the opinion itself in its entirety for a description of the assumptions made, matters considered and limits on the scope of review undertaken by Merrill Lynch. Merrill Lynch's opinion was intended for the use and benefit of Andrew's board of directors, does not address the merits of the underlying decision by Andrew to enter into the merger agreement or any of the transactions contemplated thereby, including the merger, and does not constitute a recommendation to any Andrew stockholder as to how that stockholder should vote on the merger or any related matter.

CommScope's Reasons for the Merger

CommScope determined to pursue the merger to expand its global leadership in infrastructure solutions for communications networks, including structured cabling solutions for the business enterprise; broadband cable and apparatus for cable television applications; and antenna and cable products, base station subsystems, coverage and capacity systems, and network solutions for wireless applications. For further information, see the section entitled "CommScope's Reasons for the Merger."

Interests of Andrew Directors and Executive Officers

When considering the recommendations by the Andrew board of directors, you should be aware that a number of Andrew's executive officers and directors have interests in the merger that are different from those of other Andrew stockholders. For further information, see the section entitled "Proposal No. 1 The Merger Interests of Andrew Directors and Executive Officers in the Merger."

Restrictions on Sales of Shares to be Received in the Merger

The shares of CommScope common stock, if any, to be issued in the merger and received by persons who are deemed to be "affiliates" of Andrew on the date of the special meeting may be resold by them only in transactions permitted by the resale provisions of Rule 145 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or as otherwise permitted under the Securities Act. For further information, see the section entitled "Proposal No. 1 The Merger Restrictions on Sales of Shares to be Received in the Merger."

Solicitation

Andrew agreed to a number of limitations with respect to soliciting, negotiating and discussing acquisition proposals involving persons other than CommScope, and to certain related matters in the merger agreement. For further information regarding these limitations, see the section entitled "The Merger Agreement Covenants Relating to the Conduct of Business Solicitation."

Conditions to the Merger

The respective obligations of CommScope and Andrew to consummate the merger are subject to the satisfaction or waiver of certain conditions. For further information about the conditions, see the section entitled "The Merger Agreement Conditions to Completion of the Merger."

Termination

Either CommScope or Andrew can terminate the merger agreement under certain circumstances, which would prevent the merger from being consummated. For further information, see the section entitled "The Merger Agreement Termination of Merger Agreement."

A termination fee of $75 million may be payable by Andrew to CommScope upon the termination of the merger agreement under certain circumstances. For further information about the termination fee, see the section entitled "The Merger Agreement Termination Fee."

Expenses

Subject to limited exceptions, all fees and expenses incurred in connection with the merger agreement will be paid by the party incurring such expenses. CommScope and Andrew will share equally the filing fees required in connection with the filing by the parties of the premerger notification and report forms relating to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, which we refer to as the HSR Act, and any foreign antitrust, competition or similar laws. For further information, see the section entitled "The Merger Agreement Other Covenants and Agreements Expenses."

Financing

The merger agreement is not conditioned upon the receipt of financing by CommScope. CommScope estimates that the total amount of funds necessary to complete the merger and pay related transaction costs (assuming CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock), including payment to Andrew stockholders and certain holders of Andrew stock options and restricted shares, the refinancing of existing indebtedness, payment of the merger consideration to holders of the Andrew notes (assuming full conversion of the Andrew notes), and payment of fees and expenses in connection with the merger, the financing arrangements and the related transactions, will be approximately $2.59 billion ($2.85 billion if CommScope elects to use all cash for the merger consideration). CommScope has obtained commitments for debt financing in an aggregate amount of $2.55 billion, the funding of which is subject to the satisfaction of the conditions set forth in the commitment letter pursuant to which the financing will be provided. For further information, see the section entitled "Proposal No. 1 The Merger Financing."

Material Federal Income Tax Consequences of the Merger

The merger will be a taxable transaction for U.S. federal income tax purposes to a holder of Andrew common stock. The receipt of cash and CommScope common stock, if any, by a holder of Andrew common stock will cause the holder to recognize gain or loss for U.S. federal income tax purposes measured by the difference, if any, between the cash and the value of CommScope common stock the holder of Andrew common stock receives in the merger and the adjusted tax basis of the holder's shares of Andrew common stock. If the holding period of the Andrew common stock surrendered in the merger is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. Each share of CommScope common stock, if any, received by a holder of Andrew common stock in the merger will have a tax basis equal to the fair market value of the share received. For further information, see the section entitled "Material United States Federal Income Tax Consequences."

Tax matters can be complicated, and the tax consequences of the merger to you will depend on the facts of your own situation. You should consult your own tax advisors to fully understand the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws.

Regulatory Approvals

To consummate the merger, CommScope and Andrew must make filings and obtain approvals or clearances from antitrust regulatory authorities in certain jurisdictions, including the United States. In the United States, CommScope must also comply with applicable federal and state securities laws and the rules and regulations of the New York Stock Exchange in connection with the issuance of shares of CommScope common stock, if any, in the merger and the filing of this proxy statement/prospectus with the SEC. For further information, see the section entitled "Proposal No. 1 The Merger Regulatory Approvals Required for the Merger."

Anticipated Accounting Treatment of the Merger

The merger will be accounted for as a purchase transaction by CommScope for financial reporting and accounting purposes under U.S. generally accepted accounting principles. The results of operations of Andrew will be included in the consolidated financial statements of CommScope from and after the consummation of the merger. For further information, see the section entitled "Proposal No. 1 The Merger Anticipated Accounting Treatment of the Merger."

Appraisal Rights

Holders of Andrew common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger. For further information, see the sections entitled "The Special Meeting Appraisal Rights" and "Proposal No. 1 The Merger Appraisal Rights."

MARKET PRICE AND DIVIDEND INFORMATION

CommScope common stock is listed on the New York Stock Exchange under the symbol "CTV", and Andrew common stock is listed on the Nasdaq Global Market under the symbol "ANDW". The following tables present, for the periods indicated, the range of high and low per share sales prices for CommScope common stock as reported on the New York Stock Exchange and the range of high and low per share sales prices of Andrew common stock as reported on the Nasdaq Global Market. Neither CommScope nor Andrew has ever declared or paid any cash dividend on shares of its common stock.

CommScope's fiscal year ends on December 31, and Andrew's fiscal year ends on September 30.

CommScope Common Stock

	High	Low
Fiscal Year Ended December 31, 2005		
First Quarter	$ 19.23	$ 13.98
Second Quarter	$ 18.17	$ 13.83
Third Quarter	$ 19.73	$ 16.87
Fourth Quarter	$ 21.13	$ 16.38
Fiscal Year Ended December 31, 2006		
First Quarter	$ 29.42	$ 19.95
Second Quarter	$ 33.72	$ 25.92
Third Quarter	$ 33.67	$ 25.74
Fourth Quarter	$ 35.91	$ 29.25
Fiscal Year Ending December 31, 2007		
First Quarter	$ 43.79	$ 28.28
Second Quarter	$ 59.82	$ 41.90
Third Quarter to date (through September 21, 2007)	$ 63.51	$ 44.28

Andrew Common Stock

	High	Low
Fiscal Year Ended September 30, 2005		
First Quarter (October 1, 2004 December 31, 2004)	$ 15.49	$ 12.18
Second Quarter (January 1, 2005 March 31, 2005)	$ 14.08	$ 11.28
Third Quarter (April 1, 2005 June 30, 2005)	$ 13.99	$ 10.83
Fourth Quarter (July 1, 2005 September 30, 2005)	$ 14.19	$ 10.38
Fiscal Year Ended September 30, 2006		
First Quarter (October 1, 2005 December 31, 2005)	$ 11.75	$ 10.07
Second Quarter (January 1, 2006 March 31, 2006)	$ 14.25	$ 10.43
Third Quarter (April 1, 2006 June 30, 2006)	$ 12.50	$ 8.68
Fourth Quarter (July 1, 2006 September 30, 2006)	$ 9.79	$ 7.08
Fiscal Year Ending September 30, 2007		
First Quarter (October 1, 2006 December 31, 2006)	$ 10.73	$ 8.80
Second Quarter (January 1, 2007 March 31, 2007)	$ 11.25	$ 9.89
Third Quarter (April 1, 2007 June 30, 2007)	$ 14.60	$ 10.49
Fourth Quarter to date (July 1, 2007 September 21, 2007)	$ 14.47	$ 13.38

CommScope may elect to pay the stub portion of the merger consideration in cash, CommScope common stock or a combination thereof. The following table presents the closing sales price per share of CommScope common stock and Andrew common stock, as reported on the New York Stock

Exchange and the Nasdaq Global Market, respectively, on June 26, 2007, the last full trading day before the public announcement of the proposed merger, and on September 21, 2007, and the approximate maximum number of shares of CommScope common stock issuable for the stub portion of the merger consideration assuming that the per share CommScope common stock price on each of such dates was used in the calculation of the exchange ratio and further assuming 176.6 million shares of Andrew fully diluted common stock were outstanding as of such dates:

	CommScope Common Stock	Andrew Common Stock	Approximate Maximum Number of Shares of CommScope Common Stock Issuable in the Merger
June 26, 2007	$ 55.16	$ 12.98	4.8 million
September 21, 2007	52.62	13.88	4.9 million

Following the consummation of the merger, CommScope common stock will continue to be listed on the New York Stock Exchange, and there will be no further market for the Andrew common stock.

SELECTED HISTORICAL FINANCIAL DATA OF COMMSCOPE

The following statements of operations data for each of the three years in the period ended December 31, 2006 and the balance sheet data as of December 31, 2006 and 2005 have been derived from CommScope's audited consolidated financial statements contained in its Annual Report on Form 10-K for the year ended December 31, 2006, which is incorporated into this proxy statement/prospectus by reference. The statements of operations data for the years ended December 31, 2003 and 2002 and the balance sheet data as of December 31, 2004, 2003 and 2002 have been derived from CommScope's audited consolidated financial statements for such years, which have not been incorporated into this proxy statement/prospectus by reference. The statements of operations data for each of the six month periods ended June 30, 2007 and 2006 and the balance sheet data as of June 30, 2007 have been derived from CommScope's unaudited consolidated financial statements, which are contained in CommScope's Quarterly Report on Form 10-Q for the period ended June 30, 2007, which is incorporated into this proxy statement/prospectus by reference. The historical financial information of CommScope does not include the results for the Connectivity Solutions business, acquired in 2004, for any date prior to January 31, 2004 and includes the results of OFS BrightWave, LLC through June 14, 2004, the date CommScope disposed of its equity interest in OFS BrightWave, LLC. CommScope's historical book value per share is computed by dividing total shareholders' equity by the number of common shares outstanding at the end of the period.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this proxy statement/prospectus and their accompanying notes and management's discussion and analysis of operations and financial condition of CommScope contained in such reports.

	Six Months Ended June 30,		Fiscal Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(In millions, except per share data)						
Historical Consolidated Statements of Operations Data:							
Net sales	$ 954.6	$ 764.1	$ 1,623.9	$ 1,337.2	$ 1,152.7	$ 573.3	$ 598.5
Gross profit	294.5	193.3	444.1	344.5	254.8	114.6	120.6
Operating income (loss)(1)	150.1	57.4	158.6	74.9	5.9	(9.0)	(15.4)
Net income (loss)(1)	107.0	59.4	130.1	50.0	75.8	(70.6)	(67.2)
Net income (loss) available to common stockholders(1)	107.0	59.4	130.1	50.0	75.8	(70.6)	(67.2)
Income (loss) per common share basic	$ 1.76	$ 1.03	$ 2.22	$ 0.91	$ 1.32	$ (1.19)	$ (1.10)
Income (loss) per common share diluted	$ 1.46	$ 0.85	$ 1.84	$ 0.78	$ 1.15	$ (1.19)	$ (1.10)

	As of June 30, 2007	As of December 31,				
		2006	2005	2004	2003	2002
	(In millions, except per share data)					
Historical Consolidated Balance Sheet Data:						
Total assets	$ 1,485.3	$ 1,302.5	$ 1,102.2	$ 1,030.6	$ 739.8	$ 772.7
Total long-term debt	266.8	284.1	297.3	310.3	183.3	183.3
Stockholders' equity	896.7	739.1	522.0	449.5	455.7	517.5
Book value per share	$ 14.56	$ 12.37	$ 9.34	$ 8.25	$ 7.68	$ 8.74

(1) Effective January 1, 2006, CommScope adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment: An amendment of FASB Statements No. 123 and 95, which requires CommScope to recognize in the statements of operations the grant-date fair value of

stock options and other equity-based compensation issued to employees. In accordance with the modified prospective transition method, prior periods have not been restated to reflect the impact of SFAS No. 123(R). The incremental reduction of income of adopting SFAS No. 123(R) was $3.3 million for the year ended December 31, 2006 and $3.4 million and $1.4 million for the six months ended June 30, 2007 and 2006, respectively. For further information regarding CommScope's adoption of SFAS No. 123(R), see note 13 contained in CommScope's Annual Report on Form 10-K for the year ended December 31, 2006 and note 9 contained in CommScope's Quarterly Report on Form 10-Q for the period ended June 30, 2007, which are incorporated into this proxy statement/prospectus by reference.

SELECTED HISTORICAL FINANCIAL DATA OF ANDREW

The following statements of operations data for each of the three years in the period ended September 30, 2006 and the balance sheet data as of September 30, 2006 and 2005 have been derived from Andrew's audited consolidated financial statements contained in its Annual Report on Form 10-K for the fiscal year ended September 30, 2006, which is incorporated into this proxy statement/prospectus by reference. The statements of operations data for the fiscal years ended September 30, 2003 and 2002 and the balance sheet data as of September 30, 2004, 2003 and 2002 have been derived from Andrew's audited consolidated financial statements for such years, which have not been incorporated into this proxy statement/prospectus by reference. The statements of operations data for each of the nine month periods ended June 30, 2007 and 2006 and the balance sheet data as of June 30, 2007 have been derived from Andrew's unaudited consolidated financial statements, which are contained in Andrew's Quarterly Report on Form 10-Q for the period ended June 30, 2007 and incorporated into this proxy statement/prospectus by reference. The historical financial information of Andrew does not include the results of Allen Telecom, Inc. for any date prior to July 15, 2003 or Celiant for any date prior to June 4, 2002. Andrew's historical book value per share is computed by dividing total stockholders' equity less preferred stock by the number of Andrew common shares outstanding at the end of the period.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this proxy statement/prospectus and their accompanying notes and management's discussion and analysis of operations and financial condition of Andrew contained in such reports.

	Nine Months Ended June 30,		Fiscal Year Ended September 30,				
	2007	2006	2006	2005	2004	2003	2002
	(Unaudited)						
	(In millions, except per share data)						
Historical Consolidated Statements of Operations Data:							
Net sales	$ 1,570.7	$ 1,547.0	$ 2,146.1	$ 1,961.2	$ 1,828.4	$ 1,011.7	$ 864.8
Gross profit	339.1	338.0	473.4	436.8	443.3	272.3	237.7
Income (loss) from continuing operations	(100.2)(1)	25.4	(34.3)(2)	38.9	28.9	17.0	10.5
Net income (loss)	(100.2)(1)	25.4	(34.3)(2)	38.9	28.9	13.9	(26.4)
Preferred stock dividends				0.2	0.7	6.5	
Net income (loss) available to common stockholders	(100.2)(1)	25.4	(34.3)(2)	38.6	28.2	7.4	(26.4)
Income (loss) per common share basic							
Continuing operations	$ (0.64)	$ 0.16	$ (0.22)	$ 0.24	$ 0.18	$ 0.10	$ 0.12
Net income (loss)	$ (0.64)	$ 0.16	$ (0.22)	$ 0.24	$ 0.18	$ 0.07	$ (0.30)
Income (loss) per common share diluted							
Continuing operations	$ (0.64)	$ 0.16	$ (0.22)	$ 0.24	$ 0.18	$ 0.10	$ 0.12
Net income (loss)	$ (0.64)	$ 0.16	$ (0.22)	$ 0.24	$ 0.18	$ 0.07	$ (0.30)

	As of June 30, 2007	As of September 30, 2006	2005	2004	2003	2002
	(Unaudited)					
	(In millions, except per share data)					
Historical Consolidated Balance Sheet Data:						
Total assets	$ 2,284.6	$ 2,408.9	$ 2,313.7	$ 2,239.7	$ 2,074.2	$ 1,123.7
Total long-term obligations	296.1	333.8	324.9	339.2	375.3	41.9
Redeemable preferred stock				6.0	9.2	
Total shareholders' equity	1,436.5	1,507.3	1,550.6	1,517.1	1,422.3	845.2
Book value per share	9.21	9.58	9.64	9.39	8.93	8.61

(1) In the third quarter ended June 30, 2007, Andrew recorded a $107.9 million goodwill impairment charge to reduce the goodwill balance of its Base Station Subsystem segment to fair value. Andrew tests its goodwill balance for possible impairment as of July 1 each year, or on an interim basis if circumstances dictate, based on the five reporting units of Andrew's business. As a result of the losses generated by Base Station Subsystems in the first six months of fiscal 2007, Andrew determined that an interim test of the goodwill balance for Base Station Subsystems was required. Andrew completed its assessment of Base Station Subsystems goodwill in the third quarter of fiscal 2007 and, as a result, recorded a non-cash impairment loss of $107.9 million. See Note 17 contained in Andrew's quarterly report on Form 10-Q for the period ended June 30, 2007 which is incorporated into this proxy statement/prospectus by reference.

(2) In fiscal 2006, Andrew recorded an $83.4 million charge to establish a full valuation allowance against Andrew's net U.S. deferred tax assets. See Note 8 contained in Andrew's fiscal 2006 annual report on Form 10-K which is incorporated into this proxy statement/prospectus by reference.

SELECTED PRO FORMA FINANCIAL DATA

The pro forma information shown in the following tables reflects the pro forma effect of accounting for the merger under the purchase method of accounting. The pro forma income statement data for the six months ended June 30, 2007 and the year ended December 31, 2006 assume a merger completion date of January 1, 2006. The pro forma balance sheet data assumes a merger completion date of June 30, 2007.

The pro forma financial information presented herein reflects the merger consideration composed entirely of cash and includes adjustments related to the acquisition that are expected to have a continuing impact on the combined results. These adjustments include increased depreciation and amortization on the acquired tangible and intangible assets, increased interest expense on the debt expected to be incurred to complete the acquisition, decreased interest income related to the expected use of cash, cash equivalents and short-term investments to complete the acquisition, amortization of deferred financing fees incurred in connection with the additional debt, and the tax impact of these pro forma adjustments. The pro forma adjustments included herein are subject to updates as additional information becomes available and as additional analyses are performed. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein.

Because Andrew's fiscal year ends September 30, the pro forma data excerpted from the statement of operations for the fiscal year ended December 31, 2006 is based on Andrew's statement of operations for its fiscal year ended September 30, 2006; therefore Andrew's results of operations for the three months ended December 31, 2006 do not appear in the pro forma statements of operations data.

The information in the tables on the following pages is based on historical financial information and related notes that CommScope and Andrew have presented in their prior filings with the SEC. You should read all of the summary financial information provided in the following tables together with this historical financial information and related notes. The historical financial information is also incorporated into this document by reference.

CommScope anticipates that the merger will provide CommScope with financial benefits that include future cost savings and synergies. CommScope also expects to incur restructuring charges related to integrating CommScope and Andrew businesses. Neither these financial benefits nor the expected restructuring costs are reflected in the pro forma information. Accordingly, the pro forma information does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during the periods presented.

Selected Unaudited Pro Forma Condensed Combined Financial Data
For the Six Months Ended June 30, 2007 and the Fiscal Year Ended December 31, 2006
(In millions, except per share amounts)

	Six Months Ended June 30, 2007	Fiscal Year Ended December 31, 2006
Net sales	$ 2,003.1	$ 3,770.0
Operating costs and expenses:		
Cost of sales	1,506.8	2,884.1
Selling, general and administrative	262.9	522.9
Research and development	72.5	146.4
Merger costs		13.5
Pension termination gain		(14.2)
Asset impairment		3.9
Restructuring costs	3.6	20.3
Goodwill impairment	107.9	
Total operating costs and expenses	1,953.7	3,576.9
Operating income	49.4	193.1
Other income (expense), net	(0.1)	(3.3)
Interest expense	(103.6)	(206.1)
Interest income	4.8	4.6
Income (loss) before income taxes and OFS BrightWave transaction	(49.5)	(11.7)
Income tax expense before income tax effects of OFS BrightWave transaction	(18.9)	(65.1)
Income (loss) before OFS BrightWave transaction	(68.4)	(76.8)
Gain on OFS BrightWave note receivable, net of tax of $11,175		18.6
Net income (loss)	$ (68.4)	$ (58.2)
Net income (loss) per share:		
Basic	$ (1.12)	$ (0.99)
Assuming dilution	$ (1.12)	$ (0.99)
Weighted average shares outstanding:		
Basic	60.8	58.5
Assuming dilution	60.8	58.5

Selected Unaudited Pro Forma Condensed Combined Financial Data
As of June 30, 2007
(In millions)

Total cash, cash equivalents and short-term investments	$ 225.6
Accounts receivable, net	827.3
Inventories	603.6
Prepaid expenses and other current assets	118.6
Total current assets	1,775.1
Property, plant and equipment, net	507.0
Goodwill	1,596.7
Other intangibles, net	668.9
Deferred income taxes	16.8
Other assets	104.5
Total Assets	$ 4,669.0
Accounts payable	$ 367.5
Other accrued liabilities	297.8
Notes payable and current portion of long-term debt	24.4
Total current liabilities	689.7
Long-term debt	2,668.8
Deferred income taxes	205.9
Other noncurrent liabilities	199.9
Total Liabilities	3,764.3
Common stock	0.7
Additional paid-in capital	594.8
Retained earnings	446.3
Accumulated other comprehensive income	8.4
Treasury stock, at cost	(145.5)
Total Stockholders' Equity	904.7
Total Liabilities and Stockholders' Equity	$ 4,669.0

UNAUDITED COMPARATIVE HISTORICAL AND PER SHARE DATA

The following table summarizes unaudited per share information for CommScope and Andrew on a historical basis and on a pro forma combined basis for CommScope after the merger. It has been assumed for purposes of the pro forma financial information provided below that the merger was completed on January 1, 2006 for statements of operations purposes and June 30, 2007 for balance sheet purposes. The unaudited pro forma combined per share data for the fiscal year ended December 31, 2006 combines CommScope's historical information for the fiscal year ended December 31, 2006 with Andrew's historical information for the fiscal year ended September 30, 2006. CommScope's historical book value per share is computed by dividing total stockholders' equity by the number of common shares outstanding at the end of the period. Andrew's historical book value per share is computed by dividing total stockholders' equity by the number of common shares outstanding at the end of the period. The pro forma combined book value per share is computed by dividing total pro forma stockholders' equity by the pro forma number of common shares outstanding at the end of the period.

You should read this per share data together with the respective audited and unaudited financial statements and related notes of CommScope and Andrew that are incorporated by reference into this proxy statement/prospectus and the unaudited pro forma condensed financial information and notes related to such consolidated financial statements included elsewhere in this proxy statement/prospectus. The pro forma information below is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the period presented, nor is it necessarily indicative of the future operating results or financial position of CommScope after the merger.

	Six Months Ended June 30, 2007	Fiscal Year Ended December 31, 2006
CommScope Historical		
Historical per common share:		
Basic income per share from continuing operations	$ 1.76	$ 2.22
Diluted income per share from continuing operations	1.46	1.84
Book value per share	14.56	12.37
	Nine Months Ended June 30, 2007	**Fiscal Year Ended September 30, 2006**
Andrew Historical		
Historical per common share:		
Basic and diluted loss per share from continuing operations	$ (0.64)	$ (0.22)
Book value per share	9.21	9.58
	Six Months Ended June 30, 2007	**Fiscal Year Ended December 31, 2006**
Unaudited Pro Forma Combined		
Unaudited pro forma per share of CommScope common shares:		
Basic and diluted loss per share from continuing operations	$ (1.12)	$ (0.99)
Book value per share	14.69	12.50

FORWARD-LOOKING INFORMATION

This proxy statement/prospectus contains forward-looking statements regarding, among other things, the proposed acquisition of Andrew by CommScope and the anticipated consequences and benefits of such transaction, and other financial, business and operational items relating to CommScope and Andrew. Statements made in the future tense, and statements using words such as "intend," "goal," "estimate," "expect," "expectations," "project," "projections," "plans," "anticipates," "believe," "think," "confident" and "scheduled" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not a guarantee of performance and are subject to a number of risks and uncertainties, many of which are difficult to predict and are beyond the control of CommScope or Andrew. These risks and uncertainties could cause actual results to differ materially from those expressed in or implied by the forward-looking statements, and therefore should be carefully considered. Relevant risks and uncertainties relating to the proposed transaction include, but are not limited to:

- Andrew stockholders may not know, at the time of the Andrew stockholder vote, which form of consideration CommScope will elect for the stub portion of the merger consideration.

- If CommScope elects to use its common stock for all or part of the stub portion of the merger consideration, the exchange ratio will be based on a specific measurement period which could result in a higher valuation of such common stock than its actual market value at or after the effective time of the merger.

- CommScope and Andrew may be required to comply with material restrictions or conditions in order to obtain necessary regulatory approvals, and any delays in obtaining such approvals may delay and possibly prevent the merger.

- CommScope and Andrew are subject to certain restrictions, prior to the effective time of the merger, on the conduct of their respective businesses under the merger agreement.

- The anticipated benefits of the transaction may not be realized.

- The anticipated synergies and cost savings of the transaction may not be realized.

- There may be difficulty integrating CommScope's and Andrew's businesses and substantial costs may be incurred in connection with the integration.

- There may be difficulty integrating CommScope's and Andrew's respective systems of internal controls.

- The announcement and consummation of the merger may result in a loss of key personnel of CommScope and/or Andrew.

- The announcement and consummation of the merger may result in a loss of customers of CommScope and/or Andrew.

- CommScope will incur substantial indebtedness in connection with the merger.

- If the conditions to the merger are not satisfied or waived, the merger may not occur.

- Some of the conditions to the merger may be waived without resoliciting Andrew stockholder approval.

- Some directors and executive officers of Andrew have interests that differ from, or are in addition to, those of Andrew stockholders in recommending approval of the merger agreement.

The merger agreement limits Andrew's ability to pursue alternative transactions to the merger.

Legal proceedings may be commenced by or against CommScope and/or Andrew.

For a more complete description of factors that could cause such a difference, including risks and uncertainties related to each of CommScope's and Andrew's business, see the section entitled "Risk Factors" as well as CommScope's filings with the SEC, which are available on CommScope's website or at http://www.sec.gov, and Andrew's filings with the SEC, which are available on Andrew's website or at http://www.sec.gov. The information contained in CommScope's and Andrew's websites is not incorporated by reference into this proxy statement/prospectus. In providing forward-looking statements, neither CommScope nor Andrew intends, and neither undertakes any duty or obligation, to update these statements as a result of new information, future events or otherwise.

RISK FACTORS

In addition to the matters addressed under "Forward-Looking Information," Andrew stockholders should carefully consider the following risks before deciding whether to vote for approval and adoption of the merger agreement and the transactions contemplated by the merger agreement. Andrew stockholders should also consider the other information in this proxy statement/prospectus and the other documents incorporated by reference into this proxy statement/prospectus. For further information, see the section entitled "Where You Can Find More Information."

RISK FACTORS RELATING TO THE MERGER

Although approximately 90% of the merger consideration is payable in cash, the remaining 10%, the stub portion of the merger consideration, is payable, at CommScope's election, in cash, CommScope common stock, or a combination thereof; Andrew stockholders will not know which form of consideration CommScope will elect for the stub portion of the merger consideration until after the Andrew stockholder vote.

CommScope can elect the form of consideration to be paid for the stub portion of the merger consideration at any time up to two trading days prior to the effective time of the merger. Therefore, the Andrew stockholders will vote to approve the merger before CommScope is required to decide on the form of consideration for the stub portion of the merger consideration. In addition, Andrew stockholders will have to determine whether or not to exercise their appraisal rights in connection with the merger before CommScope is required to decide on the form of the consideration for the stub portion of the merger consideration. Moreover, in making its determination, CommScope will be aware of the price to be used to determine the exchange ratio if it were to elect to use CommScope common stock and such information may affect its decision. For further information, see the section entitled "The Merger Agreement Merger Consideration."

Because at least 90% and up to all of the merger consideration is payable in cash, Andrew stockholders will have little or no participation in the future growth of CommScope.

Because at least 90% of the merger consideration, and possibly all of the merger consideration, will be payable in cash, if the merger is consummated then Andrew stockholders will have relatively little or possibly no participation in the future earnings, profit and growth of CommScope. Andrew stockholders will also have a limited (if any) ability to influence the decision on any matters that are subject to stockholder approval, including the election of directors, the acquisition or disposition of substantial assets, possible future mergers involving CommScope or amendments to CommScope's articles of incorporation, among other matters that may be subject to a vote of CommScope's stockholders.

If CommScope elects to pay all or part of the stub portion of the merger consideration in CommScope common stock, the exchange ratio and number of shares of CommScope common stock that Andrew stockholders will be entitled to receive will be based on a specific measurement period, which could result in a higher valuation than the actual market value of CommScope common stock at or after the effective time of the merger.

The shares of CommScope common stock, if any, issued as part of the stub portion of the merger consideration, will be determined based on the volume weighted average of the closing sale prices of CommScope common stock over an extended measurement period of ten trading days. The use of an extended measurement period is intended to provide Andrew stockholders with a negotiated level of "value" of CommScope common stock, without permitting one-day trading spikes, arbitrages or other unusual market activity to raise or lower the exchange ratio. However, the volume weighted average of the closing sale prices of CommScope common stock over such measurement period may be higher than the market price of CommScope common stock at or after the effective time of the merger and, therefore, the CommScope common stock issued pursuant to the merger, plus the cash portion of the merger consideration, may be less than $15.00 per share of Andrew common stock. For further information, see the section entitled "The Merger Agreement Merger Consideration."

Recent prices of CommScope's common stock can be found under the section entitled "Market Price and Dividend Information." The historical prices of CommScope's common stock included in this proxy statement/prospectus, however, are not indicative of what the price will be on the date the merger becomes effective or thereafter. The market price of CommScope's common stock has experienced and may continue to experience high volatility. For further information, see the risk factor entitled "CommScope's common stock price is subject to fluctuation and may be affected by factors different from those affecting Andrew's stock price." Neither CommScope nor Andrew can predict the future market prices of CommScope common stock.

CommScope and Andrew may be required to comply with material restrictions or conditions in order to obtain the regulatory approvals to complete the merger and any delays in obtaining regulatory approvals may delay and possibly prevent the merger.

The merger is subject to review by the U.S. Department of Justice and the U.S. Federal Trade Commission under the HSR Act, and by certain antitrust authorities outside of the United States. Under the HSR Act, CommScope and Andrew are required to make pre-merger notification filings and await the expiration or early termination of the applicable statutory waiting period prior to completing the merger. CommScope and Andrew each filed a Notification and Report Form pursuant to the HSR Act with the U.S. Department of Justice (which we refer to as the DOJ) and U.S. Federal Trade Commission on July 16, 2007. On August 15, 2007, CommScope and Andrew each received requests for additional information (commonly referred to as a "second request") from the Antitrust Division of the DOJ. The second requests were issued under the notification requirements of the HSR Act. The second requests extend the waiting period imposed by the HSR Act until 30 days after CommScope and Andrew have substantially complied with the second requests, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. CommScope and Andrew intend to cooperate fully with the DOJ.

The governmental entities from which approvals are required may request additional information from the parties in order to complete their review of the transaction and may condition their approval of the merger on the satisfaction of certain regulatory conditions that may have the effect of imposing restrictions or additional costs on CommScope or Andrew. These conditions could include a complete or partial license, divestiture, spin-off or the sale of certain assets or businesses of either CommScope or Andrew, which may be on terms that are not as favorable to CommScope or Andrew as may have been attainable absent the merger, or other restrictions on the operation of the combined business. While CommScope and Andrew expect to obtain the required regulatory approvals, neither can be certain that all of the required antitrust approvals will be obtained, nor can the parties be certain that the approvals will be obtained within the time limits contemplated by the merger agreement. A delay in obtaining the required approvals may delay and possibly prevent the completion of the merger. For further information, see the section entitled "Proposal No. 1 The Merger Regulatory Approvals Required for the Merger."

Each of CommScope and Andrew is subject to certain restrictions on the conduct of its business under the terms of the merger agreement.

Under the terms of the merger agreement, each of CommScope and Andrew has agreed to certain restrictions on the operations of their respective businesses prior to the consummation of the merger that are customary for transactions similar to the merger. Each has agreed that it will limit the conduct of its business to those actions undertaken in the ordinary course of business. In addition, Andrew has agreed not to undertake, or has agreed to limit, certain corporate actions without the consent of CommScope. Among others, these actions include mergers and acquisitions or dispositions of assets, making loans to third parties, settling litigation matters of a certain size and undertaking capital expenditures in excess of prescribed limits. CommScope has agreed that without Andrew's consent it will not take certain actions that include amending its organization documents in a manner materially adverse to its stockholders and acquiring interests in an entity, which acquisition would be expected to impede or delay the governmental approvals required for the merger. For further information, see the section entitled "The Merger Agreement Covenants Relating to Conduct of Business." Because of these restrictions, each of CommScope and Andrew may be prevented from undertaking certain actions with respect to the conduct of its respective business prior to the consummation of the merger that it might otherwise have taken if not for the merger agreement. For further information, see the section entitled "Proposal No. 1 The Merger Restrictions on Sales of Shares to be Received in the Merger."

The anticipated benefits of the acquisition may not be realized.

CommScope and Andrew entered into the merger agreement with the expectation that the merger will result in various benefits including, among other things, benefits relating to enhanced revenues, a broader array of infrastructure solutions, the expansion of CommScope's global distribution and manufacturing capabilities, operational improvements and a diversification of CommScope's customer base. The merger will present challenges to management, including the integration of the operations, properties and personnel of Andrew and CommScope. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including, but not limited to, whether CommScope can integrate its and Andrew's businesses in an efficient and effective manner, whether there will be increased spending by wireless carriers, the ability of CommScope to manage potential volatility in commodities prices, the reaction of existing or potential competitors to the transaction, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could materially impact CommScope's business, financial condition and operating results.

CommScope may fail to realize the anticipated synergies and cost savings expected from the merger.

The success of CommScope after the merger will depend, in part, on its ability to realize the anticipated growth opportunities and cost savings from combining the businesses of CommScope and Andrew. CommScope expects to generate annual pre-tax cost savings (excluding transition cash costs expected to total approximately $70 million to $80 million in the first two years after completion) of approximately $90 million to $100 million in the second full year after completion of the transaction. CommScope expects to achieve approximately $50 million to $60 million of pre-tax cost savings in the first full year after completion of the merger. CommScope expects the cost savings to come from a combination of procurement savings, rationalization of duplicate locations, streamlining overhead and integration of infrastructure, and building upon best practices in technology and manufacturing. CommScope cannot provide any assurance that these cost savings can be achieved in the amounts or during the periods predicted. To realize these anticipated benefits, CommScope and Andrew must successfully combine their businesses in a manner that permits these synergies to be realized. In addition, the success of CommScope after the merger will depend, in part, on these synergies being achieved without adversely affecting revenues. If CommScope is not able to successfully achieve these objectives, such anticipated benefits may not be realized fully, or at all, or may take longer to realize than expected.

CommScope may have difficulty integrating its and Andrew's businesses and may incur substantial costs in connection with the integration.

Achieving the anticipated benefits of the merger will depend on the successful integration of CommScope's and Andrew's products, services, operations, personnel, technology and facilities in a timely and efficient manner.

Although neither CommScope nor Andrew anticipates material difficulties in connection with such integration, the possibility exists that such difficulties could be experienced in connection with the merger, especially given the relatively large size of the merger. The time and expense associated with converting the businesses of CommScope and Andrew to a common platform may exceed CommScope's expectations and limit or delay the intended benefits of the transaction. Similarly, the process of combining sales and marketing forces, consolidating administrative functions, and coordinating product and service offerings can take longer, cost more, and provide fewer benefits than initially projected. To the extent any of these events occurs, the benefits of the transaction may be reduced.

Integrating the CommScope and Andrew businesses will be a complex, time-consuming and expensive process. Before the merger, CommScope and Andrew operated independently, each with its own business, products, customers, employees, culture and systems. CommScope may face substantial difficulties, costs and delays in integrating the two businesses. These difficulties, costs and delays may include:

- Potential difficulty in combining the separate product technologies of CommScope and Andrew;
- Perceived adverse changes in product offerings available to customers or in customer service standards, whether or not these changes do, in fact, occur;
- Costs and delays in implementing common systems and procedures;
- Difficulties in combining research and development teams and processes;
- Potential charges to earnings resulting from the application of purchase accounting to the transaction;
- Difficulty comparing financial reports due to differing financial and/or internal reporting systems;
- Diversion of management resources from the business;
- The inability to retain existing customers of each company;
- Reduction or loss of customer orders due to the potential for market confusion, hesitation and delay;
- Challenges in retaining and integrating management and other key employees of CommScope and Andrew;
- Difficulty in coordinating infrastructure operations in an effective and efficient manner; and
- The inability to achieve the synergies anticipated to be realized from the merger on the timeline presently anticipated, or at all.

After the merger, CommScope may seek to combine certain operations and functions using common information and communication systems, operating procedures, financial controls and human resource practices, including training, professional development and benefit programs. CommScope may be unsuccessful in implementing the integration of these systems and processes in a timely and efficient manner. Any one or all of these factors may cause increased operating costs, worse than anticipated financial performance or the loss of customers and employees. Many of these factors are also outside the control of CommScope.

CommScope may have difficulty integrating CommScope's and Andrew's respective systems of internal control over financial reporting.

The failure to integrate CommScope's and Andrew's systems of internal control over financial reporting following the merger could affect adversely CommScope's ability to exercise effective internal control over financial reporting. A failure by CommScope to exercise effective internal control over financial reporting could result in a material misstatement in CommScope's annual or interim consolidated financial statements.

CommScope and Andrew both depend on key personnel, and the loss of any of these key personnel because of uncertainty regarding the merger, either before or after the merger, could hurt the businesses of CommScope after the merger.

CommScope and Andrew both depend on the services of their key personnel. Current and prospective employees of CommScope and Andrew may, either before or after the merger, experience uncertainty about their future roles with CommScope after the merger, which may affect the performance of such personnel adversely and the ability of each company to retain and attract key personnel. The loss of the services of one or more of these key employees or the inability of CommScope or Andrew to attract, train, and retain qualified employees could result in the loss of customers or otherwise inhibit the ability of CommScope to integrate and grow the combined businesses effectively after the merger.

The merger may result in a loss of customers.

Some customers may seek alternative sources of product and/or service after the announcement of the merger due to, among other reasons, a desire not to do business with CommScope after the merger or perceived concerns that CommScope may not continue to support and develop certain product lines. Difficulties in combining operations could also result in the loss of, or potential disputes or litigation with, customers. Any steps by management to counter such potential increased customer attrition may not be effective. Failure by management to retain customers could result in worse than anticipated financial performance.

As a result of the merger, including the financing necessary to consummate the merger, CommScope will have substantial indebtedness.

As a result of the merger, CommScope expects to incur substantial indebtedness, including the financing necessary to pay the cash portion of the merger consideration and transaction-related costs, in addition to debt assumed from Andrew. CommScope's substantial indebtedness could have the following consequences:

- CommScope's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired in the future;

- Based on estimated borrowings of $2.4 billion and an assumed interest rate of 7.95% (calculated using three-month LIBOR as of September 21, 2007 plus 275 basis points, the maximum amount per the terms of the debt commitments), a substantial portion (approximately $215 million) of CommScope's annual cash flow after the merger and for at least the next several years must be dedicated to the payment of principal and interest on its indebtedness;

- CommScope will be substantially more leveraged than certain of its competitors, which might place it at a competitive disadvantage;

- CommScope may be hindered in its ability to adjust rapidly to changing market conditions; and

CommScope's high degree of leverage could make it more vulnerable in the event of a downturn in general economic conditions or its business.

If the conditions to the merger are not satisfied or waived, the merger may not occur.

Specified conditions set forth in the merger agreement must be satisfied or waived to complete the merger. If the conditions are not satisfied or waived, to the extent waiver is permitted by law or the rules or regulations of Nasdaq, the merger will not occur or will be delayed, and each of CommScope and Andrew may lose some or all of the intended benefits of the merger. To the extent that Andrew's common stock currently trades based on the merger consideration, if the merger is not consummated, the price of Andrew's common stock may decline.

The following conditions, in addition to other customary closing conditions, must be satisfied or waived, if permissible, before CommScope and Andrew are obligated to complete the merger:

The merger agreement must be adopted by the holders of at least a majority of the issued and outstanding shares of Andrew common stock as of the Andrew record date;

The waiting period (and any extension thereof) applicable to the merger pursuant to the HSR Act, or any other applicable competition, merger, antitrust or similar law shall have expired or been terminated;

Specified governmental consents or certain other approvals shall have been obtained and be in full force and effect;

There must not be any judgment, injunction, decree or order issued by any court or other governmental entity or any other statute, law, rule, legal restraint or prohibition which prohibits, materially restricts, makes illegal or enjoins consummation of the merger; and

There must not be any action or proceeding pending by a governmental entity challenging or seeking to prevent the consummation of the merger.

For further information, see the section entitled "The Merger Agreement Conditions to Completion of the Merger."

CommScope or Andrew may waive one or more of the conditions to the merger without resoliciting Andrew stockholder approval for the merger.

Each of the conditions to CommScope's and Andrew's obligations to complete the merger may be waived, in whole or in part, to the extent permitted by applicable law or Nasdaq rules or regulations, by agreement of CommScope and Andrew if the condition is a condition to both CommScope's and Andrew's obligations to complete the merger, or by the party for which such condition is a condition of its obligation to complete the merger. The boards of directors of CommScope and Andrew will evaluate the materiality of any such waiver to determine whether amendment of this proxy statement/prospectus and resolicitation of proxies is necessary. However, CommScope and Andrew generally do not expect any such waiver to be significant enough to require resolicitation of Andrew stockholders. In the event that any such waiver is not determined to be significant enough to require resolicitation of Andrew stockholders, the companies will have the discretion to complete the merger without seeking further Andrew stockholder approval. For further information, see the section entitled "The Merger Agreement Conditions to Completion of the Merger."

Some directors and executive officers of Andrew have interests that differ from those of Andrew stockholders in recommending that Andrew stockholders vote in favor of adoption of the merger agreement.

Certain executive officers and directors of Andrew have interests in the merger that are different from and may conflict with the interests of Andrew stockholders generally. After the merger, some of

Andrew's executive officers will become employees of, or may become consultants to, CommScope and may be offered equity-based or other incentives to remain with CommScope. The merger will cause accelerated vesting and trigger change-in-control provisions of certain equity-based awards of Andrew directors and executive officers. For further information, see the section entitled "Proposal No. 1 The Merger Interests of Andrew Directors and Executive Officers in the Merger."

The surviving corporation will indemnify, and advance expenses to, each current and former director and officer of Andrew and its subsidiaries against all losses in connection with any proceeding arising out of the fact that such person was a director or officer of Andrew or its subsidiaries, to the same extent that such person was indemnified prior to the date of the merger agreement. For six years after completion of the merger, CommScope will maintain policies of directors' and officers' liability and fiduciary insurance on terms no less favorable to the insured as those in effect as of the date of the merger agreement, subject to certain limitations, covering acts or omissions before the merger.

As of August 7, 2007, Andrew's executive officers and directors and their respective affiliates owned approximately 0.3% of the outstanding shares of Andrew common stock. Such interests may influence Andrew's directors in making their recommendation that Andrew stockholders vote in favor of adoption of the merger agreement and may influence officers in supporting the merger. For further information, see the section entitled "Proposal No. 1 The Merger Interests of Andrew Directors and Executive Officers in the Merger."

The merger agreement limits Andrew's ability to pursue an alternative transaction proposal to the merger, and requires Andrew to pay a termination fee if it does so under certain circumstances.

The merger agreement prohibits Andrew from soliciting, initiating, encouraging or facilitating certain alternative transaction proposals with any third party, subject to exceptions set forth in the merger agreement. For further information, see the section entitled "The Merger Agreement Covenants Relating to Conduct of Business Solicitation." Further, the merger agreement provides that Andrew may be required to pay a termination fee to CommScope equal to $75 million in certain circumstances. These provisions limit Andrew's ability to pursue offers from third parties that could result in greater value to stockholders of Andrew relative to the terms and conditions of the merger. Andrew's obligation to pay the termination fee may discourage a third party from pursuing a competing acquisition proposal that could result in greater value to Andrew stockholders. In addition, payment of the termination fee could adversely affect the financial condition of Andrew. For further information, see the section entitled "The Merger Agreement Covenants Relating to Conduct of Business Solicitation."

RISK FACTORS RELATING TO THE COMMSCOPE COMMON STOCK

CommScope's common stock price is subject to fluctuation and may be affected by factors different from those affecting Andrew's common stock price.

The market price of CommScope's common stock has experienced and may continue to experience high volatility. The stock market in general has experienced extreme price and volume fluctuations in recent years. Often, these changes may have been unrelated to the operating performance of the affected companies. The factors that could cause fluctuation in CommScope's common stock price may include, among other factors discussed in this section, the following:

- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by securities analysts;
- CommScope's inability to meet or exceed securities analysts' estimates or expectations;
- conditions or trends in CommScope's industry;

- changes in the market valuations of other companies in CommScope's industry;
- announcements by CommScope or its competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives and the success of such acquisitions, including the proposed acquisition of Andrew;
- changes in capital commitments;
- additions or departures of key personnel;
- actual or anticipated changes in the United States economy;
- armed conflict, war or terrorism;
- a prolonged downturn in the telecommunications industry; and
- actual or anticipated sales of common stock by existing stockholders, whether in the market or in subsequent public offerings.

Many of these factors are beyond CommScope's control. These factors may cause the market price of its common stock to decline, regardless of its operating performance.

CommScope has not in the past and does not intend in the foreseeable future to pay cash dividends on its common stock.

CommScope has never declared or paid any cash dividends on its capital stock. CommScope does not currently intend to pay cash dividends in the foreseeable future but intends to reinvest earnings in its business. CommScope's existing debt instruments contain, and future debt instruments may contain, limits on its ability to declare and pay cash dividends on its common stock.

Shares of CommScope common stock have different rights than shares of Andrew common stock.

Following completion of the merger, Andrew stockholders will no longer be stockholders of Andrew, but instead may be stockholders of CommScope. Even though both Andrew and CommScope are Delaware corporations, there will be important differences in the current rights of stockholders of Andrew and the rights of stockholders of CommScope. For example, provisions in CommScope's certificate of incorporation and by-laws could have the effect of deterring hostile takeovers or delaying, deterring, or preventing a change of control of CommScope, including transactions in which stockholders might otherwise receive a premium for their shares over current market prices. For further information, see the section entitled "Comparison of Rights of Stockholders of CommScope and Stockholders of Andrew."

RISK FACTORS RELATING TO COMMSCOPE'S BUSINESS

CommScope is dependent on a limited number of key customers or distributors for a substantial portion of the net sales in each of its business segments.

Within each of CommScope's business segments, a limited number of key customers or distributors account for a substantial portion of CommScope's net sales.

Enterprise

CommScope distributes enterprise and certain other products to customers primarily through a large, worldwide network of independent distributors, system integrators and value-added resellers. For the year ended December 31, 2006, sales of such products to the top three distributors, system integrators and value-added resellers represented approximately 38% of CommScope's consolidated net sales. In particular, Anixter International Inc. and affiliates accounted for approximately 29% of CommScope's consolidated net sales during such period.

Broadband

Although the domestic cable television industry is comprised of thousands of cable systems, a small number of cable television system operators own a majority of cable television systems and account for a majority of the capital expenditures made by cable television system operators. Although CommScope sells to a wide variety of customers dispersed across many different geographic areas, sales to its five largest Broadband segment customers represented approximately 17% of its consolidated net sales for the year ended December 31, 2006.

Carrier

Sales of carrier products are concentrated among a limited number of large telecommunication service providers and original equipment manufacturers (OEMs) that supply such telecommunication service providers. Net sales to one OEM, CommScope's largest Carrier segment customer, accounted for approximately 7% of CommScope's consolidated net sales for the year ended December 31, 2006.

The concentration of CommScope's net sales among these key customers or distributors subjects CommScope to a variety of risks that could have a material adverse impact on its net sales and profitability, including, without limitation:

- loss of one or more of CommScope's key customers or distributors, including failure to renegotiate new distributor agreements;

- financial difficulties experienced by one or more of CommScope's key customers or distributors resulting in reduced purchases of its products and/or uncollectible accounts receivable balances;

- reductions in inventory levels held by distributors, which may be unrelated to purchasing trends by the ultimate customer;

- consolidations in the cable television and/or telecommunications industry could result in delays in purchasing decisions, or reduced purchases, by the merged businesses;

- the cable television and telecommunications industry are each subject to significant government regulation and implementation of new or existing laws or regulations could impact capital spending plans and, therefore, adversely impact CommScope's business;

- increases in the cost of capital and/or reductions in the amount of capital available to the cable television and telecommunications industry could reduce the level of their capital spending and, therefore, adversely impact CommScope's business;

- reductions in the level of capital spending in the corporate information technology sector could have an adverse impact on sales of CommScope's enterprise products;

- changes in the technology deployed by cable television or telecommunication customers could have an adverse impact on CommScope's business;

- reductions in the level of spending on network maintenance and/or capital improvements by cable television and/or telecommunications customers could have an adverse impact on CommScope's sales of broadband and/or carrier products; and

- competition for cable television operators from satellite and wireless television providers, telephone companies or others could result in lower capital spending and have an adverse impact on CommScope's sale of broadband products.

CommScope faces competitive pressures with respect to all of its major products.

In each of CommScope's major product groups, CommScope competes with a substantial number of foreign and domestic companies, some of which have greater resources (financial or otherwise) or lower operating costs than CommScope. The rapid technological changes occurring in the telecommunications industry could lead to the entry of new competitors. Existing competitors' actions, such as price reductions or introduction of new innovative products, use of internet auctions by customers or competitors, and new entrants may have a material adverse impact on CommScope's sales and profitability. CommScope cannot provide assurance that it will continue to compete successfully with its existing competitors or that it will be able to compete successfully with new competitors.

Fiber optic technology presents a potential substitute for some of the communications cable products that CommScope sells. A significant decrease in the cost of fiber optic systems could make these systems superior on a price/performance basis to copper systems. A significant decrease in the cost of fiber optic systems would reasonably be expected to have a materially adverse effect on CommScope's coaxial and twisted pair cable sales.

There are various complementary and competitive wireless technologies that could be a potential substitute for some of the communications cable products that CommScope sells. A significant technological breakthrough or significant decrease in the cost of deploying these wireless technologies could have a material adverse effect on CommScope's cable sales.

Successful implementation and roll-out of product innovations is necessary to preserve CommScope's customer relationships.

Many of CommScope's markets are characterized by advances in information processing and communications capabilities that require increased transmission speeds and greater capacity, or "bandwidth," for carrying information. These advances require ongoing improvements in the capabilities of cable and connectivity products. CommScope believes that its future success will depend in part upon its ability to enhance existing products and to develop and manufacture new products that meet or anticipate these changes. The failure to introduce successful new or enhanced products on a timely and cost-competitive basis or the inability to continue to market existing products on a cost-competitive basis could materially adversely affect CommScope's results of operations and financial condition.

Orders received from customers may be cancelled or may result in lower levels of orders in future periods.

The quarterly volume of orders received from customers may be volatile. Orders received from customers may not ultimately result in sales as customers may cancel or modify orders prior to shipment of the goods. In addition, the volume of orders received from one or more customers in one quarter may result in a lower volume of orders from those customers in subsequent quarters.

CommScope's dependence on commodities subjects CommScope to price fluctuations and potential availability constraints which could materially adversely affect its profitability.

CommScope's profitability may be materially affected by changes in the market price and availability of certain raw materials, most of which are linked to the commodity markets. The principal raw materials that CommScope purchases are rods, tapes, tubes and wires made of copper, steel or aluminum, plastics and other polymers, and optical fiber. Fabricated aluminum, copper and steel are used in the production of coaxial and twisted pair cables and polymers are used to insulate and protect cables. Prices for copper, aluminum, steel, fluoropolymers and certain other polymers, derived from oil and natural gas, have increased and experienced greater volatility as a result of increased global demand and supply disruptions. As a result, CommScope has significantly increased its prices for certain products and may have to increase prices again in the future. Delays in implementing price increases or a failure to achieve market acceptance of future price increases could have a material adverse impact on CommScope's results of operations. In an environment of falling commodities prices, CommScope may be unable to sell higher-cost inventory before implementing price decreases, which could have a material adverse impact on its results of operations.

CommScope is dependent on a limited number of key suppliers for certain raw materials.

For certain of CommScope's raw material purchases, including fluorinated ethylene propylene (which we refer to as FEP), copper rod, fine aluminum wire, steel wire and optical fiber, CommScope is dependent on key suppliers. FEP is the primary raw material used throughout the industry for producing flame-retarding cables for LAN applications in North America. There are few worldwide producers of FEP and market supplies have been periodically limited over the past several years. Availability of adequate supplies of FEP will be critical to future LAN cable sales growth in North America. If FEP is not available in adequate quantities on acceptable terms, CommScope's results of operations and financial condition could be materially adversely affected.

CommScope internally produces a significant portion of its requirements for fine aluminum wire, which is available externally from only a limited number of suppliers. CommScope's failure to manufacture or adequately expand its internal production of fine aluminum wire, and/or its inability to obtain these materials from other sources in adequate quantities on acceptable terms, could have a material adverse effect on CommScope's results of operations and financial condition.

Optical fiber is a primary material used for making fiber optic cables. There are few worldwide suppliers of the premium optical fibers that CommScope uses in its products. Availability of adequate supplies of premium optical fibers will be critical to future fiber optic cable sales growth. CommScope believes that its optical fiber supply arrangements with two suppliers address concerns about the continuing availability of these materials to CommScope, although there can be no assurance of this.

CommScope's key suppliers could experience financial difficulties, or there may be global shortages of the raw materials it uses, and its inability to find sources of supply on reasonable terms could materially adversely affect its ability to manufacture products in a cost-effective way.

If CommScope's products, or components or completed products purchased from its suppliers, experience performance issues, its business will suffer.

CommScope's business depends on delivering products of consistently high quality. To this end, CommScope's products, including components and raw materials purchased from its suppliers and completed goods purchased for resale, are rigorously tested for quality both by CommScope and its customers. Nevertheless, CommScope's products are highly complex and its customers' testing procedures are limited to evaluating CommScope's products under likely and foreseeable failure scenarios. For various reasons (including, among others, the occurrence of performance problems unforeseeable in testing), CommScope's products and components and raw materials purchased from its suppliers may fail to perform as expected. Performance issues could result from faulty design or problems in manufacturing. CommScope has experienced such performance issues in the past and remains exposed to such performance issues. In some cases, recall of some or all affected products, product redesigns or additional capital equipment may be required to correct a defect. In addition, CommScope generally warrants certain products for periods ranging from one to twenty-five years from the date of sale, depending upon the product subject to the warranty. In particular, CommScope warrants the operation of its SYSTIMAX products for a period of 20 years from installation. In some cases, CommScope indemnifies its customers against damages or losses that might arise from certain claims relating to its products. Although historical warranty and indemnity claims have not been significant, CommScope cannot assure you that future claims will not have a material adverse effect on its results of operations and financial position. Any significant or systemic product failure could also result in lost future sales of the affected product and other products, as well as customer relations problems.

If CommScope's integrated global manufacturing operations suffer production or shipping delays, CommScope may experience difficulty in meeting customer demands.

CommScope internally produces a significant portion of certain components used in its finished products, including bimetallic center conductors, braided core and fine aluminum wire, at certain of its domestic and international manufacturing facilities. Disruption of CommScope's ability to produce at or distribute from these facilities due to failure of its technology, fire, electrical outage, natural disaster, acts of terrorism, shipping interruptions or some other catastrophic event could materially adversely affect its ability to manufacture products at its other manufacturing facilities in a cost-effective and timely manner.

CommScope periodically realigns manufacturing capacity among its global facilities in order to reduce costs by improving manufacturing efficiency and to improve its long-term competitive position. The implementation of these initiatives may include significant shifts of production capacity among facilities.

There are significant risks inherent in the implementation of these initiatives, including, but not limited to, ensuring that: there is adequate production capacity to meet customer demand while capacity is being shifted among facilities; there is no decrease in product quality as a result of shifting capacity; adequate raw material and other service providers are available to meet the needs at the new production locations; equipment can be successfully removed, transported and re-installed; and adequate supervisory, production and support personnel are available to accommodate the shifted production.

In the event that manufacturing realignment initiatives are not successfully implemented, CommScope could experience lost future sales and increased operating costs as well as customer relations problems, which could have a material adverse effect on CommScope's results of operations.

If CommScope encounters capacity constraints with respect to its internal facilities and/or existing or new contract manufacturers, this could have an adverse impact on its business.

CommScope does not have sufficient production capacity, either through its internal facilities and/or through independent contract manufacturers, to meet customer demand for its products, CommScope may experience lost sales opportunities and customer relations problems, which could have a material adverse effect on its business.

If contract manufacturers that CommScope relies on to produce products or key components of products encounter production, quality, financial or other difficulties, CommScope may experience difficulty in meeting customer demands.

CommScope relies on unaffiliated contract manufacturers, both domestically and internationally, to produce certain products or key components of products. If CommScope is unable to arrange for sufficient production capacity among its contract manufacturers or if its contract manufacturers encounter production, quality, financial or other difficulties, CommScope may encounter difficulty in meeting customer demands. Any such difficulties could have an adverse effect on CommScope's business and financial results, which could be material.

CommScope's significant international operations present economic, political and other risks.

CommScope has a significant level of international manufacturing operations and international sales. CommScope has manufacturing facilities in Belgium, China, Brazil, Ireland and Australia. For the year ended December 31, 2006, international sales represented approximately 32% of CommScope's net sales. CommScope's international sales, manufacturing and distribution operations are subject to the risks inherent in operating abroad, including, but not limited to, risks with respect to currency exchange rates, economic and political destabilization, restrictive actions by foreign governments, nationalizations, the laws and policies of the United States affecting trade, foreign investment and loans, foreign tax laws, including the ability to recover amounts paid as value added taxes, compliance with local laws and regulations, armed conflict, terrorism, shipping interruptions, and major health concerns (such as infectious diseases).

CommScope may not fully realize the anticipated savings from prior restructuring actions and may need to undertake further restructuring actions in the future.

CommScope recognized pretax restructuring charges of $12.6 million during the year ended December 31, 2006. These charges were related to the global manufacturing initiative that commenced in the third quarter of 2005. Implementation of this initiative and the calculation of anticipated benefits was complex and the anticipated benefits may not be fully realized. In response to general business conditions, the then current level of business and the outlook for future business, CommScope may again need to initiate restructuring actions that could result in workforce reductions and restructuring charges, which could be material.

CommScope may need to recognize impairment charges related to fixed assets, amortizable intangible assets or goodwill or other intangible assets with indefinite lives.

CommScope has recognized impairment charges in the past as a result of adverse changes in business conditions or in conjunction with restructuring activities. As a result of an event or a change in circumstances or through CommScope's periodic testing, CommScope may, in the future, determine that one or more of its long-lived assets is impaired and that an impairment charge is required. Any such impairment charge could have a material effect on CommScope's results of operations and financial position.

CommScope has significant obligations under its employee benefit plans.

Significant changes to the assets and/or the liabilities related to CommScope's employee benefit obligations as a result of changes in actuarial estimates, asset performance or benefit changes, among others, could have a material impact on its financial position and/or results of operations.

In addition, legislative or regulatory changes could require CommScope to fund a material portion of its significant unfunded obligations, which could have a material adverse impact on its financial flexibility.

CommScope may incur costs and may not be successful in protecting its intellectual property and in defending claims that CommScope is infringing on the intellectual property of others.

CommScope may encounter difficulties, costs or risks in protecting its intellectual property rights or obtaining rights to additional intellectual property to permit it to continue or expand its business. Other companies, including some of CommScope's largest competitors, hold intellectual property rights in its industry, and the intellectual property rights of others could inhibit its ability to introduce new products unless CommScope secures licenses on commercially reasonable terms, as such are needed.

In addition, CommScope has been required and may be required in the future to initiate litigation in order to enforce any patents issued or licensed to CommScope or to determine the scope and/or validity of a third party's patent or other proprietary rights. CommScope also has been and may in the future be subject to lawsuits by third parties seeking to enforce their own intellectual property rights. Any such litigation, regardless of outcome, could subject CommScope to significant liabilities or require it to cease using proprietary third party technology and, consequently, could have a material adverse effect on its results of operations and financial condition.

In certain markets, CommScope may be required to address counterfeit versions of its products. CommScope may incur significant costs in pursuing the originators of such counterfeit products and, if CommScope is unsuccessful in eliminating them from the market, it may experience a diminution in the value of its products.

CommScope's ability to obtain additional capital on commercially reasonable terms may be limited.

Although CommScope believes its current cash, cash equivalents and short-term investments as well as future cash from operations and availability under its new credit facility provide adequate resources to fund ongoing operating requirements, CommScope may need to seek additional financing to compete effectively. CommScope's public debt ratings affect its ability to raise capital and the cost of that capital. On June 27, 2007, Standard and Poor's lowered its credit rating on CommScope to "BB-" from "BB" and placed the ratings on CreditWatch with negative implications. In addition Moody's Investor Service placed CommScope's "Ba2" corporate family rating under review for downgrade after the acquisition announcement. Future downgrades of CommScope's debt ratings may increase its borrowing costs and affect its ability to access the debt or equity capital markets on terms and in amounts that would be satisfactory to CommScope.

If CommScope is unable to obtain capital on commercially reasonable terms, it could:

- reduce funds available to CommScope for purposes such as working capital, capital expenditures, research and development, strategic acquisitions and other general corporate purposes;
- restrict CommScope's ability to introduce new products or exploit business opportunities;
- increase CommScope's vulnerability to economic downturns and competitive pressures in the markets in which CommScope operates;
- limit CommScope's financial flexibility to finance a full or partial redemption of its $250 million aggregate principal amount of 1% convertible senior subordinated debentures; and
- place CommScope at a competitive disadvantage.

CommScope may incur additional indebtedness in the future under the credit facility, through future debt issuance, through assumption of liabilities in connection with future acquisitions or otherwise.

CommScope's business depends on effective information management systems.

CommScope relies on its enterprise resource planning systems to support such critical business operations as processing sales orders and invoicing, inventory control, purchasing and supply chain management, payroll and human resources, and financial reporting. CommScope periodically implements upgrades to such systems or migrate one or more of its affiliates, facilities or operations from one system to another. If CommScope is unable to adequately maintain such systems to support its developing business requirements or effectively manage any upgrade or migration, CommScope could encounter difficulties that could have an adverse impact on its business, internal controls over financial reporting, financial results, or its ability to timely and accurately report such results, which could be material.

A significant uninsured loss or a loss in excess of CommScope's insurance coverage could materially adversely affect its financial condition.

CommScope maintains insurance covering its normal business operations, including fire, property and casualty protection that CommScope believes is adequate. CommScope does not generally carry insurance covering wars, acts of terrorism, earthquakes or other similar catastrophic events. Because insurance has generally become more expensive, CommScope may not be able to obtain adequate insurance coverage on financially reasonable terms in the future. A significant uninsured loss or a loss in excess of CommScope's insurance coverage could materially adversely affect its financial condition.

Compliance with domestic and foreign environmental laws and potential environmental liabilities may have a material adverse impact.

CommScope is subject to various federal, state, local and foreign environmental laws and regulations governing, among other things, discharges to air and water, management of hazardous substances, handling and disposal of solid and hazardous waste, and investigation and remediation of hazardous substance contamination. Because of the nature of CommScope's business, CommScope has incurred and will continue to incur costs relating to compliance with these environmental laws and regulations. Compliance with current laws and regulations has not had and is not expected to have a material adverse effect on CommScope's financial condition. However, new laws and regulations, including those regulating the types of substances allowable in certain of CommScope's products, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new remediation or discharge requirements could require CommScope to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on its financial condition and results of operations. For example, the European Union has issued directives relating to hazardous substances contained in electrical and electronic equipment and the disposal of waste electrical and electronic equipment. If CommScope is unable to comply with these and similar laws in other jurisdictions, this could have a material adverse effect on its financial condition and results of operations.

Pursuant to the Comprehensive Environmental Response, Compensation and Liability Act and similar state statutes, current or former owners or operators of a contaminated property, as well as companies that generated, disposed of, or arranged for the disposal of hazardous substances at a contaminated property can be held jointly and severally liable for the costs of investigation and remediation of the contaminated property, regardless of fault. CommScope's present and past facilities have been in operation for many years and over that time, in the course of those operations, these facilities have used substances or generated and disposed of wastes which are or might be considered hazardous. CommScope has been indemnified by prior owners and operators of certain of these facilities for costs of investigation and/or remediation, but there can be no assurance that CommScope will not ultimately be liable for some or all of these costs. Therefore, it is possible that environmental liabilities may arise in the future which CommScope cannot now predict.

CommScope may experience significant variability in its quarterly and annual effective tax rate.

For the years ended December 31, 2006, 2005 and 2004, CommScope's effective tax rate has ranged from 29.7% to 32.8%. Variability in the mix and profitability of domestic and international activities, identification and resolution of various tax uncertainties and the failure to realize tax benefits related to equity-based compensation, among other matters, may significantly impact CommScope's effective income tax rate in the future. A significant increase in CommScope's effective income tax rate could have a material impact on its results of operations.

RISK FACTORS RELATED TO ANDREW'S BUSINESS

A jury has found that Andrew willfully infringed a third party's patent in providing a mobile location system to a customer located in the Middle East, and the jury awarded $45.3 million in damages to that third party.

On October 25, 2005, TruePosition, Inc. filed a complaint in the U.S. District Court for the District of Delaware, alleging that Andrew's sale of certain mobile location products to a customer located in the Middle East infringed a TruePosition patent. Mobile location systems installed in wireless networks are used to determine the position of mobile devices. The complaint sought, among other things, injunctive relief and unspecified monetary damages.

On September 14, 2007, a jury ruled in favor of TruePosition, finding that Andrew had willfully infringed a single TruePosition patent in providing a mobile location system to the customer, and the jury awarded $45.3 million in damages to TruePosition. The jury's verdict, including the damage award, is subject to the outcome of various post verdict motions and appeals that Andrew will pursue. In addition, the judge presiding over the case has not ruled on Andrew's equitable claims of equitable estoppel, unclean hands and implied license. Andrew will present those claims to the judge as part of the post trial submissions. TruePosition may continue to seek an injunction, may seek to increase the damages awarded, up to trebling the amount, and may seek to recover interest, fees and expenses (including the fees and expenses of its counsel).

As a result of the jury verdict in the case, Andrew plans to record a $45.3 million pre-tax charge to its earnings in the fourth quarter of fiscal 2007, which is Andrew's reasonable estimate of the probable loss if the jury verdict is not overturned. The litigation with TruePosition may result in the loss of future revenue opportunities, including opportunities to manufacture and sell products using uplink time difference of arrival (U-TDOA) technology; however, Andrew is not currently able to assess the likelihood or magnitude of such potential losses.

At issue in the litigation with TruePosition is a patent that TruePosition argued was infringed by an Andrew U-TDOA mobile location system that is being deployed under multiple phases with the customer. Andrew was awarded the initial two phases with this customer for an expanded deployment of this strategic project which, when completed, will cover approximately a thousand cell sites. There are additional phases, not all of which have been awarded by the customer, for approximately two thousand additional cell sites. The jury verdict includes claims related to all such cell sites, including those already installed and those to be installed. The patent at issue relates only to certain implementations using U-TDOA technology. As a result, other Andrew Geometrix® customer installations, including E-911 systems and Mobile Location Center offerings, that use different mobile location technologies are not impacted.

The goodwill balance on Andrew's balance sheet is tested at least annually for possible valuation impairment and any non-cash impairment charges could adversely affect Andrew's financial results.

Andrew tests its goodwill balance for possible impairment as of July 1 each year, or on an interim basis if circumstances dictate, based on the five reporting units of Andrew's business. As a result of the losses generated by Base Station Subsystems in the first six months of fiscal 2007, Andrew determined that an interim test of the goodwill balance for Base Station Subsystems was required. Andrew completed its assessment of Base Station Subsystems goodwill in the third quarter of fiscal 2007 and, as a result, recorded a non-cash impairment loss of $108 million. As of June 30, 2007, Andrew had a goodwill balance of $810 million, of which $309 million related to the Base Station Subsystems reporting unit. The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment. In estimating the fair value of the businesses for the purpose of Andrew's annual or periodic analyses, Andrew makes estimates and judgments about the future cash flows of its businesses. Although Andrew's cash flow forecasts are based on assumptions that are consistent with plans and estimates being used to manage the underlying businesses, there is significant judgment in determining the cash flows attributable to its businesses. If actual results are different from forecasts, future tests may indicate additional impairments of goodwill, and additional non-cash charges, that may adversely affect the results of operations. If, in the course of the annual or interim valuation testing procedures it is determined that a portion of the consolidated goodwill balance is impaired, any non-cash charge would adversely affect Andrew's financial results.

Deterioration of the wireless infrastructure industry could lead to reductions in capital spending budgets by wireless operators and original equipment manufacturers, which could adversely affect Andrew's revenues, gross margins and income.

Andrew's revenues and gross margins will depend significantly on the overall demand for wireless infrastructure subsystems products. A reduction in capital spending budgets by wireless operators and original equipment manufacturers caused by an economic downturn could lead to a softening in demand for Andrew's products and services, which could result in a decrease in revenues and earnings.

The telecommunications industry has experienced significant consolidation and this trend is expected to continue.

It is possible that Andrew and one or more of Andrew's competitors each supply products to the companies that have merged or will merge. This consolidation could result in delays in purchasing decisions by merged companies or in Andrew playing a decreased role in the supply of products to the merged companies. Delays or reductions in wireless infrastructure spending could have a material adverse effect on demand for Andrew's products. Andrew depends on several large original equipment manufacturers and wireless service providers for a significant portion of its business. In fiscal 2006, the top 25 customers accounted for 69% of Andrew's sales. Any disruption in Andrew's relationships with its major customers could adversely affect Andrew's sales, operating margins, and net income.

A substantial portion of Andrew's manufacturing capacity and business activity is outside the United States.

Conducting business in international markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced international sales and reduced profitability associated with such sales, which would reduce Andrew's sales and income. A significant portion of Andrew's sales are outside the United States. Andrew anticipates that international sales will continue to represent a substantial portion of Andrew's total sales and that continued growth and profitability will require further international expansion. Identifiable foreign exchange rate exposures result primarily from currency fluctuations, accounts receivable from customer sales, the anticipated purchase of products from affiliates and third-party suppliers and the repayment of inter-company loans denominated in foreign currencies with Andrew's foreign subsidiaries. International business risks also include political and economic instability, tariffs and other trade barriers, longer customer payment cycles, burdensome taxes, restrictions on the repatriation of earnings, expropriation or requirements of local or shared ownership, compliance with local laws and regulations, terrorist attacks, developing legal systems, reduced protection of intellectual property rights in some countries, cultural and language differences, difficulties in managing and staffing operations and difficulties maintaining good employee relations. Andrew believes that international risks and uncertainties could lead to reduced international sales and reduced profitability associated with such sales, which would reduce our sales and income.

The competitive pressures Andrew faces could lead to reduced demand or lower prices for its products and services in favor of its competitors' products and services, which could harm Andrew's sales, gross margins and prospects.

Andrew encounters aggressive competition from a variety of competitors in all areas of its business, and competes primarily on the basis of technology, performance, price, quality, reliability, brand, distribution, customer service and support. If Andrew fails to develop new products and services, periodically enhance its existing products and services, or otherwise compete successfully, it would reduce its sales and prospects. Further, Andrew may have to lower the prices of many of its products and services to stay competitive. If Andrew cannot reduce its costs in response to competitive price pressures, its gross margins would decline.

Over the last four years Andrew has completed several acquisitions and may continue to make acquisitions in the future.

Andrew believes that these acquisitions provide strategic growth opportunities for Andrew. Andrew's failure to meet the challenges involved in successfully integrating acquisitions or to otherwise realize the anticipated benefits of acquisitions could adversely affect its results of operations. Realizing the benefits of acquisitions will depend on Andrew's ability to successfully integrate acquisitions with its existing operations. Andrew's inability to successfully integrate operations in a timely manner may result in Andrew not realizing the anticipated benefits or synergies of these acquisitions. The integration of companies is a complex, time-consuming and expensive process that could significantly disrupt Andrew's business. The anticipated benefits and synergies of acquisitions are based on projections and assumptions, not actual experience, and assume a successful integration. In addition, Andrew's ability to realize these benefits and synergies could be adversely impacted by practical or legal constraints on its ability to combine operations or implement workforce reductions and by risks relating to potential unknown liabilities.

If Andrew cannot continue to rapidly develop, manufacture and market innovative products and services that meet customer requirements for performance and reliability, Andrew may lose market share and its revenues may suffer.

The process of developing new wireless technology products and services is complex and uncertain, and failure to anticipate customers' changing needs and emerging technological trends accurately and to develop or obtain appropriate intellectual property could significantly harm Andrew's results of operations. Andrew must make long-term investments and commit significant resources before knowing whether its investments will eventually result in products that the market will accept. After a product is developed, Andrew must be able to manufacture sufficient volumes quickly and at low costs. To accomplish this, Andrew must accurately forecast volumes, product mix and configurations that meet customer requirements, which Andrew may not be able to do successfully.

Among the factors that make a smooth transition from current products to new products difficult are delays in product development or manufacturing, variations in product costs, delays in customer purchases of existing products in anticipation of new product introductions and customer demand for the new product. Andrew's revenues and gross margins may suffer if Andrew cannot make such a transition effectively and also may suffer due to the timing of product or service introductions by its suppliers and competitors. This is especially challenging when a product has a short life cycle or a competitor introduces a new product just before its own product introduction. Furthermore, sales of Andrew's new products may replace sales of some of its current products, offsetting the benefit of even a successful product introduction. If Andrew incurs delays in new product introductions, or does not accurately estimate the market effects of new product introductions, given the competitive nature of Andrew's industry, future demand for Andrew's products and Andrew's revenues may be seriously harmed.

Andrew's revenues and selling, general and administrative expenses may suffer if Andrew cannot continue to enforce the intellectual property rights on which its business depends or if third parties assert that Andrew violates their intellectual property rights.

Andrew generally relies upon patent, copyright, trademark and trade secret laws in the United States and similar laws in other countries, and agreements with Andrew's employees, customers, partners and other parties, to establish and maintain its intellectual property rights in technology and products used in its operations. However, any of Andrew's intellectual property rights could be challenged, invalidated or circumvented, or Andrew's intellectual property rights may not provide competitive advantages, which could significantly harm its business. Also, because of the rapid pace of technological change in the wireless industry, a portion of Andrew's business and Andrew's products may rely on key technologies developed by third parties, and Andrew may not be able to obtain licenses and technologies from these third parties on reasonable terms or at all. Third parties also may claim that Andrew is infringing upon their intellectual property rights. Even if Andrew does not believe that its products or business are infringing upon third parties' intellectual property rights, the claims can be time-consuming and costly to defend and may divert management's attention and resources away from Andrew's business. Claims of intellectual property infringement also might require Andrew to enter into costly settlement or license agreements. If Andrew cannot or does not license the infringed technology at all or on reasonable terms or substitute similar technology from another source, Andrew's sales, operating margins and income could suffer.

Andrew is subject to risks related to product defects which could result in product recalls and could subject it to warranty claims which are greater than anticipated.

If Andrew were to experience a product recall or an increase in warranty claims compared with its historical experience, Andrew's sales and operating results could be adversely affected. Andrew tests its products through a variety of means. However, there can be no assurance that testing will reveal latent defects in Andrew's products, which may not become apparent until after the products have been sold into the market. Accordingly, there is a risk that product defects will occur, which could require a product recall. Product recalls can be expensive to implement and, if a product recall occurs during the product's warranty period, Andrew may be required to replace the defective product. In addition, a product recall may damage Andrew's relationship with its customers, and Andrew may lose market share with its customers. Andrew offers warranties on most products. The specific terms and conditions of the warranties offered vary depending upon the products sold. Andrew accrues for warranty costs based on the number of units sold, the type of products sold, historical and anticipated rates of warranty claims and cost per claim. Andrew regularly reviews these forecasts and makes adjustments as needed. If Andrew were to experience product recall or an increase in warranty claims compared with its historical experience, its sales and operating results could be adversely affected.

If Andrew cannot continue to attract and retain highly-qualified people, Andrew's revenues, gross margin and income may suffer.

Andrew believes that its future success significantly depends on its ability to attract, motivate and retain highly qualified management, technical and marketing personnel. The competition for these individuals is intense. From time to time, there may be a shortage of skilled labor, which may make it more difficult and expensive for Andrew to attract, motivate and retain qualified employees. Andrew believes its inability to do so could negatively impact the demand for Andrew's products and services and consequently Andrew's financial condition and operating results.

Andrew's costs and business prospects may be affected by increased government regulation, a factor which is largely beyond its control.

Andrew is not directly regulated in the United States, but many of its U.S. customers and the telecommunications industry generally are subject to Federal Communications Commission regulations. In overseas markets, there are generally similar governmental agencies that regulate Andrew's customers. Andrew believes that regulatory changes could have a significant negative effect on its business and operating results by restricting its customers' development efforts, making current products obsolete or increasing competition. Andrew's customers must obtain regulatory approvals to operate certain of its products. Any failure or delay by any of Andrew's customers to obtain these approvals would adversely impact its ability to sell Andrew's products. The enactment by governments of new laws or regulations or a change in the interpretation of existing regulations could adversely affect the market for Andrew's products. The increasing demand for wireless communications has exerted pressure on regulatory bodies worldwide to adopt new standards for such products, generally following extensive investigation and deliberation over competing technologies. In the past, the delays inherent in this governmental approval process have caused, and may in the future cause, the cancellation or postponement of the deployment of new technologies. These delays could have a material adverse effect on Andrew's revenues, gross margins and income.

The Chinese government could delay issuance of anticipated new wireless network licenses.

The Chinese government is planning to issue licenses for its next generation wireless network. The new Chinese network will become the technical standard with which wireless infrastructure will be designed, manufactured and deployed in China. It is anticipated that these licenses will be issued within the next year. Additionally, Andrew anticipates an increase in wireless infrastructure spending associated with the build-out of the anticipated new network. Significant delays of license issuance could adversely affect Andrew's financial results.

Compliance with European Union environmental directives could be difficult and costly for Andrew.

The European Union has issued directives governing the design of energy-using products, the restriction of the use of certain hazardous substances and the waste (disposal) of electrical and electronic equipment. These directives require companies to change the way they design, manufacture, track and bring new products into the market. Certain products Andrew manufactures and distributes throughout the European Union will need to comply with these directives. If Andrew is not able to comply with these directives, customer shipments and financial results may be adversely affected.

The manufacture of Andrew's power amplifiers and certain of Andrew's filter products have been outsourced to companies that specialize in electronics contract manufacturing.

The manufacturing of Andrew's power amplifier products has been performed by a leading electronics contract manufacturer for the past several years. Additionally, in September 2006, Andrew announced that it is outsourcing the manufacture of its European and North American-made filters to another leading electronics contract manufacturer. Andrew will continue to manufacture certain filter products at its Shenzhen, China facility. The use of contract electronics manufacturers by Andrew increases the risk of product supply disruption and intellectual property misappropriation. Disruption of product supplies could affect customer relationships, sales and profits. Intellectual property misappropriation could affect Andrew's competitiveness in power amplifier and certain filter product lines which would depress long-term sales and profits.

Allegations of health risks from wireless equipment may negatively affect Andrew's results of operations.

Allegations of health risks from the electromagnetic fields generated by base stations and mobile handsets, and the lawsuits and publicity relating to them, regardless of merit, could affect Andrew's operations negatively by leading consumers to reduce their use of mobile phones or by causing Andrew to allocate resources to these issues.

Andrew intends to sell its Satellite Communications business and anticipates recording an impairment of Satellite Communication's assets in the quarter ended September 30, 2007.

On May 3, 2007, Andrew announced its intention to sell its Satellite Communications business. Since the announcement, Andrew has engaged in discussions with potential buyers and is currently negotiating a potential sale. While Andrew believes a sale of the Satellite Communications business is probable, there can be no assurance that Andrew will complete a transaction on terms acceptable to it, or at all. If Andrew does not complete the intended divestiture, Andrew will have incurred significant transaction expenses and may continue to realize ongoing operating losses. The sale of the Satellite Communications business is subject to board and CommScope's approval.

As of the end of Andrew's fourth quarter, which ended September 30, 2007, Andrew determined that, as a result of continuing operating losses, lower short-term business prospects as compared to previous forecasts, and, despite significant numbers of initial indications of interest, the low number of remaining substantive bids resulting from Andrew's efforts to sell the Satellite Communications business, an indicator of impairment existed in accordance with SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. As such, Andrew is performing a test of the recoverablility of the carrying value of the long-lived assets and expects to incur a non-cash impairment charge in the quarter ended September 30, 2007 of approximately $19 million to reduce the carrying value of long-lived assets to their estimated fair value.

Andrew also performed "step one" of its annual goodwill impairment test in accordance with paragraph 19 of SFAS 142, Goodwill and Other Intangible Assets, for the Satellite Communications reporting unit as of July 1, 2007. Based on this test, Andrew determined that the fair value at July 1, 2007 was less than the carrying value of Satellite Communication's net assets and therefore a potential goodwill impairment existed. While Andrew has not completed the required "step two" impairment test, it is likely that Andrew will incur a non-cash goodwill impairment charge for the quarter ended September 30, 2007 of approximately $15 million to reduce the carrying value of goodwill.

BUSINESS OF COMMSCOPE

CommScope is a world leader in infrastructure solutions for communications networks. CommScope's highly-engineered cable and connectivity solutions enable a host of information-rich and interactive services that are delivered to the home, office and mobile devices. CommScope focuses on the "last mile" in communications networks, which is the distribution access, or final link to the customer. CommScope believes it is a global leader in structured cabling solutions for business enterprise applications and a global leader in broadband coaxial cables for the cable television industry. CommScope also designs, manufactures and markets a broad line of high-performance electronic, coaxial, and fiber optic cables and related products for data networking, Internet access, wireless communication, telephony and other broadband applications. In addition, CommScope is an industry leader in the design and manufacture of environmentally secure enclosures to integrate complex equipment for digital subscriber line (DSL) and Fiber-to-the-Node (FTTN) deployments by telecommunication service providers in the United States. CommScope believes that business enterprises, wired and wireless broadband service providers, carriers and consumers are faced with a growing need for higher bandwidth infrastructure solutions as new applications are developed and network traffic increases.

CommScope is a global manufacturer, employing state-of-the-art processes in 11 manufacturing facilities on five continents, and sells its products directly to customers and through a global network of distributors, system integrators and value-added resellers. CommScope sells its products in more than 130 countries. CommScope has organized and managed its business based on the following three reportable business segments, which are based on major product categories:

- Enterprise
- Broadband
- Carrier

Through the Enterprise segment, CommScope is a leading global provider of structured cabling systems for business applications. Such cabling systems are transmission networks inside a building or campus of buildings that connect voice and data communication devices, video and building automation devices, switching equipment and other information-management systems. Structured cabling systems consist of various components, including transmission media (cable), circuit administration hardware, connectors, jacks, plugs, adapters, transmission electronics, electrical protection devices, support hardware and software. The products in this segment are primarily sold through independent distributors, system integrators, and value-added resellers.

Through the Broadband segment, CommScope designs, manufactures and markets coaxial and fiber optic cables and supporting apparatus. The coaxial and fiber optic cables are primarily used in Hybrid Fiber Coaxial (HFC) networks being deployed throughout the world. HFC networks utilize a combination of fiber optic and coaxial cable and are widely recognized as one of the most cost-effective ways to offer multi-channel video, voice and data services. These products are primarily sold directly to cable television system operators.

Through the Carrier segment, CommScope sells a variety of products including secure environmental enclosures, cables and other components used by wireless providers, and structured cabling systems for telephone central offices. These products are sold to telecommunication service providers (carriers) or OEMs that sell equipment to carriers. CommScope's sturdy environmental enclosures are used to protect electronic devices and equipment being deployed in the outside plant or inside buildings. Its wireless products include innovative, high-frequency cables and components for connecting wireless antennae to their transmitters.

BUSINESS OF ANDREW

Andrew, together with its subsidiaries, is engaged in the design, manufacture, and supply of communications equipment, services, and systems for global communications infrastructure markets. Andrew's products are primarily based on Andrew's core competency, the radio frequency (RF) path. Andrew has unique technical skills and marketing strengths in developing products for RF systems. Andrew's products are used in the infrastructure for traditional wireless networks, third generation (3G) technologies, voice, data, video and Internet services, as well as applications for microwave and satellite communications, and other specialized applications.

Effective October 1, 2006, Andrew restructured its five product businesses into two operating groups, Wireless Network Solutions and Antenna and Cable Products, in order to reflect the customer segments these groups serve and to leverage the many opportunities for collaboration and efficiencies in supporting global customers. Andrew's five product businesses are: Antenna and Cable Products, Base Station Subsystems, Network Solutions, Wireless Innovations and Satellite Communications. Antenna and Cable Products includes a diverse product offering for the wireless infrastructure segment including base station antennas, coaxial cable and connectors and microwave antennas. Base Station Subsystems products are integral components of wireless base stations and include products such as power amplifiers, filters, duplexers and combiners that are sold individually or as parts of integrated subsystems. Network Solutions includes geolocation products, network optimization analysis systems, and engineering and consulting services. Wireless Innovations products are used to extend and enhance the coverage of wireless networks in areas where signals are difficult to send or receive, such as tunnels, subways and airports, and include both complete systems and individual components. Satellite Communications is comprised of the following product lines: direct-to-home (DTH) satellite antennas, earth station antennas and systems (ESA) and high frequency (HF) / radar products. The creation of the new operating segments was accompanied by changes to the executive management team that aligned with this new structure and streamlined the leadership of Andrew.

Andrew has a significant international manufacturing and distribution presence. Sales of products exported from the United States or manufactured abroad accounted for approximately 57% of Andrew's sales in fiscal 2006, 56% in fiscal 2005, and 54% in fiscal 2004. Over the last decade, Andrew has significantly increased its international manufacturing and distribution capabilities in some of the fastest developing wireless infrastructure areas. Developing countries represent some of the greatest growth opportunities for wireless communication, as wireless is the most cost efficient way to provide communications infrastructure to these regions. Andrew believes that developing markets such as China and India have significant long-term growth potential for the company. Andrew built new manufacturing facilities in China and India in fiscal 1998 and has continued to expand operations in these regions. These facilities have allowed Andrew to more effectively reach customers and increase sales in Asia. In fiscal 2005 Andrew began relocating a significant portion of the manufacturing of its filter product line to China.

On May 3, 2007, Andrew announced its intention to sell the Satellite Communications business. The final terms of any divestiture transaction are subject to board approval and the approval of CommScope, and there can be no assurance as to the terms, timing, or consummation of any such transaction. Satellite Communications sales were 4% of Andrew's third quarter sales and 5% of Andrew's year-to-date sales for fiscal 2007.

TruePosition Litigation

On October 25, 2005, TruePosition, Inc. filed a complaint in the U.S. District Court for the District of Delaware, alleging that Andrew's sale of certain mobile location products to a customer located in the Middle East infringed a TruePosition patent. Mobile location systems installed in wireless networks are used to determine the position of mobile devices. The complaint sought, among other things, injunctive relief and unspecified monetary damages.

On September 14, 2007, a jury ruled in favor of TruePosition, finding that Andrew had willfully infringed a single TruePosition patent in providing a mobile location system to the customer, and the jury awarded $45.3 million in damages to TruePosition. Andrew believes the verdict is in error and Andrew will seek to have it reversed. The jury's verdict, including the damage award, is subject to the outcome of various post verdict motions and appeals that Andrew will vigorously pursue. In addition, the judge presiding over the case has not ruled on Andrew's equitable claims of equitable estoppel, unclean hands and implied license. Andrew will present those claims to the judge as part of the post trial submissions. TruePosition may continue to seek an injunction, may seek to increase the damages awarded, up to trebling the amount, and may seek to recover interest, fees and expenses (including the fees and expenses of its counsel). However, Andrew believes the damages awarded are inappropriate, as would be any increase, any award of interest, fees or expenses or the issuance of an injunction.

As a result of the jury verdict in the case, Andrew plans to record a $45.3 million pre-tax charge to its earnings in the fourth quarter of fiscal 2007, which is Andrew's reasonable estimate of the probable loss if the jury verdict is not overturned. Andrew plans to vigorously pursue all available means to overturn the verdict.

At issue in the litigation with TruePosition is a patent that TruePosition argued was infringed by an Andrew uplink time difference of arrival (U-TDOA) mobile location system that is being deployed under multiple phases with the customer. Andrew was awarded the initial two phases with this customer for an expanded deployment of this strategic project which, when completed, will cover approximately a thousand cell sites. There are additional phases, not all of which have been awarded by the customer, for approximately two thousand additional cell sites. The jury verdict includes claims related to all such cell sites, including those already installed and those to be installed. The patent at issue relates only to certain implementations using U-TDOA technology. As a result, other Andrew Geometrix® customer installations, including E-911 systems and Mobile Location Center offerings, that use different mobile location technologies are not impacted.

THE SPECIAL MEETING

Date, Time and Place

These proxy materials are delivered to you in connection with the solicitation by Andrew's board of directors of proxies to be voted at the special meeting, which is to be held at in on , 2007 at , local time. On or about , 2007, Andrew commenced mailing this proxy statement/prospectus and the enclosed form of proxy to its stockholders entitled to vote at the meeting. The special meeting may be adjourned or postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.

Matters to be Considered at the Meeting

At the special meeting, holders of Andrew common stock will be asked to consider and vote on proposals, as more fully described in the proxy statement/prospectus:

- To consider and vote on Proposal No. 1 to adopt the merger agreement (adoption of the merger agreement by Andrew stockholders will constitute approval of all of the transactions contemplated in the merger agreement);
- To consider and vote on Proposal No. 2 to adjourn the special meeting to solicit additional proxies for approval of Proposal No. 1, if necessary; and
- To transact other business as may properly come before the special meeting or any adjournments or postponements of the special meeting.

The proxies may vote, at their discretion, upon such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting. At the present time, Andrew knows of no other matters that will be presented for consideration at the special meeting.

Record Date and Shares Entitled to Vote

Only holders of record of Andrew common stock at the close of business on the record date, , 2007, are entitled to notice of, and to vote at, the special meeting. There were approximately holders of record of Andrew common stock at the close of business on the record date. Because many of such shares are held by brokers and other institutions on behalf of stockholders, Andrew is unable to estimate the total number of stockholders represented by these record holders. There were shares of Andrew common stock issued and outstanding at the close of business on the record date. Each share of Andrew common stock entitles the holder thereof to one vote on each matter submitted for stockholders' approval.

Voting of Proxies; Revocation of Proxies

Andrew stockholders may vote using any one of the following methods:

- phone the toll-free number listed on your proxy card and follow the recorded instructions;
- go to the Internet website listed on your proxy card and follow the instructions provided;
- complete, sign and mail your proxy card in the postage-paid envelope; or
- attend the special meeting and vote in person (if such stockholder is permitted to vote in person).

Andrew stockholders may revoke their proxy at any time prior to its exercise by:

giving written notice of revocation to the Secretary of Andrew;

appearing and voting in person at the special meeting (if such stockholder is permitted to vote in person); or properly completing and executing a later dated proxy and delivering it to the Secretary of Andrew at or before the special meeting.

Your presence, without voting at the meeting, will not automatically revoke your proxy, and any revocation during the meeting will not affect votes previously taken.

Vote Required for Stockholder Approval

The affirmative vote in person or by proxy of the holders of at least a majority of the shares of Andrew common stock issued and outstanding on the record date is required to adopt Proposal No. 1.

Abstentions will have the same effect as votes cast against the adoption of Proposal No. 1.

The failure of a stockholder to vote in person or by proxy will also have the effect of a vote against Proposal No. 1.

The affirmative vote in person or by proxy of holders of at least a majority of the shares of Andrew common stock present in person or represented by proxy at the special meeting and entitled to vote on the matter is required to adopt Proposal No. 2.

Abstentions will have the same effect as votes cast against the adoption of Proposal No. 2.

Stock Ownership of Management and Certain Stockholders

As of August 7, 2007, directors and executive officers of Andrew and their affiliates owned and were entitled to vote 394,106 shares of Andrew common stock, or approximately 0.3% of the total shares of Andrew common stock outstanding on that date.

Quorum; Abstentions and Broker Non-Votes

The presence of the holders of a majority of the shares entitled to vote at the special meeting either in person or by proxy constitutes a quorum. Therefore, you will be considered part of the quorum if you return a signed and dated proxy card, if you vote by telephone or Internet, or if you attend the meeting (if you are permitted to vote in person). Abstentions are counted as "shares present" at the meeting for purposes of determining whether a quorum exists.

Proxies submitted by brokers that do not indicate a vote for the merger because the brokers do not have discretionary voting authority and have not received instructions from you as to how to vote on the proposals (which we refer to as broker non-votes) are considered "shares present" for purposes of determining whether a quorum exists. Broker non-votes will have the same effect as a vote against the adoption of both Proposal No. 1 and Proposal No. 2.

Solicitation of Proxies; Expenses

The accompanying proxy is being solicited on behalf of Andrew's board of directors. Andrew will pay all of the costs of preparing, mailing and soliciting the proxies and materials used in this solicitation. Andrew will ask banks, brokers and other nominees and fiduciaries to forward the proxy materials to the beneficial owners of Andrew common stock and to obtain the authority to execute proxies. Andrew will reimburse them for their reasonable expenses.

In addition to mailing proxy materials, Andrew's directors, officers and employees may solicit proxies in person, by telephone or otherwise. Andrew also has employed Morrow & Co., Inc. to solicit proxies on its behalf and will pay them approximately $10,000, plus reimbursement of out-of-pocket expenses for their services.

Appraisal Rights

Holders of Andrew common stock have appraisal rights under the Delaware General Corporation Law in connection with the merger. Under the DGCL, holders of Andrew common stock have the right to dissent from the merger and to receive payment in cash for the fair value of such holder's common stock as determined by the Delaware Court of Chancery, together with a fair rate of interest, if any, as determined by the court, in lieu of the consideration such holder would otherwise be entitled to pursuant to the merger agreement. These rights are known as appraisal rights. Stockholders electing to exercise appraisal rights must comply strictly with the statutory procedures set out in the provisions of Section 262 of the DGCL in order to perfect their rights. In addition, holders of Andrew common stock will have to determine whether or not to exercise their appraisal rights in connection with the merger before CommScope is required to decide on the form of the consideration for the stub portion of the merger consideration.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the merger and perfect its appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL, the full text of which appears in Annex C to this proxy statement/prospectus.

Any holder of Andrew common stock seeking to exercise its right to dissent from the merger and demand appraisal of its shares of Andrew common stock, or wishing to preserve its right to do so, should carefully review Section 262 and is urged to consult a legal advisor. Failure to precisely follow any of the statutory procedures set forth in Section 262 of the DGCL may result in a termination or waiver of your appraisal rights.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before the stockholders' meeting to vote on the merger. A copy of Section 262 must be included with such notice. This proxy statement/prospectus constitutes Andrew's notice to its stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Annex C to this proxy statement/prospectus since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under the DGCL.

If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

- You must deliver to us a written demand for appraisal of your shares before the vote with respect to the merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against the adoption of the merger agreement. Voting against or failing to vote for the adoption of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 262;

- You must not vote in favor of the adoption of the merger agreement. A vote in favor of the adoption of the merger agreement, by proxy, over the Internet, by telephone or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal. A proxy which does not contain voting instructions will, unless revoked, be voted in favor of the merger agreement. **Therefore, a stockholder who votes by proxy and who wishes to exercise appraisal rights must vote against the merger agreement or abstain from voting on the merger agreement;** and

- You must continue to hold your shares of Andrew common stock from the date of making the demand through the completion of the merger.

If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive the merger consideration for your shares of common stock as provided in the merger agreement, but you will have no appraisal rights with respect to your shares of common stock.

All demands for appraisal should be addressed to Andrew Corporation, 3 Westbrook Corporate Center, Suite 900, Westchester, Illinois 60154, Attention: Corporate Secretary, and must be delivered before the vote on the merger agreement is taken at the special meeting, and should be executed by, or on behalf of, the record holder of the shares of common stock. The demand must reasonably inform Andrew of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder of common stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder's name appears on his or her stock certificate(s). **Beneficial owners who do not also hold the shares of record may not directly make appraisal demands to us. The beneficial holder must, in such cases, have the registered owner, such as a broker, bank or other nominee, submit the required demand in respect of those shares.** If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made by or for the fiduciary; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares of common stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the effective time of the merger, the surviving corporation must give written notice that the merger has become effective to each stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger agreement. At any time within 60 days after the effective time, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the merger consideration specified by the merger agreement for his or her shares of common stock. Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 will, upon written request to the surviving corporation, be entitled to receive a written statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which demands for appraisal rights have been received and the aggregate number of holders of such shares. Such written statement will be mailed to the requesting stockholder within 10 days after such written request is received by the surviving corporation or within 10 days after expiration of the period for delivery of demands for appraisal, whichever is later. Within 120 days after the effective time, either the surviving corporation or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the surviving corporation. The surviving corporation has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder's previously written demand for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving corporation, the surviving corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Delaware Court of Chancery with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached by the surviving corporation. After notice to dissenting stockholders who demanded appraisal of their shares, the Delaware Court of Chancery is empowered to conduct a hearing upon the petition, and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Delaware Court of Chancery may require the stockholders who have demanded appraisal for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of common stock, the Delaware Court of Chancery will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any. When the value is determined, the Delaware Court of Chancery will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Delaware Court of Chancery so determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing those shares.

In determining fair value, and, if applicable, a fair rate of interest, the Delaware Court of Chancery is required to take into account all relevant factors. In *Weinberger v. UOP, Inc.*, the Delaware Supreme Court discussed the factors that could be considered in determining fair value in an appraisal proceeding, stating that "proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court" should be considered, and that "fair price obviously requires consideration of all relevant factors involving the value of a company."

Section 262 provides that fair value is to be "exclusive of any element of value arising from the accomplishment or expectation of the merger." In *Cede & Co. v. Technicolor, Inc.*, the Delaware Supreme Court stated that such exclusion is a "narrow exclusion [that] does not encompass known elements of value," but which rather applies only to the speculative elements of value arising from such accomplishment or expectation. In Weinberger, the Delaware Supreme Court construed Section 262 to mean that "elements of future value, including the nature of the enterprise, which are known or susceptible of proof as of the date of the merger and not the product of speculation, may be considered."

You should be aware that the fair value of your shares as determined under Section 262 could be more than, the same as, or less than the value that you are entitled to receive under the terms of the merger agreement.

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Delaware Court of Chancery as the Court deems equitable in the circumstances. Upon the application of a stockholder, the Delaware Court of Chancery may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the effective time of the merger, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective time; however, if no petition for appraisal is filed within 120 days after the effective time of the merger, or if the stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the merger within 60 days after the effective time of the merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the merger consideration for shares of his, her or its common stock pursuant to the merger agreement. Any withdrawal of a demand for appraisal made more than 60 days after the effective time of the merger may only be made with the written approval of the surviving corporation and must, to be effective, be made within 120 days after the effective time.

In view of the complexity of Section 262, stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

Andrew Board Recommendation

The merger agreement was unanimously approved by the directors present at the meeting called for that purpose, which included all of the directors. Andrew's board of directors recommends that Andrew stockholders vote to approve the adoption of the merger agreement.

ANDREW'S BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE ADOPTION OF THE MERGER AGREEMENT IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, ANDREW AND ITS STOCKHOLDERS AND HAS APPROVED THE ADOPTION OF THE MERGER AGREEMENT. ANDREW'S BOARD OF DIRECTORS RECOMMENDS THAT ALL ANDREW STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 1.

ANDREW'S BOARD OF DIRECTORS HAS DETERMINED AND BELIEVES THAT THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY, IF A QUORUM IS PRESENT, TO SOLICIT ADDITIONAL PROXIES IF THERE ARE NOT SUFFICIENT VOTES IN FAVOR OF PROPOSAL NO. 1 IS ADVISABLE TO, AND IN THE BEST INTERESTS OF, ANDREW AND ITS STOCKHOLDERS AND HAS APPROVED AND ADOPTED THE PROPOSAL. ACCORDINGLY, ANDREW'S BOARD OF DIRECTORS RECOMMENDS THAT ALL ANDREW STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 2.

PROPOSAL NO. 1 THE MERGER

General Description of the Merger

At the effective time, DJRoss, Inc. will be merged with and into Andrew. Andrew will be the surviving corporation in the merger and will continue as an indirect wholly owned subsidiary of CommScope. In the merger, each share of Andrew common stock outstanding at the effective time will automatically be converted into the right to receive:

- $13.50 in cash; plus
- The stub portion of the merger consideration, which, at the election of CommScope, will consist of either
  - $1.50 in cash;
  - a fraction of a share of CommScope common stock equal to $1.50 divided by the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective (which we refer to as the measurement period); or
  - a combination of cash and a fraction of a share of CommScope common stock (determined as described above) together equaling $1.50.

If CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock, approximately 4.9 million shares of CommScope common stock would be issued in respect of Andrew common stock, the Andrew notes, and Andrew stock options and restricted shares in connection with the merger, representing approximately 7% of the outstanding shares of CommScope common stock immediately following the consummation of the merger, assuming that a CommScope common stock price of $52.62 per share (which was the closing price on September 21, 2007) is used in the calculation and based on the number of shares of CommScope stock outstanding as of September 21, 2007. The number of shares of CommScope common stock issued in connection with the merger will be lower if CommScope elects to pay the stub portion of the merger consideration only partially in CommScope common stock. If CommScope elects to pay the stub portion of the merger consideration entirely in cash, no shares of CommScope common stock would be issued in connection with the merger. In determining which form of consideration will be used for the stub portion of the merger consideration, CommScope intends to consider the totality of the information then available to it including, without limitation, the following primary factors: the per share trading price of CommScope's common stock during the measurement period as compared to the recent historical trading prices of CommScope common stock; the amount of cash, cash equivalents and short- term investments available to CommScope and the amount of cash estimated to be required for normal operations; the views of the rating agencies; CommScope's business outlook (including management's views as to CommScope's future revenues, earnings and cash flow); and conditions in the equity and financing markets (including the terms of its debt financing). In particular, CommScope intends to assess, immediately prior to closing, the terms of its financing arrangements and the impact of additional borrowings on its future operations, as well as CommScope's common stock price during the measurement period, with a view to optimizing CommScope's financial position.

Background of the Merger

Andrew's board of directors has regularly reviewed Andrew's strategic objectives and the means of achieving those objectives, including potential strategic initiatives and various business combinations. In particular, Andrew's board has considered the possibility of combining its position in the wireless infrastructure segment with a company that has a leading position in wireline connectivity solutions.

On May 31, 2006, Andrew entered into an agreement and plan of merger with ADC Telecommunications, Inc. providing for a merger between Andrew and ADC in which each share of

Andrew common stock would be converted into 0.57 of a share of ADC common stock having an implied market value as of the close of business on May 30, 2006, the last trading day prior to the date of that agreement, of $12.76 per share of Andrew common stock. The market price of ADC's common stock declined following the signing of the merger agreement between Andrew and ADC. By the close of business on Friday, August 4, 2006, the market value of 0.57 of a share of ADC's common stock had fallen to $6.97, a 45% decline since the time the merger agreement between Andrew and ADC had been signed.

On Monday, August 7, 2006, CommScope made an unsolicited offer to acquire Andrew for $9.50 in cash per Andrew share.

On August 9, 2006, Andrew and ADC agreed to terminate the May 31, 2006 merger agreement between Andrew and ADC without liability to either party. Andrew's board of directors sought the termination of the merger agreement with ADC due to the precipitous decline in the value of the ADC common stock and because of the belief that then current market conditions raised significant questions about the ability to obtain necessary stockholder approval. To effect the mutual termination, Andrew paid ADC $10 million and agreed that ADC would be paid another $65 million in the event Andrew consummated a business combination transaction within 12 months of August 9, 2006.

Also on August 9, 2006, Andrew's board of directors carefully reviewed and considered, in consultation with its advisors, CommScope's August 7, 2006 offer of $9.50 in cash per share of Andrew common stock. Andrew's board of directors concluded that such offer did not adequately reflect the value of Andrew, its business prospects, and its industry-leading products, global customer base, and skilled global workforce. Accordingly, Andrew's board of directors rejected CommScope's August 7, 2006 proposal.

On August 10, 2006, CommScope withdrew its cash offer of $9.50 per share of Andrew common stock.

In early 2007, Mr. Faison met with the chief executive of another major company in the telecommunications equipment business, referred to herein as Strategic Party #2. Strategic Party #2 indicated that it might have an interest in exploring a possible business combination transaction with Andrew.

On February 5, 2007, senior representatives of the management of Andrew met with senior representatives of the management of CommScope in Chicago to discuss the possibility of a business combination between Andrew and CommScope.

On March 14, 2007, Mr. Faison contacted the chief executive officer of Strategic Party #2 to inquire whether that company might have an interest in commencing discussions about a possible business combination transaction. The chief executive officer of Strategic Party #2 was aware of rumors that CommScope might have a continuing interest in acquiring Andrew and indicated that Strategic Party #2 might have an interest in a business combination transaction with Andrew structured as a "merger of equals". The chief executive officer of Strategic Party #2 informed Mr. Faison that he planned to discuss Andrew at an upcoming meeting of the board of directors of Strategic Party #2.

On March 15, 2007, CommScope sent an unsolicited letter to Andrew proposing that CommScope acquire Andrew for $13.50 in cash per share of Andrew common stock.

On March 19, 2007, Andrew amended its retention agreement with Citigroup Global Markets Inc., which we refer to as Citigroup, originally entered into in January 2006, to provide that Citigroup would act as financial advisor to Andrew in connection with the consideration of a possible business combination transaction with CommScope, Strategic Party #2 or Strategic Party #3.

On March 19, 2007, Mr. Faison met with representatives of a private equity sponsor, referred to herein as Private Equity Sponsor #1, and with the chief executive of another major company in the telecommunications equipment business, referred to herein as Strategic Party #3, to discuss the possibility of a business combination between Andrew and Strategic Party #3 that might be facilitated by Private Equity Sponsor #1.

On March 20, 2007, Andrew's board of directors met with Andrew's senior management and with representatives of Andrew's financial advisors, Citigroup, and Andrew's legal advisors, Mayer, Brown, Rowe & Maw LLP, which we refer to as Mayer Brown, to discuss the March 15, 2007 CommScope proposal. At this meeting Andrew's board of directors reviewed with Andrew's senior management and its financial and legal advisors the CommScope proposal, CommScope's business and Andrew's business prospects and possible strategic alternatives. Mr. Faison reviewed for the board his recent contacts with Strategic Party #2, Strategic Party #3 and Private Equity Sponsor #1. At the conclusion of this meeting Andrew's board of directors determined to reject CommScope's $13.50 per share proposal as inadequate.

On March 23, 2007, representatives of Citigroup discussed Andrew's rejection of the March 15 proposal with representatives of CommScope's financial advisor, Banc of America Securities LLC, who indicated that CommScope might be prepared to increase the proposed purchase price if CommScope were permitted to conduct due diligence regarding Andrew.

Andrew determined to permit CommScope to perform preliminary due diligence and, on April 3, 2007, entered into a confidentiality agreement with CommScope relating to the protection of Andrew's confidential information provided to CommScope, which included a standstill provision terminating on May 18, 2007. On April 5, 2007, representatives of Andrew's management met in Chicago with representatives of CommScope's senior management and made a presentation about Andrew's business.

On April 19, 2007, representatives of Banc of America Securities LLC indicated that CommScope might be prepared to increase its proposal to acquire Andrew to $13.75 per share in cash. Later on April 19, 2007, Andrew's board of directors was informed of this possible increase and determined to reject this revised indication of interest and to terminate further discussions with CommScope.

On May 2, 2007, Mr. Faison and Marty Kittrell, Andrew's Chief Financial Officer, met with representatives of a private equity sponsor, referred to herein as Private Equity Sponsor #2, to determine if there was possible interest on the part of Private Equity Sponsor #2 in an acquisition of Andrew.

On May 3, 2007, Andrew released its financial results for the second fiscal quarter of 2007; in the two trading days following such release the per share closing price of Andrew's common stock on the Nasdaq Global Market rose approximately 16% from $11.27 to $13.09.

On May 8, 2007, Mr. Faison contacted Frank M. Drendel, CommScope's Chairman and Chief Executive Officer, to suggest that either CommScope substantially improve its proposal or terminate discussions. On May 9, 2007, CommScope submitted a substantially improved proposal to Andrew in which it proposed to pay $15.00 per share of Andrew common stock, consisting of an unspecified amount of cash, plus up to 12 million shares of CommScope common stock.

On May 10, 2007, Andrew's board of directors met with Andrew's senior management and with representatives of Andrew's financial and legal advisors to discuss CommScope's substantially improved May 9 proposal. At this meeting, Andrew's board of directors discussed Andrew's other possible strategic alternatives, including the fact that Andrew had not been able to induce Strategic Party #2, Strategic Party #3, Private Equity Sponsor #1 or Private Equity Sponsor #2 to make a business combination proposal and that it appeared unlikely that any other strategic party or private equity sponsor would be reasonably likely to be in a position to make a business combination proposal that would be superior to a $15.00 per share transaction with CommScope. Andrew's board of directors authorized Andrew's management and advisors to pursue a transaction with CommScope on the best terms that could be negotiated, including maximum certainty as to price regarding any portion of the consideration to be paid in the form of shares of CommScope common stock.

On May 17, 2007, Andrew and CommScope entered into a confidentiality agreement relating to the protection of CommScope's confidential information provided to Andrew. Also on May 17, 2007, Andrew and CommScope entered into an agreement providing that Andrew could not solicit other acquisition proposals (but could respond to unsolicited acquisition proposals) until June 5, 2007.

Between May 10, 2007 and June 5, 2007, Andrew and CommScope engaged in negotiations regarding the terms of a possible transaction and each continued to conduct its due diligence investigation of the other.

On June 5, 2007, negotiations were suspended when an impasse was reached regarding the proposed terms of the transaction, including possible closing conditions and price certainty of the portion of the consideration that was to be paid in the form of shares of CommScope common stock.

On June 13, 2007, Andrew and CommScope resumed their discussions and on June 15, 2007, CommScope improved its proposal to offer Andrew stockholders $15.00 per share of Andrew common stock, $13.50 of which to be payable in cash and $1.50 of which to be payable in cash, CommScope common stock or a combination thereof at the election of CommScope. The value of any CommScope common stock used as consideration would be fixed based on the volume weighted average of the closing sale prices for a share of CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger became effective. CommScope believed that its proposal, including both the increased aggregate amount and the structure of the consideration, would provide Andrew stockholders both with an attractive premium for their shares and reasonable certainty as to the value of the merger consideration, since at least 90% would be in cash, yet would allow CommScope the flexibility to use CommScope common stock for a portion of the merger consideration if CommScope determined it would be desirable to do so based on market and business conditions existing at the time of the merger (even though the decision would be made after the Andrew stockholder vote). In particular, CommScope wanted the flexibility to determine the form of consideration for the stub portion of the merger consideration after the measurement period and after the terms of its financing arrangements had been determined with a view to optimizing CommScope's financial position.

On June 19, 2007, Andrew formally retained Merrill Lynch to provide an independent fairness opinion regarding the proposed merger.

On June 21, 2007, Andrew's board of directors held a special meeting in Chicago. A representative of Mayer Brown reviewed with the board its fiduciary duties under applicable law. Representatives of Citigroup and Merrill Lynch reviewed with Andrew's board of directors their respective financial analyses of the proposed business combination with CommScope. In addition, representatives of Andrew's management and Ernst & Young LLP reported on their due diligence findings regarding CommScope. The representative of Mayer Brown reviewed certain terms of the draft merger agreement and CommScope's financing commitment. Representatives of Andrew and CommScope, and their respective legal counsel, continued to negotiate the final terms of the merger agreement from June 13 through June 26, 2007.

On June 26, 2007, Andrew's board of directors held a special telephonic meeting at which representatives of Andrew's management and representatives of Citigroup, Merrill Lynch, and Mayer Brown were present. At this meeting, the board of directors reviewed the final terms of the merger agreement. Representatives of Merrill Lynch reviewed its financial analyses and delivered to Andrew's board of directors Merrill Lynch's oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of June 26, 2007 and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the merger consideration pursuant to the merger was fair, from a financial point of view, to the holders of Andrew common stock. For further information regarding this opinion, see the section entitled "Proposal No. 1 The Merger Opinion of Andrew's Financial Advisor." Following further discussions and deliberations, Andrew's board of directors unanimously approved and declared advisable the merger agreement and the transactions that it contemplates and resolved to recommend that Andrew stockholders approve and adopt the merger agreement and the transactions that it contemplates.

On the evening of June 26, 2007, Andrew and CommScope entered into the merger agreement and the proposed transaction was publicly announced on the morning of June 27, 2007.

Andrew's Reasons for the Merger

In determining whether to approve the merger agreement, Andrew's board of directors considered a variety of factors that might impact the long-term, as well as the short-term, interests of Andrew and its stockholders, including whether these interests may be best served by the continued independence of Andrew. As part of its deliberations, Andrew's board of directors took into consideration, among other factors, the historical, current and projected financial condition, results of operations, stock performance, capitalization and operating, strategic and financials risks of Andrew.

In making the determination described above, Andrew's board of directors consulted with Andrew's management, legal advisors, tax advisors and accountants and was advised by Citigroup, Andrew's financial advisor, and Merrill Lynch, which delivered to the board its opinion as to the fairness from a financial point of view of the merger consideration. Andrew's board of directors considered a number of factors, including, among other things, the following principal positive factors (the order does not reflect relative significance):

Industry Consolidation. As the telecommunication carrier industry has undergone significant consolidation in recent years, the telecommunications equipment industry has undergone a corresponding trend of consolidation. Andrew's board of directors believes that it is necessary over the long run to expand its scale and product offerings through complementary consolidation in order to effectively serve its customers. Andrew's board of directors believes that the proposed merger with CommScope is the best opportunity for Andrew to participate in this industry consolidation on highly favorable terms to Andrew and its stockholders.

Favorable Valuation. Andrew's board of directors considered the fact that the merger consideration of $15.00 per share of Andrew common stock compares favorably with the current and historical financial condition and results of operations of Andrew, as well as its near and long-term prospects, including the risks and uncertainties associated with successfully executing on Andrew's stand-alone growth strategies. Andrew's board of directors also considered the fact that the merger consideration of $15.00 per share of Andrew common stock compares favorably with consideration received by stockholders in other transactions that Andrew's board of directors believe to be comparable.

Attractive Premium. Andrew's board of directors considered the relationship of the merger consideration of $15.00 per share of Andrew common stock to the recent market prices for Andrew's common stock. The merger consideration represents a premium of approximately 13% over Andrew's average closing share price for the 30 trading days prior to the public announcement of the proposed merger, a 21% premium over Andrew's average closing share price for the 60 trading days prior to the public announcement of the proposed merger and a 16% premium over Andrew's closing share price on June 26, 2007, the last trading day prior to the public announcement of the proposed merger.

Best Strategic Alternative Available. Andrew's board of directors considered the fact that over approximately the previous 15 months Andrew has explored various strategic alternatives with the assistance of its financial and legal advisors and that the merger with CommScope is the most favorable strategic alternative that Andrew was able to identify as a result of this process. The process of exploring strategic alternatives included an analysis of various alternatives available to Andrew, including remaining an independent public company, soliciting interest from private equity firms, and the possibility of acquisitions of, or mergers with, other companies in Andrew's industry, as well as the risks and uncertainties associated with each of these alternatives.

Vigorous Negotiation Process. Andrew's board of directors considered the fact that the negotiations between Andrew and CommScope have been pursued vigorously in the view of Andrew's board of directors and had been pursued in a manner calculated by Andrew's board of directors to achieve the highest price reasonably available for Andrew's stockholders. In this regard, Andrew's board of directors considered the fact that since August 2006 the price that CommScope has proposed to pay for Andrew has increased from approximately $1.6 billion in the aggregate to approximately $2.6 billion in the aggregate, an increase of over 60%.

Certainty of Value. Andrew's board of directors considered the fact that the merger consideration consists of at least 90% cash and that the portion of the merger consideration that may be paid in the form of shares of CommScope common stock will have a fixed value of $1.50 per share of Andrew common stock based on the volume weighted average closing sale prices of CommScope's common stock over the ten trading days ending two trading days prior to the effective date of the merger. Andrew's board of directors considered the fact that, although CommScope will have the discretion to determine the form of payment of the stub portion of the merger consideration after the Andrew stockholders vote on the merger, the method for fixing the value of this consideration based on market prices for CommScope's common stock shortly before the effective date of the merger limits Andrew's stockholders' exposure to fluctuations in the market value of CommScope's common stock prior to the effective time of the merger.

Certainty of Payment. Andrew's board of directors considered CommScope's ability to pay the merger consideration, including CommScope's financial condition and fully committed financing with minimal and customary conditions. Andrew's board of directors also considered the fact that the merger agreement does not contain a condition relating to CommScope's ability to obtain financing.

Fairness Opinion. Andrew's board of directors considered Merrill Lynch's oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of June 26, 2007 and based upon the assumptions made, matters considered and limits of review set forth in its written opinion, the merger consideration pursuant to the merger was fair, from a financial point of view, to the holders of Andrew common stock. For further information regarding this opinion, see the section entitled "Opinion of Andrew's Financial Advisor." A copy of the written opinion rendered by Merrill Lynch, setting forth the assumptions made, matters considered and limits of review, is attached as Annex B to this proxy statement/prospectus and is hereby incorporated herein by reference. Stockholders are urged to read this opinion in its entirety. Andrew's board of directors was aware that Merrill Lynch became entitled to certain fees upon the delivery of its fairness opinion. For further information, see the section entitled "Proposal No. 1 The Merger Opinion of Andrew's Financial Advisor" for a discussion of the fees payable to Merrill Lynch.

Terms of the Merger Agreement. Andrew's board of directors considered the fact that the terms of the merger agreement were determined through arm's length negotiations between Andrew and its outside legal and financial advisors, on the one hand, and CommScope and its outside legal and financial advisors, on the other hand. Among other provisions of the merger agreement considered important by Andrew's board of directors were:

- The provision of the merger agreement that permits Andrew's board of directors to respond to unsolicited acquisition proposals that are reasonably likely to lead to a superior proposal, subject to customary conditions;

- The "fiduciary out" provisions of the merger agreement that permit Andrew's board of directors, upon payment by Andrew of a $75 million termination fee, to terminate the merger agreement to accept an unsolicited takeover proposal that Andrew's board of directors determines in good faith, after receipt of advice of its outside legal counsel, that, in light of such superior proposal, the failure of Andrew's board of directors to do so is reasonably likely to result in a breach of its fiduciary obligations to Andrew's stockholders under applicable law.

Likelihood of Success. Andrew's board of directors considered the likelihood of satisfaction of all conditions to consummation of the merger and the likelihood of obtaining the required regulatory approvals.

Appraisal Rights. Andrew's board of directors considered the fact that appraisal rights will be available to stockholders who properly exercise their rights under Delaware law, which would give such stockholders the ability to seek and be paid a judicially determined appraisal of the "fair value" of their shares of Andrew common stock after the completion of the merger.

Anticipated Strength of CommScope after the Merger. Andrew's board of directors considered the strategic rationale for the combination of Andrew's and CommScope's business and the anticipated strength of CommScope after the merger and the fact that if CommScope determines to pay a portion of the merger consideration in the form of shares of CommScope common stock that Andrew's stockholders would have an opportunity to participate in the potential future growth of CommScope after the merger.

Andrew's board of directors also considered certain risks and other potentially negative factors, including the following:

Taxable Transaction. The fact that Andrew's stockholders will generally be required to pay U.S. federal income taxes on any gains that result from their receipt of the merger consideration.

Little or No Future Participation. The fact that Andrew's stockholders will have no continuing equity interest in CommScope following the proposed merger if CommScope elects to pay all of the merger consideration in the form of cash and relatively little continuing equity interest in CommScope following the proposed merger if CommScope elects to pay a portion of the merger consideration in the form of CommScope common stock, and therefore would participate relatively little or possibly not at all in any potential future growth or earnings of CommScope after the merger.

Regulatory Approvals. The need to obtain certain regulatory clearances or approvals, such as those under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and certain competition law clearances or approvals outside the United States.

Termination Fee. The existence of a $75 million termination fee payable in certain circumstances under the terms of the merger agreement that would make it more costly for another potential purchaser to acquire Andrew and could deter third parties from making competing offers to acquire Andrew.

No "Go-Shop" Right. The fact that Andrew was unsuccessful in its attempt to negotiate a right to actively solicit competing offers for a period of time after the public announcement of the merger agreement.

Interests of Our Officers and Directors. The fact that certain of Andrew's directors and executive officers have interests in connection with the merger that are different from, or in addition to, the interests of Andrew's stockholders generally. For further information, see the section entitled "Proposal No. 1 The Merger Interests of Andrew Directors and Executive Officers in the Merger."

Possibility the Merger will not Close. The risks and costs to us if the merger is not effected, including the diversion of management and employee attention, employee attrition and the effect on business and customer relationships.

Andrew's board of directors believes that, overall, the potential benefits of the merger to Andrew's stockholders outweigh the risks of the merger and the negative factors described above and that the merger provides the maximum value reasonably available to stockholders.

The foregoing discussion of information and factors considered by Andrew's board of directors is not intended to be exhaustive, but is believed to include a summary of all of the material factors considered by Andrew's board of directors. In view of the variety of factors considered in connection with its evaluation of the merger, Andrew's board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. In addition, individual members of Andrew's board of directors may have given different weights to different factors.

Andrew Board of Directors' Recommendation

AFTER CAREFUL CONSIDERATION, ANDREW'S BOARD OF DIRECTORS RECOMMENDS THAT ANDREW STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 1 TO ADOPT THE MERGER AGREEMENT.

Opinion of Andrew's Financial Advisor

Merrill Lynch was retained by Andrew's board of directors to evaluate the fairness, from a financial point of view, of the consideration to be received by holders of Andrew common stock pursuant to the proposed transaction. On June 26, 2007, Merrill Lynch rendered its oral opinion to Andrew's board, which opinion was subsequently confirmed in writing that, as of that date, based upon and subject to the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Merrill Lynch, as set forth in its opinion, the consideration to be received by holders of Andrew common stock pursuant to the proposed merger was fair, from a financial point of view, to the holders.

The full text of Merrill Lynch's written opinion, which sets forth material information relating to the opinion, including the assumptions made, matters considered and qualifications and limitations on the scope of review undertaken by Merrill Lynch, is attached as Annex B to this proxy statement/prospectus and is incorporated into this proxy statement/prospectus by reference in its entirety. This description of Merrill Lynch's opinion is qualified in its entirety by reference to, and should be reviewed together with, the full text of the opinion. You are urged to read the opinion and consider it carefully.

Merrill Lynch's opinion is addressed to the board of directors of Andrew for the use and benefit of the board, and addresses only the fairness as of the date of the opinion, from a financial point of view, of the merger consideration to be received pursuant to the proposed merger by holders of Andrew common stock. The terms of the proposed transaction, including the consideration to be received by holders of Andrew common stock, were determined through negotiations between Andrew and CommScope and were not determined or recommended by Merrill Lynch. Merrill Lynch's opinion does not address the merits of Andrew's underlying decision to engage in the proposed merger nor does it constitute, nor should it be construed as, a recommendation to any of Andrew's stockholders as to how to vote on the proposed merger or on any matter related thereto. In addition, Merrill Lynch was not asked to address, nor does its opinion address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Andrew, other than the holders of Andrew common stock.

Merrill Lynch's opinion does not express any opinion as to the prices at which shares of Andrew's common stock or shares of CommScope's common stock will trade following the announcement or consummation of the proposed merger.

In arriving at its opinion, Merrill Lynch, among other things:

- Reviewed certain publicly available business and financial information relating to Andrew and CommScope that Merrill Lynch deemed to be relevant;

- Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Andrew and CommScope which were furnished to Merrill Lynch by Andrew or CommScope, as well as the amount and timing of the cost savings and related expenses and synergies expected to result from the proposed merger (referred to herein as the Expected Synergies) furnished to Merrill Lynch by Andrew;

- Conducted discussions with members of senior management and representatives of Andrew and CommScope concerning the matters described in the two preceding bullet points, as well as their respective businesses and prospects before and after giving effect to the proposed merger and the Expected Synergies;

- Reviewed the market prices and valuation multiples for shares of Andrew common stock and shares of CommScope common stock and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

- Reviewed the results of operations of Andrew and CommScope and compared them with those of certain publicly traded companies that Merrill Lynch deemed to be relevant;

- Compared the proposed financial terms of the proposed transaction with the financial terms of certain other transactions that Merrill Lynch deemed to be relevant;

- Reviewed the potential pro forma impact of the proposed merger;

- Reviewed the merger agreement;

- Reviewed the debt commitment financing letter, dated June 25, 2007, by and among CommScope, Bank of America, N.A., Wachovia Bank, N.A. and certain affiliates of such banks; and

- Reviewed such other financial studies and analyses and took into account such other matters as Merrill Lynch deemed necessary, including Merrill Lynch's assessment of general economic, market and monetary conditions.

In preparing its opinion, Merrill Lynch assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available. Merrill Lynch did not assume any responsibility for independently verifying this information and did not undertake an independent evaluation or appraisal of any of the assets or liabilities of Andrew or CommScope and was not furnished with any such evaluation or appraisal, nor did Merrill Lynch evaluate the solvency or fair value of Andrew or CommScope under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, Merrill Lynch did not assume any obligation to conduct any physical inspection of the properties or facilities of Andrew or CommScope. With respect to the financial forecast information furnished to or discussed with Merrill Lynch by Andrew or CommScope, and the Expected Synergies furnished to or discussed with Merrill Lynch by Andrew, Merrill Lynch assumed that the information had been reasonably prepared and reflected the best currently available estimates and judgment of Andrew's or CommScope's management as to the expected future financial performance of Andrew or CommScope, as the case may be, and the Expected Synergies. Merrill Lynch expressed no view as to such forecasts, Expected Synergies or the assumptions on which they were based. Merrill Lynch also assumed that the proposed merger and the other transactions contemplated by the merger agreement will be consummated as described in the merger agreement.

Merrill Lynch's opinion was necessarily based upon market, economic and other conditions as they existed and could be evaluated on, and on the information made available to it as of, the date of the opinion. Subsequent developments may affect the opinions and Merrill Lynch has no obligation to update, revise or reaffirm its opinion. Merrill Lynch assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the merger.

In connection with the preparation of its opinion, Merrill Lynch was not authorized by Andrew or its board of directors to solicit, nor has it solicited, third party indications of interest for the acquisition of all or any part of Andrew.

At the June 26, 2007 Andrew board of directors meeting and in connection with preparing its opinion for the board of directors, Merrill Lynch made a presentation of certain financial analyses of the transaction. The following is a summary of the material analyses contained in the presentation that was delivered to the board of directors. Some of the summaries of financial analyses include information presented in tabular format. In order to understand fully the financial analyses performed by Merrill Lynch, the tables must be read together with the accompanying text of each summary. The tables alone do not constitute a complete description of the financial analyses, including the methodologies and assumptions underlying the analyses, and if viewed in isolation could create a misleading or incomplete view of the financial analyses performed by Merrill Lynch.

Neither the reference to a specific analysis nor its order of appearance in the summary below is meant to indicate that the analysis was given more weight than any other analysis. In reaching its conclusion, Merrill Lynch arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes the totality of the factors considered and performed by Merrill Lynch in connection with its opinion operated collectively to support its determinations as to the fairness from a financial point of view to the holders of Andrew common stock of the merger consideration contemplated to be received by holders of Andrew common stock. Merrill Lynch did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis.

In arriving at its opinion, Merrill Lynch made its determination as to the fairness, from a financial point of view, as of the date of the opinion, of the merger consideration contemplated to be received by holders of Andrew common stock, on the basis of the financial analyses described below. The following summary is not a complete description of all of the analyses performed and factors considered by Merrill Lynch in connection with its opinion, but rather is a summary of the material financial analyses performed and factors considered by Merrill Lynch. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis. Selecting portions of the analyses or of the summary below, without considering the analyses as a whole, could create an incomplete view of the processes underlying Merrill Lynch's analyses.

With respect to the analyses summarized below, the analyses reflect selected companies and transactions, and not necessarily all companies or transactions, that may be considered relevant in evaluating Andrew or the transaction. In addition, no company or transaction used as a comparison is either identical or directly comparable to Andrew or the transaction. These analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

The estimates of future performance of Andrew provided by Andrew's management in or underlying Merrill Lynch's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond Andrew's control. Estimates of the financial value of companies do not purport to be appraisals or reflect the prices at which these companies actually may be sold. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, neither Merrill Lynch nor any other person assumes responsibility if future results are materially different from those forecasted.

The opinion and financial analyses of Merrill Lynch were only one of many factors considered by the board of directors of Andrew in its evaluation of the transaction and should not be viewed as determinative of the views of the Andrew board of directors with respect to the transaction or the merger consideration contemplated to be received by holders of Andrew common stock.

Management Case and Street Case

For the purposes of the analyses discussed below, Merrill Lynch used financial forecasts provided by Andrew's management for the fiscal years 2007 through 2010, which are referred to as the "Management Case." For the "Street Case," Merrill Lynch used First Call consensus and publicly available research guidance.

Merger Consideration

Merrill Lynch reviewed the implied value of the per share merger consideration to be received by the holders of Andrew common stock, in the form of:

(1) $13.50 in cash; and

(2) at CommScope's election, either (i) $1.50 in cash, *or* (ii) a fraction of a share of CommScope's common stock equal to the Exchange Ratio (as defined below), *or* (iii) a combination of cash and such fraction of a share of CommScope's common stock, together equaling $1.50.

The "Exchange Ratio" is the quotient obtained by dividing (A) $1.50 by (B) the volume weighted average of the closing prices for CommScope common stock over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective.

Based upon the terms above, the implied value to be received by the holders of Andrew common stock in the proposed merger is $15.00 per share of Andrew common stock, which is referred to as the "implied offer price."

Premiums Analysis

Merrill Lynch compared the implied offer price of $15.00 to the average daily closing prices for Andrew common stock for various periods prior to the announcement of the proposed merger. Merrill Lynch noted the following offer premiums:

Time Period	Andrew Common Stock Price	Premium Implied by Implied Offer Price of $15.00
June 25, 2007	$ 13.00	15.4%
30 Trading Day Average	13.25	13.2%
90 Trading Day Average	11.72	28.0%
180 Trading Day Average	10.91	37.5%
52 Week Average	10.31	45.5%

Historical Stock Trading Analysis

Merrill Lynch reviewed the historical closing low and high trading prices for shares of Andrew common stock as reported by FactSet Research Systems Inc., an online investment research and database service used by many financial institutions. Merrill Lynch observed that (i) for the 52 weeks ending June 25, 2007, the closing low and high trading prices for the shares were $7.08 and $13.91, respectively, and (ii) for the 90 trading days ending June 25, 2007, the closing low and high trading for the shares were $9.99 and $13.78, respectively, as compared to the implied offer price per share of Andrew common stock of $15.00.

Research Analyst Stock Price Targets

Merrill Lynch reviewed seventeen recently publicly available research analyst reports for Andrew and observed that eleven of such reports provided price targets for Andrew common stock for the twelve months following such reports. The range of the research analyst stock price targets for Andrew common stock in these reports was $11.00 to $16.00. Merrill Lynch discounted these stock price targets using an assumed cost of equity of 14%, which resulted in a range of $9.75 to $14.00, as compared to the implied offer price per share of Andrew common stock of $15.00.

Comparable Company Analysis

Merrill Lynch compared selected financial and stock price trading data for Andrew with similar data for nine publicly traded companies that Merrill Lynch deemed to be comparable to Andrew.

- Amphenol Corporation;
- CommScope, Inc.;
- General Cable Corporation;
- Belden Inc.;
- ADC Telecommunications, Inc.;
- Adtran, Inc.;
- Harris Stratex Networks, Inc.;
- Powerwave Technologies, Inc.; and
- Anaren, Inc.

For each of the companies identified above, Merrill Lynch calculated various valuation multiples, including:

- the ratio of share price to the estimated earnings per share, or EPS, for calendar year 2007; and
- the ratio of enterprise value to the estimated earnings before interest, taxes, depreciation and amortization, or EBITDA, for calendar year 2007.

For purposes of its analysis, Merrill Lynch calculated the enterprise value as the market capitalization (as of June 25, 2007) plus total debt, minority interests and preferred stock, less cash and marketable securities. To calculate these valuation multiples, Merrill Lynch used EBITDA projections obtained from Wall Street research, First Call EPS estimates as of June 25, 2007 and closing trading prices of equity securities of each identified company on June 25, 2007.

Merrill Lynch calculated the following trading multiples for the above publicly traded companies identified as comparable to Andrew:

Methodology	Low	Median	Mean	High
Price / CY2007 Estimated EPS	16.4x	19.6x	20.5x	30.0x
Enterprise Value / CY2007 Estimated EBITDA	8.7x	11.3x	10.7x	11.8x

Based upon its analysis of the full ranges of multiples calculated for the companies identified above and its consideration of various factors and judgments about current market conditions and the characteristics of the companies (including qualitative factors and judgments involving non-mathematical considerations), Merrill Lynch determined relevant ranges of multiples for the companies (which relevant ranges were narrower than the full ranges of these multiples).

The following table summarizes the derived relevant ranges of multiples for the publicly traded companies identified as comparable to Andrew and the ranges of share prices of Andrew common stock, rounded to the nearest $0.25, implied by such multiples, as compared to the implied offer price per share of Andrew common stock of $15.00:

Methodology	Multiple Range		Implied Price of Common Stock	
Street Case:				
Price / CY2007 Estimated EPS	18.0x	21.0x	$11.00	$13.00
Management Case:				
Price / CY2007 Estimated EPS	18.0x	21.0x	$13.00	$15.00
Enterprise Value / CY2007 Estimated EBITDA	9.0x	11.0x	$11.75	$14.50

You should note that no company used in the above analysis is identical to Andrew. In evaluating companies identified by Merrill Lynch as comparable to Andrew or otherwise relevant to its analysis of Andrew, Merrill Lynch made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Many of these matters are beyond Andrew's control, such as the impact of competition on Andrew's business, the industry generally or the companies identified above, industry growth and the absence of any material change in Andrew's financial condition and prospects, the industry, the financial markets in general or the companies identified above. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies identified above and other factors that could affect the public trading values of these companies.

Comparable Transaction Analysis

Using publicly available information, Merrill Lynch examined certain multiples paid or proposed to be paid in certain transactions that Merrill Lynch deemed to be relevant. The precedent transactions that Merrill Lynch considered to be relevant were:

Announcement Date	Target Name	Acquiror Name
May 2007	Aeroflex Incorporated	Veritas Capital
August 2006	Andrew Corporation	CommScope, Inc.
June 2006	Filtronic Segment	Powerwave Technologies, Inc.
May 2006	Andrew Corporation	ADC Telecommunications, Inc.
February 2006	Artesyn Technologies, Inc.	Emerson Electric Co.
October 2005	Marconi	Ericsson (L M) Tel Adr

October 2005	Teradyne Connection Systems	Amphenol Corporation
June 2005	Pirelli Energy and Telecom	Goldman Sachs Capital Partners
March 2004	Belden CDT Telecom Assets	Superior Essex Inc.
March 2004	KRONE	ADC Telecommunications, Inc.
February 2004	Cable Design Tech Cp Cl A	Belden, Inc.
December 2003	LGP Allgon	Powerwave Technologies, Inc.
October 2003	Avaya Connectivity Systems	CommScope, Inc.
February 2003	Allen Telecom Inc.	Andrew Corporation

All calculations of multiples paid or proposed to be paid in the transactions identified above were based on public information available near the time of public announcement of these transactions. Merrill Lynch's analysis did not take into account different market and other conditions during the period in which the transactions identified above occurred.

For each of the transactions identified above, Merrill Lynch calculated the ratio of enterprise value implied by the transaction to the estimated EBITDA for the identified company for the latest twelve month ("LTM") period prior to when the relevant transaction was announced. The table below summarizes LTM EBITDA trading multiples for the above transactions identified as comparable to the proposed transaction:

Benchmark	Low	Median	Mean	High
Transaction Value / LTM EBITDA (for all transactions)	5.8x	12.3x	11.9x	16.0x
Transaction Value / LTM EBITDA (for transactions with transaction value greater than $1 billion)	5.8x	11.5x	10.3x	12.5x

Based upon its analysis of the full ranges of multiples calculated for the transactions identified above and its consideration of various factors and judgments about current market conditions and the characteristics of the transactions and the companies involved in such transactions (including qualitative factors and judgments involving non-mathematical considerations), Merrill Lynch determined the relevant range of multiples for the transactions (which relevant range was narrower than the full ranges of such multiples).

The following table summarizes the derived relevant range of multiples for the transactions identified above and the range of share prices of Andrew common stock, rounded to the nearest $0.25, implied by these multiples, as compared to the implied offer price per share of Andrew common stock of $15.00:

Methodology	Multiple Range	Implied Price of Common Stock
Transaction Value / LTM EBITDA (based upon Management Case for fiscal year ending September 30, 2007)	10.5x 12.5x	$12.75 $15.25

You should note that no transaction utilized in the analysis above is identical to the proposed transaction. A complete analysis involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies involved in these transactions and other factors that could affect the transaction multiples in these transactions to which the proposed transaction is being compared.

Discounted Cash Flow Analysis

Merrill Lynch performed a discounted cash flow analysis of Andrew, without giving effect to the proposed transaction, for the period from the fourth quarter of fiscal year ending September 30, 2007 through fiscal year ending September 30, 2010.

A discounted cash flow analysis is a traditional method of evaluating the value of an asset by estimating the future unlevered free cash flows of an asset and taking into consideration the time value of money by calculating the "present value" of these estimated cash flows. "Present value" refers to the current value of one or more future cash payments, or cash flows, from an asset and is obtained by discounting those future unlevered free cash flows by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Other financial terms utilized below are "terminal value," which refers to the value of all future cash flows from an asset at a particular point in time, and "unlevered free cash flows," which refers to a calculation of the future free cash flows of an asset without factoring in any debt servicing costs.

Merrill Lynch calculated terminal values as of fiscal year ending September 30, 2010 based on terminal multiples of 9.0x to 11.0x applied to the EBITDA for fiscal year ending September 30, 2010. The estimated unlevered free cash flows for the period from the fourth quarter of fiscal year ending September 30, 2007 through fiscal year ending September 30, 2010 and the terminal values as of September 30, 2010 were then discounted to present values using a range of discount rates from 12.5% to 14.5% in order to derive the unlevered enterprise values for Andrew.

To arrive at the estimated equity values per share of Andrew common stock, Merrill Lynch calculated the equity values for Andrew by deducting net debt of Andrew from the unlevered enterprise values, and then adding the present value of future tax benefits derived from net operating losses, or NOLs. Net cash includes short term and long term debt adjusted for the value of cash and cash equivalents. The net cash used for the purpose of this analysis was approximately $1.1 million based on information reported by Andrew. The present value of NOLs used for the purpose of this analysis was approximately $41.8 million based upon the Management Case. Such NOLs were discounted by assumed after-tax cost of debt of 4.9%.

Based on this analysis, Merrill Lynch derived a range of implied values per share, rounded to the nearest $0.25, of Andrew common stock of $13.75 to $17.00 using the Management Case, and $10.75 to $13.50 using the Street Case, as compared to the implied offer price per share of Andrew common stock of $15.00.

While discounted cash flow analysis is a widely accepted and practiced valuation methodology, it relies on a number of assumptions, including terminal value multiples and discount rates. The valuation derived from the discounted cash flow analysis is not necessarily indicative of Andrew's present or future value or results.

Pro Forma Combination Analysis

Merrill Lynch prepared pro forma analyses for the financial impact of the proposed merger using the Management Case for Andrew and the Street Case for CommScope. Based on such analyses, Merrill Lynch determined that the proposed transaction would be accretive to the stockholders of the combined entity, after synergies, in each of fiscal years 2008 and 2009.

Miscellaneous

The board of directors of Andrew retained Merrill Lynch based upon Merrill Lynch's experience and expertise. Merrill Lynch is an internationally recognized investment banking firm with substantial experience in transactions similar to the proposed transaction. Merrill Lynch, as part of its investment banking business, is continually engaged in the valuation of businesses and securities in connection with business combinations and acquisitions and for other purpose.

Andrew has agreed to pay Merrill Lynch a fee of $1,500,000, which fee is contingent upon its delivery of its opinion, but not upon the content of its opinion. Andrew has also agreed to reimburse Merrill Lynch for an agreed upon amount of its reasonable out of pocket expenses, including the reasonable fees and disbursements of legal counsel. In addition, Andrew has agreed to indemnify Merrill Lynch and its affiliates and their respective employees, agents, officers, directors and controlling persons from and against all losses arising out of or in connection with the proposed merger or Merrill Lynch's engagement by the Andrew board of directors. Merrill Lynch has, in the past, provided financial advisory and financing services to Andrew and to CommScope and may continue to do so and has received, and may receive, fees for the rendering of these services. In addition, in the ordinary course of its business, Merrill Lynch may actively trade the common stock and other securities of Andrew, as well as the common stock and other securities of CommScope, for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

CommScope's Reasons for the Merger

CommScope determined to pursue the merger to expand its global leadership in infrastructure solutions for communications networks, including structured cabling solutions for the business enterprise; broadband cable and apparatus for cable television applications; and antenna and cable products, base station subsystems, coverage and capacity systems, and network solutions for wireless applications. CommScope believes the merger can provide numerous benefits, including, but not limited to, the following:

- Opportunity to build upon complementary, global product offerings to provide customers with a broader array of infrastructure solutions for video, voice, data and mobility; and
- Potential to create significant stockholder value and expand earnings and cash flow by:
  - Enhancing growth opportunities by combining marquee brands, innovative technologies and global service models;
  - Expanding CommScope's global distribution and manufacturing capabilities;
  - Strengthening CommScope's industry-leading research and development and intellectual property portfolio;
  - Creating meaningful operating, cost and sales synergies;
  - Diversifying CommScope's customer base; and
  - Positioning CommScope to capitalize on industry trends.

No assurance can be given that these synergies or benefits can be achieved. For further information, see the section entitled "Risk Factors CommScope may fail to realize the anticipated synergies and cost savings expected from the merger."

Interests of Andrew Directors and Executive Officers in the Merger

In considering the recommendation of Andrew's board of directors with respect to the merger, Andrew stockholders should be aware that members of Andrew's board of directors and Andrew's executive officers have interests in the merger that differ from, or are in addition to, the interests of Andrew stockholders. Andrew's board of directors was aware of the interests described below and considered them, among other matters, when approving the merger agreement and recommending that Andrew stockholders vote to adopt the merger agreement. These interests are summarized below.

Stock Options and Other Stock-Based Awards. Under the Andrew Corporation 2000 Management Incentive Program and the Stock Option Plan for Non-Employee Directors, all outstanding options to purchase shares of Andrew common stock issued under those plans, including those held by directors and executive officers of Andrew, vest automatically at the closing of the proposed merger with CommScope. Based upon options outstanding as of August 7, 2007, options held by directors and executive officers of Andrew representing 947,727 shares of Andrew common stock will be subject to accelerated vesting at the effective time of the merger. In addition, 886,602 total restricted stock units granted under the Andrew Corporation 2000 Management Incentive Plan and the Andrew Corporation 2005 Long-Term Incentive Plan held by directors and executive officers of Andrew will be subject to accelerated vesting at the effective time of the merger. All options to purchase shares of Andrew common stock issued under the Andrew Corporation 1988 Management Incentive Program are fully vested in accordance with the terms of such plan and applicable award documents.

The Andrew Corporation 2000 Management Incentive Program, as administered and interpreted by the Compensation Committee of Andrew's board of directors, provides for the following option exercise periods:

Options that vest upon a change in control, such as the merger, are exercisable for a period of 90 days thereafter. In addition, to the extent options that vest upon a change in control are not exercised within such 90-day period, such options shall revert to the vesting and exercise terms applicable to such options immediately prior to the change in control. (Vesting of options occurs after a four- or five-year period following date of grant, as provided in the applicable award agreement, and vested options are exercisable following a termination of employment by reason other than retirement, disability or death until the earlier of (i) the expiration of the applicable option term or (ii) the expiration of a 3-month period following termination. Vested options are exercisable following a termination of employment by reason of retirement or disability until the earlier of (i) the expiration of the applicable option term or (ii) the expiration of a three-year period following termination.)

Options that have otherwise vested prior to a change in control, such as the merger, will continue to be exercisable according to the terms of the plan and the applicable option agreements as if a change in control had not occurred. The 90-day exercise period described above shall not apply to such already-vested options.

The Andrew Corporation Stock Option Plan for Non-Employee Directors, as administered and interpreted by Andrew's Chief Financial Officer, provides for the following option exercise periods:

Options that vest upon a change in control, such as the merger, are exercisable for a period of 90 days thereafter. In addition, to the extent options that vest upon a change in control are not exercised within such 90-day period, such options shall revert to the vesting and exercise terms applicable to such options immediately prior to the change of control.

Options that have otherwise vested prior to a change in control, such as the merger, will continue to be exercisable according to the terms of the plan and the applicable option agreements as if a change in control had not occurred. The 90-day exercise period described above shall not apply to such already-vested options.

The following table sets forth, as of August 7, 2007, the number of shares of Andrew common stock subject to unvested options held by directors and executive officers of Andrew, the weighted average exercise prices of those options and the number of shares of Andrew common stock subject to unvested restricted stock units held by directors and executive officers of Andrew, all of which will vest upon completion of the merger.

Name of Director or Executive Officer	Number of Shares Subject to Unvested Options	Weighted Average Exercise Price per Share($)	Number of Shares Subject to Unvested Restricted Stock Units
William Bax	0	n/a	15,000
Thomas A. Donahoe	2,400	$ 9.45	20,000
Jere D. Fluno	2,400	$ 9.45	20,000
William O. Hunt	2,400	$ 9.45	20,000
Gerald A. Poch	2,400	$ 9.45	20,000
Anne F. Pollack	0	n/a	20,000
Glen O. Toney	2,400	$ 9.45	20,000
Andrea L. Zopp	0	n/a	15,000
Justin C. Choi	64,125	$ 12.03	42,750
John E. DeSana	60,126	$ 10.14	59,117
John R.D. Dickson	41,619	$ 10.18	38,346
Ralph E. Faison	388,000	$ 10.13	255,850
Terry N. Garner	41,850	$ 10.16	37,000
Robert J. Hudzik	41,352	$ 10.16	38,218
Marty R. Kittrell	73,700	$ 10.12	68,267
James L. LePorte III	31,050	$ 10.27	28,750
Roger J. Manka	68,774	$ 10.39	54,250
Carleton M. (Mickey) Miller	49,855	$ 9.91	56,537
Jude T. Panetta	27,250	$ 11.29	19,300
Daniel J. Hartnett	20,878	$ 10.08	16,435
Mark A. Olson	27,148	$ 10.23	21,782

Under the terms of the merger agreement, not less than five days prior to the effective time of the merger, all holders of then outstanding options to purchase shares of Andrew common stock, including those held by directors and executive officers of Andrew, may elect to have some or all of their options cancelled. Such option holders shall be entitled to receive in respect of each share of Andrew common stock subject to the cancelled option immediately after the effective time of the merger, an amount equal to the merger consideration less the exercise price of the cancelled Andrew stock option, which exercise price shall be deducted from the cash portion of the merger consideration. All amounts payable in respect of such cancelled options shall be subject to applicable withholding of taxes.

Holders of Andrew stock options who do not elect to have all of their options cancelled as provided above will have their options converted to options to acquire a number of shares of common stock of CommScope equal to the product (rounded to the nearest whole number) of

(i) the number of shares of Andrew common stock subject to the Andrew option immediately prior to the effective time of the merger; and

(ii) the option exchange ratio, at an exercise price per share (rounded to the nearest whole cent) equal to:

(A) the exercise price per share of Andrew common stock of such Andrew option immediately prior to the effective time of the merger, divided by

(B) the option exchange ratio.

For this purpose, "option exchange ratio" means $15.00 divided by the volume weighted average of the closing sale prices of a share of CommScope common stock on the NYSE Composite Transactions

Tape over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective. No fractional shares of CommScope common stock will be issued in the merger. Cash will be paid in lieu of fractional shares.

Restricted stock units (including, to the extent applicable, performance stock units) granted under the stock plans of Andrew, at the effective time of the merger, will be assumed by CommScope and will be converted into the right to receive, upon vesting (which vesting will occur at the effective time of the merger to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit award agreement),

(A) the number of whole shares of CommScope common stock equal to the product of:

(1) the number of shares of Andrew common stock underlying such restricted stock units (including performance stock units) multiplied by

(2) the stock portion of the merger consideration (if any), rounded down to the nearest whole number of shares of CommScope common stock; and

(B) that amount of cash equal to the product of:

(1) the number of shares of Andrew common stock underlying such restricted stock units (including performance stock units) multiplied by

(2) the cash portion of the merger consideration.

No fractional shares of CommScope common stock will be issued in the merger. Cash will be paid in lieu of fractional shares.

However, to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit award agreement, a restricted stock unit (including, to the extent applicable, a performance stock unit) will vest at the effective time of the merger and will be cancelled as of the effective time for an all-cash payment of $15.00 for each share of Andrew common stock underlying the restricted stock unit.

For a more complete description of the treatment of Andrew stock options and restricted stock units, see the section entitled "The Merger Agreement Treatment of Stock Options and Restricted Stock Units."

Change in Control Agreements. The closing of the merger will constitute a change in control under agreements Andrew has entered into with the following executive officers: Ralph E. Faison, Justin C. Choi, John E. DeSana, John R.D. Dickson, Robert J. Hudzik, Marty R. Kittrell, Roger J. Manka, Carleton M. (Mickey) Miller, Jude T. Panetta, James L. LePorte III, Daniel J. Hartnett, and Mark A. Olson. In the event the merger is completed and during the period beginning 90 days prior to the effective time of the merger and ending 24 months thereafter any of the foregoing executive officers terminates his employment for good reason or is terminated other than for cause (as such terms are defined in the Andrew change in control agreements), he will be entitled to the following payments and benefits:

- An amount payable in cash equal to the executive officer's base pay multiplied by: (A) 3.0 for Mr. Faison; (B) 2.5 for Messrs. Choi, DeSana, Dickson, Hudzik, Kittrell, Manka, Miller and Panetta; and (C) 1.0 for each other executive officer listed above;

- An amount payable in cash equal to the executive officer's estimated bonus (which shall be the greatest of (A) the target bonus in effect for the fiscal year in which the completion of the merger occurs, (B) the target bonus in effect for the fiscal year in which the executive officer's termination of employment occurs, (C) the average annual bonus actually payable to the executive officer for the three fiscal years immediately prior to the fiscal year in which the

completion of the merger occurs or (D) the average annual bonus actually payable to the executive officer for the three fiscal years immediately prior to the fiscal year in which termination of employment occurs, multiplied by: (i) 3.0 for Mr. Faison; (ii) 2.5 for Messrs. Choi, DeSana, Dickson, Hudzik, Kittrell, Manka, Miller, and Panetta; and (iii) 1.0 for each other executive officer listed above;

An amount payable in cash equal to the executive officer's bonus for the fiscal year in which the completion of the merger occurs (which shall be the greater of (A) the estimated bonus as determined above or (B) the actual bonus the executive officer would have earned for the fiscal year in which the completion of the merger occurs based on performance prior to the completion of the merger, reduced, if applicable, by any bonus otherwise payable to the executive officer for such fiscal year);

If termination occurs in a fiscal year after the fiscal year in which the completion of the merger occurs, a pro rata estimated bonus (as determined above) for the fiscal year in which the executive officer's termination of employment occurs, based on the number of days in the fiscal year preceding the termination date;

An amount equal to the profit-sharing and matching contributions the executive officer would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during the applicable severance period designated in the executive officer's change in control agreement (which severance period is (A) 36 months for Mr. Faison; (B) 30 months for Messrs. Choi, DeSana, Dickson, Hudzik, Kittrell, Manka, Miller and Panetta; and (C) 12 months for each other executive officer listed above), determined by adding the contributions made to such plans on the executive officer's behalf expressed as a percentage of base salary for each of the 3 years immediately prior to his employment termination date and multiplying the sum by his base salary as of his employment termination date;

Immediate and full vesting of any long-term incentive awards. To the extent that the amount of any long-term incentive award is determined based on the attainment of performance goals, the amount of such award shall be determined assuming the greatest of (A) target performance, (B) actual performance prior to completion of the merger, or (C) average performance over the three-year period preceding the year in which completion of the merger occurs;

Continued participation (and, if applicable, continued coverage for his spouse and dependents) in Andrew's welfare benefit plans, including group health, life and disability plans (or plans providing equivalent benefits) for a maximum period equal to the executive officer's applicable severance period ((A) 36 months for Mr. Faison, (B) 30 months for Messrs. Choi, DeSana, Dickson, Hudzik, Kittrell, Manka, Miller and Panetta; and (C) 12 months for Messrs. LePorte, Hartnett and Olson);

Continued eligibility for perquisites for a maximum period equal to the executive officer's applicable severance period at the level provided to the executive officer immediately prior to the merger; and

Payment of expenses incurred for outplacement services up to $25,000.

The Andrew change in control agreements provide that payment of at least 50% of the foregoing amounts that are payable in cash would be made within 30 days after the later of the executive officer's termination of employment or completion of the merger and the remaining amount, if any, would be paid no later than 13 months after such event, as determined by the company in its discretion. These distribution provisions are subject to change, however, for purposes of compliance with changes in federal tax law.

In addition to the amounts described above, the executive officers listed above would also be entitled to the following:

- A "gross-up" payment in an amount to cover any "golden parachute" excise tax imposed on the executive officer under Section 4999 of the Internal Revenue Code and any federal, state and local income tax and excise tax imposed on that executive officer as a result of the receipt of the gross-up payment (but there shall be no "gross-up" payment by reason of any excise tax imposed on the executive officer by Section 409A of the Internal Revenue Code).

Agreement with Terry N. Garner. Andrew entered into a letter agreement dated December 21, 2006, with Terry N. Garner, which was modified by an amendment dated September 25, 2007. Such modified letter agreement supersedes and replaces an earlier agreement into which Mr. Garner had entered with Allen Telecom Inc. prior to the acquisition of Allen Telecom Inc. by Andrew. Under the modified letter agreement with Andrew, Mr. Garner's employment will terminate December 31, 2007 unless his employment term is extended by mutual agreement for an additional 90 days at any time prior to December 1, 2007. Subject to Mr. Garner's execution of a standard form of release and waiver, upon Mr. Garner's employment termination at the end of his employment term or extended employment term, provided he has not voluntarily resigned or been terminated for cause or terminated by reason of death and provided he has performed his duties in a reasonably satisfactory manner, Mr. Garner will be entitled to the following payments and benefits:

- Base salary and accrued paid time off through the employment termination date;

- An annual bonus for the fiscal year ended September 30, 2007 contingent on the achievement of the company and business group performance objectives, to be paid in December of 2007;

- A lump sum cash severance payment equal to $2,200,000, to be paid on the first day of the seventh month after Mr. Garner's termination date;

- Full vesting of Mr. Garner's equity awards with stock options and stock appreciation rights (which we refer to as SARs) remaining exercisable for the longer of (i) their original post-termination exercise period (determined by treating Mr. Garner's employment termination as a retirement) or (ii) the longest post-termination exercise period permitted by Code Section 409A without causing such options and SARs to be characterized as nonqualified deferred compensation, but in no event shall the exercise period extend beyond the applicable option or SAR term;

- Company-paid premiums for coverage under Andrew's group health plan for a period of 36 months, such period subject to reduction to the extent that comparable group health benefits are made available by another employer; and

- Any benefits to which Mr. Garner is entitled under the terms of Andrew's tax-qualified and nonqualified retirement plans.

The foregoing severance payments and benefits shall be forfeitable and discontinued in the event that Mr. Garner engages in competitive activity during the one-year period following his employment termination date.

In addition, the modified letter agreement provides for Mr. Garner to cooperate with Andrew and provide certain services for a period of 36 months after his termination date if requested to do so. Andrew will reimburse Mr. Garner for any reasonable and necessary expenses he incurs in the course of complying with this provision.

Mr. Garner will also be entitled to the foregoing payments and benefits if his employment terminates before the end of his employment term or extended employment term by reason of his disability (as defined in the modified letter agreement). If Mr. Garner's employment terminates by reason of his death, or if Mr. Garner is terminated by the company for cause (as defined in the modified letter agreement), he will be entitled to receive his base salary and accrued paid time off through his death or employment termination date.

Based on Andrew's current calculations for purposes of Section 280G of the Internal Revenue Code, if Mr. Garner were terminated under circumstances that would result in payment of the benefits under his modified letter agreement, he would be entitled to aggregate benefits in an amount equal to $2,996,925, comprised of the following: (i) $2,200,000 (lump sum cash severance), (ii) $185,500 (bonus), (iii) $84,800 (long-term incentive cash payment), (iv) $47,533 (attributable to previously unvested stock options), (v) $419,092 (attributable to previously unvested restricted stock), and (vi) $60,000 (benefit continuation).

New CommScope Retention Program. Effective as of the effective time of the merger, Messrs. Hartnett and Olson will be covered by a retention program to be adopted by CommScope for certain key employees, which program will require the participants to remain employed by CommScope for a period not longer than one year after the effective time of the merger; provided, however, that payment of the retention amount will be made not later than the earlier of (a) one year after the effective time of the merger or (b) the date on which a participant's employment is terminated either by CommScope without cause or by the participant for good reason (as such terms will be defined in the retention program) within such one-year period. CommScope's retention program will provide benefits to the foregoing individuals in amounts not less than the amounts shown in the table below, but not to exceed $940,000 in the aggregate for the period between the signing of the merger agreement and the closing of the merger for Messrs. Hartnett and Olson and the seven other non-executive officer employees who are currently expected to participate in the retention program:

Name of Executive	Retention Payment Formula	Estimated Retention Payment	
Daniel J. Hartnett	1x base + target bonus	$	310,000(1)
Mark A. Olson	1x base + target bonus		363,000(2)

(1) The sum of $222,000 (base salary) plus $89,000 (target bonus).

(2) The sum of $242,000 (base salary) plus $121,000 (target bonus).

CommScope's current Chairman and CEO will remain Chairman and CEO after the merger. Employment decisions regarding the Andrew's executive officers after the merger have not yet been finalized. It is possible that some or all of Andrew's executive officers will be terminated in connection with the merger on terms that would entitle them to benefits under the change in control agreements in the year in which the consummation of the merger occurs as described above. In addition, some or all of Andrew's executive officers will be entitled to certain benefits under other arrangements in connection with the consummation of the merger.

Other Change in Control Payments

Employee Retirement Benefit Restoration Plan. Upon completion of the merger, any portion of a participant's account under the Andrew Corporation Employee Retirement Benefit Restoration Plan that was not previously forfeited or vested will become fully vested and payable. The balance of such account will be credited from the beginning of the plan year in which the merger occurs through the effective date of the merger with earnings and losses at a rate equal to the weighted average rate of return achieved by the participant with respect to his or her accounts under the Andrew Profit Sharing Trust for the same period. Following the completion of the merger, each participant (or beneficiary thereof) in the plan will be entitled to a lump sum payment of his or her plan account as determined in accordance with the terms of the plan.

Performance Cash Agreement. If the merger is completed prior to the end of the performance period applicable to performance cash awards granted under the Andrew Management Incentive Program, upon completion of the merger, all outstanding performance cash awards that were not previously forfeited or vested shall become fully vested and payable as if the performance goal established for such awards had been attained as of the merger effective date, and each grantee will be entitled to a lump sum payment of his or her performance cash awards as determined in accordance with the terms of the plan and the applicable award agreements.

The following table illustrates the aggregate benefits to which Andrew executive officers would be entitled if they are terminated this year under circumstances entitling them to severance under the Andrew Executive Severance Benefit Plan.

	Net Estimated Value as of August 7, 2007 of Payments and Acceleration for Code Section 280G Purposes Under Change in Control Agreement		
Name of Executive	**Value without Gross-Up**	**Estimated Gross-Up**	**Total**
Ralph E. Faison	$ 9,854,547(1)	$ 0	$ 9,854,547
Justin C. Choi	2,325,922(2)	884,430	3,210,352
John R.D. Dickson	1,951,410(3)	749,981	2,701,391
John E. DeSana	3,149,034(4)	1,209,243	4,358,277
Marty R. Kittrell	3,469,944(5)	0	3,469,944
James L. LePorte III	1,104,594(6)	0	1,104,594
Daniel J. Hartnett	734,140(7)	246,224	980,364
Robert J. Hudzik	2,138,332(8)	814,519	2,952,851
Mark A. Olson	885,076(9)	291,291	1,176,366
Roger J. Manka	3,149,321(10)	1,246,274	4,395,595
Carleton M. (Mickey) Miller	3,120,278(11)	1,121,025	4,241,303
Jude T. Panetta	1,718,143(12)	0	1,718,143
Terry N. Garner	2,996,925(13)	0	2,996,925

(1) Value equal to the sum of: (i) $4,273,425 (3.0 times base salary and bonus), (ii) $842,023 (long-term incentive cash payment), (iii) $791,375 (guaranteed bonus), (iv) $176,208 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 36-month severance period), (v) $449,847 (attributable to previously unvested stock options), (vi) $3,205,170 (attributable to previously unvested restricted stock), (vii) $91,500 (benefit continuation) and (viii) $25,000 (outplacement services).

(2) Value equal to the sum of: (i) $1,310,084 (2.5 times base salary and bonus), (ii) $92,476 (long-term incentive cash payment), (iii) $215,779 (guaranteed bonus), (iv) $43,589 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $53,587 (attributable to previously unvested stock options), (vi) $509,157 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(3) Value equal to the sum of: (i) $1,083,867 (2.5 times base salary and bonus), (ii) $91,476 (long-term incentive cash payment), (iii) $179,446 (guaranteed bonus), (iv) $33,213 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $46,776 (attributable to previously unvested stock options), (vi) $415,383 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(4) Value equal to the sum of: (i) $1,805,082 (2.5 times base salary and bonus), (ii) $140,504 (long-term incentive cash payment), (iii) $331,745 (guaranteed bonus), (iv) $66,293 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $69,383 (attributable to previously unvested stock options), (vi) $634,777 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(5) Value equal to the sum of: (i) $1,905,500 (2.5 times base salary and bonus), (ii) $185,400 (long-term incentive cash payment), (iii) $350,200 (guaranteed bonus), (iv) $70,899 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $85,858 (attributable to previously unvested stock options), (vi) $770,837 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(6) Value equal to the sum of: (i) $451,673 (1.0 times base salary and bonus), (ii) $69,079 (long-term incentive cash payment), (iii) $185,983 (guaranteed bonus), (iv) $14,117 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 12-month severance period), (v) $32,405 (attributable to previously unvested stock options), (vi) $295,837 (attributable to previously unvested restricted stock), (vii) $30,500 (benefit continuation) and (vii) $25,000 (outplacement services).

(7) Value equal to the sum of: (i) $310,985 (1.0 times base salary and bonus), (ii) $39,984 (long-term incentive cash payment), (iii) $88,853 (guaranteed bonus), (iv) $7,664 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 12-month severance period), (v) $25,289 (attributable to previously unvested stock options), (vi) $205,865 (attributable to previously unvested stock options), (vii) $30,500 (benefit continuation) and (viii) $25,000 (outplacement services).

(8) Value equal to the sum of: (i) $1,235,189 (2.5 times base salary and bonus), (ii) $80,340 (long-term incentive cash payment), (iii) $226,276 (guaranteed bonus), (iv) $40,154 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $47,187 (attributable to previously unvested stock options), (vi) $407,937 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(9) Value equal to the sum of: (i) $363,075 (1.0 times base salary and bonus), (ii) $58,092 (long-term incentive cash payment), (iii) $121,025 (guaranteed bonus), (iv) $10,053 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 12-month severance period), (v) $29,203 (attributable to previously unvested stock options), (vi) $248,128 (attributable to previously unvested restricted stock), (vii) $30,500 (benefit continuation) and (viii) $25,000 (outplacement services).

(10) Value equal to the sum of: (i) $1,805,322 (2.5 times base salary and bonus), (ii) $152,233 (long-term incentive cash payment), (iii) $331,789 (guaranteed bonus), (iv) $66,304 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $70,608 (attributable to previously unvested stock options), (vi) $621,815 (attributable

to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(11)

Value equal to the sum of: (i) $1,791,170 (2.5 times base salary and bonus), (ii) $139,421 (long-term incentive cash payment), (iii) $329,188 (guaranteed bonus), (iv) $65,655 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $67,328 (attributable to previously unvested stock options), (vi) $626,267 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(12)

Value equal to the sum of: (i) $1,138,150 (2.5 times base salary and bonus), (ii) $80,340 (long-term incentive cash payment), (iii) $187,460 (guaranteed bonus), (iv) $35,703 (profit sharing and matching contributions the executive would have received under the Andrew Profit Sharing Trust and Andrew Employee Retirement Benefit Restoration Plan during his 30-month severance period), (v) $15,672 (attributable to previously unvested stock options), (vi) $159,568 (attributable to previously unvested restricted stock), (vii) $76,250 (benefit continuation) and (viii) $25,000 (outplacement services).

(13)

Value equal to the sum of: (i) $2,200,000 (lump sum cash severance), (ii) $84,800 (long-term incentive cash payment), (iii) $185,500 (bonus), (iv) $47,533 (attributable to previously unvested stock options), (v) $419,092 (attributable to previously unvested restricted stock), and (vi) $60,000 (benefit continuation).

The following table illustrates the benefits payable to certain executive officers upon the consummation of the merger pursuant to other arrangements, including the accelerated vesting of stock options and restricted stock units, the accelerated vesting and payout of long-term cash incentive awards and the accelerated vesting and payout of participants' accounts under the Employee Retirement Benefit Restoration Plan.

Estimated Value as of August 7, 2007 of Accelerated Payments and Benefits Upon Change in Control Without Employment Termination

Name of Executive Officer	Previously Unvested Stock Options*	Previously Unvested Restricted Stock**	Employee Retirement Benefit Restoration Plan Account***	Long-Term Cash Incentives	Total Value
Ralph E. Faison	$ 1,889,560(1)	$ 3,837,750(14)	$ 177,446(27)	$ 842,023	$ 6,746,779
Justin C. Choi	190,451(2)	641,250(15)	0	92,477	924,178
John R.D. Dickson	200,604(3)	575,190(16)	150,941(28)	91,476	1,018,211
John E. DeSana	292,212(4)	886,755(17)	200,104(29)	140,504	1,519,575
Marty R. Kittrell	359,656(5)	1,024,005(18)	77,587(30)	185,400	1,646,648
James L. LePorte III	146,866(6)	431,250(19)	38,193(31)	68,819	685,128
Daniel J. Hartnett	102,720(7)	246,525(20)	7,564(32)	39,984	396,793
Robert J. Hudzik	200,144(8)	573,270(21)	208,850(33)	80,340	1,062,604
Mark A. Olson	129,496(9)	326,730(22)	36,184(34)	58,092	550,502
Roger J. Manka	317,048(10)	813,750(23)	36,811(35)	152,233	1,319,842
Carleton M. (Mickey) Miller	253,762(11)	848,055(24)	47,867(36)	139,421	1,289,105
Jude T. Panetta	101,097(12)	289,500(25)	31,198(37)	80,340	502,135
Terry N. Garner	202,554(13)	555,000(26)	61,451(38)	84,800	903,805

*

Illustrates the economic value of all unvested options held by each executive officer assuming the acceleration of all such unvested options in the merger and the exercise of such options. Calculated by multiplying the shares subject to unvested options by the difference between $15.00 and the weighted average exercise price of such unvested options.

**

Illustrates the economic value of all unvested restricted shares held by each executive officer assuming the acceleration of all such unvested restricted shares in the merger. Calculated by multiplying the number of unvested restricted shares by $15.00.

***

Does not include pro rated portion of profit sharing contribution for 2007.

80

(1) 388,000 unvested options × ($15.00 $10.13 (weighted avg. exercise price))

(2) 64,125 unvested options × ($15.00 $12.03 (weighted avg. exercise price))

(3) 41,619 unvested options × ($15.00 $10.18 (weighted avg. exercise price))

(4) 60,126 unvested options × ($15.00 $10.14 (weighted avg. exercise price))

(5) 73,700 unvested options × ($15.00 $10.12 (weighted avg. exercise price))

(6) 31,050 unvested options × ($15.00 $10.27 (weighted avg. exercise price))

(7) 20,878 unvested options × ($15.00 $10.08 (weighted avg. exercise price))

(8) 41,352 unvested options × ($15.00 $10.16 (weighted avg. exercise price))

(9) 27,148 unvested options × ($15.00 $10.23 (weighted avg. exercise price))

(10) 68,774 unvested options × ($15.00 $10.39 (weighted avg. exercise price))

(11) 49,855 unvested options × ($15.00 $9.91 (weighted avg. exercise price))

(12) 27,250 unvested options × ($15.00 $11.29 (weighted avg. exercise price))

(13) 41,850 unvested options × ($15.00 $10.16 (weighted avg. exercise price))

(14) 255,850 unvested restricted shares × $15.00

(15) 42,750 unvested restricted shares × $15.00

(16) 38,346 unvested restricted shares × $15.00

(17) 59,117 unvested restricted shares × $15.00

(18) 68,267 unvested restricted shares × $15.00

(19) 28,750 unvested restricted shares × $15.00

(20) 16,435 unvested restricted shares × $15.00

(21) 38,218 unvested restricted shares × $15.00

(22) 21,782 unvested restricted shares × $15.00

(23) 54,250 unvested restricted shares × $15.00

(24)

56,537 unvested restricted shares × $15.00

(25) 19,300 unvested restricted shares × $15.00

(26) 37,000 unvested restricted shares × $15.00

(27) Vested balance as of August 7, 2007: $106,468 (60% vested).

(28) Vested balance as of August 7, 2007: $90,565 (60% vested).

(29) 100% vested as of August 7, 2007.

(30) Vested balance as of August 7, 2007: $46,552 (60% vested).

(31) Vested balance as of August 7, 2007: $22,916 (60% vested).

(32) Vested balance as of August 7, 2007: $4,539 (60% vested).

(33) 100% vested as of August 7, 2007.

(34) Vested balance as of August 7, 2007: $21,710 (60% vested).

(35) Vested balance as of August 7, 2007: $22,087 (60% vested).

(36) Vested balance as of August 7, 2007: $28,720 (60% vested).

(37) Vested balance as of August 7, 2007: $18,719 (60% vested).

(38) 100% vested as of August 7, 2007.

The following table identifies for each Andrew executive officer as of August 7, 2007, (i) the aggregate number of shares subject to his vested exercisable in-the-money Andrew stock options, (ii) the weighted average exercise price of such vested exercisable in-the-money options, (iii) the value of such vested exercisable in-the-money options based on the difference between $15.00 and the weighted average exercise price, (iv) the aggregate number of shares subject to his outstanding unvested Andrew stock options that will become fully vested and exercisable in connection with the merger, (v) the weighted average exercise price of such unvested options that will be accelerated in the merger, (vi) the value of such accelerated options based on the difference between $15.00 and the weighted average exercise price, and (vii) the value of all such vested in-the-money and unvested options.

Name of Executive Officer	(i) Aggregate Shares Subject to Vested Outstanding In-the Money Options*	(ii) Weighted Average Exercise Price of Vested Outstanding In-the Money Options	(iii) Value of Vested Outstanding In-the Money Options**	(iv) Aggregate Shares Subject to Unvested Options to be Accelerated in the Merger	(v) Weighted Average Exercise Price of Unvested Options to be Accelerated in the Merger	(vi) Value of Unvested Options to be Accelerated in the Merger***	(vii) Value of All Options (the sum of (iii) and (vi))****
Ralph E. Faison	583,700	$ 12.08	$ 1,704,404	388,000	$ 10.13	$ 1,889,560	$ 3,593,964
Justin C. Choi	12,500	13.64	17,000	64,125	12.03	190,451	207,451
John R.D. Dickson	81,550	12.20	228,340	41,619	10.18	200,604	428,944
John E. DeSana	131,800	12.09	383,538	60,126	10.14	292,212	675,750
Marty R. Kittrell	166,500	12.16	472,860	73,700	10.12	359,656	832,516
James L. LePorte III	60,750	13.17	111,172	31,050	10.27	146,866	258,038
Daniel J. Hartnett	31,850	12.86	68,159	20,878	10.08	102,720	170,879
Robert J. Hudzik	82,450	12.25	226,737	41,352	10.16	200,144	426,881
Mark A. Olson	69,075	12.05	203,771	27,148	10.23	129,496	333,267
Roger J. Manka	111,850	12.92	232,648	68,774	10.39	317,048	549,696
Carleton M. (Mickey) Miller	63,100	14.24	47,956	49,855	9.91	253,762	301,718
Jude T. Panetta	53,750	11.37	195,112	27,250	11.29	101,097	296,209
Terry N. Garner	36,800	14.58	15,456	41,850	10.16	202,554	218,010

* Number does not include options that have already been exercised.

** Illustrates the economic value of all vested in-the-money options held by each executive officer. Calculated by multiplying the shares subject to vested in-the-money options by the difference between $15.00 and the weighted average exercise price of such vested in-the-money options.

*** Illustrates the economic value of all unvested options held by each executive officer assuming the acceleration of all such unvested options in the merger and the cancellation of such options immediately upon completion of the merger in exchange for merger consideration less the exercise price. Calculated by multiplying the shares subject to unvested options by the difference between $15.00 and the weighted average exercise price of such unvested options.

**** Illustrates the economic value of all options held by each executive officer assuming the acceleration of all such unvested options in the merger and the cancellation of all options immediately upon completion of the merger in exchange for merger consideration less the exercise price. Calculated by adding the values in columns (iii) and (vi).

Directors and Executive Officers Indemnification and Insurance. The merger agreement provides that the surviving corporation in the merger will indemnify, and provide advance expenses to, each person who has been at any time on or before the date of the merger agreement, or who becomes before the completion of the merger, an officer, director or employee of Andrew or any of its subsidiaries against all losses, claims, damages, costs, expenses, liabilities or judgments or amounts that are paid in settlement of or in connection with any claim, action, suit, proceeding or investigation based in whole or in part on or arising in whole or in part out of the fact that such person is or was a director, officer or employee of Andrew or any of its subsidiaries, and pertaining to any matter existing or occurring, at or prior to the completion of the merger, whether asserted or claimed in connection with the approval of the merger agreement and the transactions contemplated thereby, to the same extent that such persons are indemnified or have the right to advancement of expenses as of the date of the merger agreement.

The merger agreement also provides that for six years after the completion of the merger, CommScope will maintain directors' and officers' liability insurance for acts or omissions occurring at or prior to the completion of the merger, covering each person who was, as of the date of the merger agreement, covered by Andrew's directors' and officers' liability insurance, on terms no less favorable than those in effect as of the date of the merger agreement. CommScope's obligation to provide this insurance coverage is subject to a cap of 250% of the amount of premiums paid by Andrew in its last full fiscal year for its existing insurance coverage. If CommScope cannot maintain the existing or equivalent insurance coverage without exceeding the 250% cap, CommScope is required to maintain only that amount of insurance coverage that can be obtained by paying an annual premium equal to the 250% cap.

Director Separation Agreement. The former Chairman of Andrew's board of directors, Charles R. Nicholas, has an agreement with Andrew under which Mr. Nicholas is entitled to a payment of $250,000 for each of the two years immediately following his retirement from the board. Mr. Nicholas retired from Andrew's board on February 7, 2007, and has begun to receive payments under his agreement.

Regulatory Approvals Required for the Merger

To consummate the merger, CommScope and Andrew must make filings with and obtain approvals or clearances from antitrust regulatory authorities. Transactions such as the merger are subject to review by the Department of Justice and the Federal Trade Commission in the United States, by certain countries located in the European Union, and by other countries to determine whether they comply with applicable antitrust laws. Under the provisions of the HSR Act, the merger may not be consummated until the specified waiting period requirements of the HSR Act have been satisfied. On July 16, 2007, CommScope and Andrew each filed a Notification and Report Form pursuant to the HSR Act with the U.S. Department of Justice (which we refer to as the DOJ) and the U.S. Federal Trade Commission. On August 15, 2007, CommScope and Andrew each received requests for additional information (commonly referred to as a "second request") from the Antitrust Division of the DOJ. The second requests were issued under the notification requirements of the HSR Act. The second requests extend the waiting period imposed by the HSR Act until 30 days after CommScope and Andrew have substantially complied with the second requests, unless that period is extended voluntarily by the parties or terminated sooner by the DOJ. CommScope and Andrew intend to cooperate fully with the DOJ. In the United States, CommScope must also comply with applicable federal and state securities laws and the rules and regulations of the New York Stock Exchange in connection with the issuance of shares of CommScope common stock, if any, in the merger and the filing of this proxy statement/prospectus with the SEC.

Restrictions on Sales of Shares to be Received in the Merger

The issuance of shares of CommScope common stock, if any, to be received by Andrew stockholders in the merger will be registered under the Securities Act and, except as described in this section, may be freely traded without restriction. CommScope's registration statement on Form S-4, of which this proxy statement/prospectus forms a part, does not cover the resale of shares of CommScope common stock to be received in connection with the merger by persons who are deemed to be "affiliates" of Andrew on the date of the special meeting. The shares of CommScope common stock, if any, to be issued in the merger and received by persons who are deemed to be "affiliates" of Andrew on the date of the special meeting of stockholders may be resold by them only in transactions permitted by the resale provisions of Rule 145 under the Securities Act or otherwise permitted under the Securities Act. Persons who are deemed to be "affiliates" of Andrew prior to the merger include individuals or entities that control, are controlled by, or are under common control with Andrew on the date of the special meeting, and may include officers and directors, as well as principal stockholders, of Andrew on the date of the special meeting. Affiliates of Andrew will be notified separately of their affiliate status.

Listing of CommScope Common Stock

The shares of CommScope common stock, if any, to be issued in the merger and the shares of CommScope common stock, if any, to be reserved for issuance in connection with the outstanding Andrew options, warrants, and restricted stock units assumed by CommScope in the merger and upon conversion of the Andrew notes are required to be approved for listing on the New York Stock Exchange.

Delisting and Deregistration of Andrew Common Stock

If the merger is completed, Andrew common stock will be delisted from the Nasdaq Global Market and will no longer be registered under the Securities Exchange Act of 1934, as amended.

Appraisal Rights

Holders of Andrew common stock are entitled to appraisal rights under the Delaware General Corporation Law in connection with the merger. For further information, see the section entitled "The Special Meeting Appraisal Rights."

Anticipated Accounting Treatment of the Merger

The merger will be accounted for using the purchase method of accounting pursuant to Statement of Financial Accounting Standards No. 141, *Business Combinations.* Under the purchase method of accounting, the total estimated purchase price is allocated to the net tangible and intangible assets of Andrew acquired in connection with the merger, based on their estimated fair values. These allocations will be based upon a valuation that has not yet been finalized.

CommScope Board of Directors

The board of directors of CommScope will not change in connection with the consummation of the merger. CommScope's directors are currently divided into three classes. The members of each class are elected to serve three-year terms, with the term of office of each class ending in successive years. The directors of CommScope are the following: Frank M. Drendel (term ending in 2009); Boyd L. George (term ending in 2010); George N. Hutton, Jr. (term ending in 2010); Katsuhiko (Kat) Okubo (term ending in 2010); Richard C. Smith (term ending in 2009); June E. Travis (term ending in 2008); and James N. Whitson (term ending in 2008).

Financing

CommScope estimates that the total amount of funds necessary to complete the merger and pay the related transaction costs (assuming CommScope elects to pay the stub portion of the merger consideration entirely in shares of CommScope common stock) is approximately $2.59 billion ($2.85 billion if CommScope elects to use all cash in the merger consideration), which includes approximately $2.15 billion to be paid to Andrew stockholders and certain holders of Andrew stock options and restricted shares, with the remaining funds to be used to refinance existing indebtedness, including CommScope's and Andrew's existing senior credit facilities, to pay the merger consideration to holders of the Andrew notes (assuming full conversion of the Andrew notes), and to pay fees and expenses in connection with the merger, the financing arrangements and the related transactions. CommScope currently estimates that the amount of borrowings necessary to complete the merger and pay the related transaction costs will be $2.443 billion if the stub portion of the merger consideration is entirely paid in cash and $2.178 billion if the stub portion of the merger consideration is entirely paid in shares of CommScope common stock; the actual amount of borrowings will be determined by the amount of cash, cash equivalents and short-term investments on hand as of the effective time of the merger, the amount of cash estimated to be required for normal operations and the form of consideration used to pay the stub portion of the merger consideration. Factors that CommScope intends to consider in determining which form of consideration will be used for the stub portion of the merger consideration are described in the section entitled "Proposal No. 1 The Merger General Description of the Merger." For further information, see the section entitled "Unaudited Pro Forma Condensed Combined Financial Statements."

CommScope has received a debt commitment letter, dated June 26, 2007, from Bank of America, N.A., which we refer to as Bank of America, Wachovia Bank, National Association, which we refer to as Wachovia Bank (we refer to Bank of America and Wachovia Bank together as the debt providers), Banc of America Securities LLC, and Wachovia Capital Markets, LLC (we refer to Banc of America Securities LLC and Wachovia Capital Markets, LLC together as the lead arrangers).

Pursuant to the commitment letter, each of the debt providers has agreed to provide to CommScope, on the terms and subject to the conditions set forth in the commitment letter, one-half of an aggregate of $2.55 billion in senior secured credit facilities, consisting of:

- a $2.3 billion seven-year senior secured term loan facility, the proceeds of which will be used to finance (in part) the merger consideration (including payment of the merger consideration in respect of the Andrew notes, to the extent required), refinance existing indebtedness, and pay related fees and expenses; and

- a $250.0 million six-year senior secured revolving credit facility, the proceeds of which may be used for the same purposes as the senior secured term loan facility on the date of consummation of the merger, so long as after giving effect to any drawing CommScope has at least $200.0 million in a combination of unused availability under the revolving credit facility plus unrestricted cash on hand, which we refer to as the liquidity requirement, and thereafter for ongoing working capital and general corporate purposes of CommScope and its subsidiaries.

CommScope believes that it will have sufficient funds, including under the senior secured credit facilities and cash, cash equivalents and short-term investments, available to pay the entire merger consideration, including the stub portion of the merger consideration, in cash, while retaining an amount of cash estimated to be required for normal operations, without seeking additional financing. The need for any additional financing, however, will depend on a number of factors, including the amount of additional financing (if any) necessary for CommScope to meet the liquidity requirement on the date of consummation of the merger. CommScope does not presently intend to obtain commitments for any such additional financing, and it is possible that CommScope would not be able to obtain additional financing on satisfactory terms, or at all, in which event CommScope might be unable to use cash to pay all or part of the stub portion of the merger consideration. For further information, see the section entitled "Risk Factors CommScope's ability to obtain additional capital on commercially reasonable terms may be limited."

The debt commitments will expire December 31, 2007, but will automatically be extended to March 31, 2008 if the merger agreement is extended to such date in accordance with its terms. The debt commitments are subject to the satisfaction of certain conditions, including without limitation the following:

- the negotiation, execution and delivery of definitive documentation with respect to the senior credit facilities reasonably satisfactory to the lead arrangers and the lenders under the senior credit facilities;

- the absence of a material adverse change (as defined in the merger agreement) of Andrew since the date of the merger agreement;

- consummation of the merger in accordance with the terms of the merger agreement in all material respects and in compliance with applicable law and regulatory approvals, without any provision of the merger agreement having been altered, amended or otherwise changed or supplemented or any condition therein waived, in each case, in a manner materially adverse to the lenders, without the prior written consent of the lead arrangers (such consent not to be unreasonably withheld, conditioned or delayed);

- CommScope and its subsidiaries having only certain specified indebtedness (after giving effect to the merger and the other related transactions);

- the administrative agent for the senior credit facilities having a valid and perfected first priority (subject to certain exceptions to be set forth in the loan documentation) lien and security interest in the collateral for the senior credit facilities, subject to certain exceptions and limitations, or the making of arrangements reasonably satisfactory to the administrative agent duly providing for the same;

- receipt by the administrative agent for the senior credit facilities of customary closing documents and certificates, legal opinions and other deliverables; and

- receipt by the lenders of all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including the Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the PATRIOT Act).

The only representations relating to CommScope, Andrew, their subsidiaries or their businesses, the making of which are a condition to availability of the senior credit facilities at the consummation of the merger, are (1) such of the representations made by Andrew in the merger agreement as are material to the interests of the lenders (including, without limitation, there not having been between December 31, 2006 and the date of the merger agreement any changes, circumstances or events that, individually or in the aggregate, have had, or would reasonably be likely to have, a material adverse effect (as defined in the merger agreement) on Andrew), but only to the extent that CommScope has the right to terminate its obligations under the merger agreement as a result of a breach of such representation in the merger agreement and (2) certain representations relating to, among other things, the authorization, enforceability, priority and security of the senior credit facilities.

As of the date of this proxy statement/prospectus, no alternative financing arrangements or alternative financing plans have been made in the event that the senior credit facilities are not available as anticipated.

MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of certain material U.S. federal income tax consequences of the merger to holders of Andrew common stock. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable current and proposed U.S. Treasury Regulations, judicial authority, and administrative rulings and practice, all of which are subject to change, possibly on a retroactive basis. This discussion is limited to U.S. holders (as defined below) that hold their shares of Andrew common stock as capital assets for U.S. federal income tax purposes (generally, assets held for investment), unless otherwise indicated below. This discussion does not address all aspects of U.S. federal income tax that may be relevant to a holder in light of its particular circumstances, or that may apply to a holder that is subject to special treatment under the U.S. federal income tax laws (including, for example, insurance companies, dealers in securities or foreign currencies, traders in securities who elect the mark-to-market method of accounting for their securities, holders subject to the alternative minimum tax, persons that have a functional currency other than the U.S. dollar, tax-exempt organizations, financial institutions, mutual funds, partnerships or other pass-through entities for U.S. federal income tax purposes, controlled foreign corporations, passive foreign investment companies, certain expatriates, corporations that accumulate earnings to avoid U.S. federal income tax, holders who hold shares of Andrew common stock as part of a hedge, straddle, constructive sale or conversion transaction or holders who acquired their shares of Andrew common stock through the exercise of employee stock options or other compensation arrangements).

In addition, this discussion does not address any tax considerations under state, local or foreign tax laws, or U.S. federal laws other than those pertaining to the U.S. federal income tax that may apply to holders.

Each holder is urged to consult such holder's own tax advisor to determine the particular tax consequences to such holder including the application and effect of any state, local or foreign income and other tax laws, of the receipt of cash and CommScope common stock, if any, in exchange for Andrew common stock pursuant to the merger.

If a partnership holds Andrew common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If you are a partner of a partnership holding Andrew common stock, you should consult your tax advisor.

For purposes of this discussion, the term "U.S. holder" means:

- a citizen or individual resident of the U.S. for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state or the District of Columbia;
- a trust if it (1) is subject to the primary supervision of a court within the U.S. and one or more U.S. persons, as defined under Section 7701(a)(30) of the Code (U.S. persons), have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income tax regardless of its source.

A "non-U.S. holder" is a person (other than a partnership) that is not a U.S. holder.

Tax Consequences of the Merger to U.S. Holders

The receipt of cash and CommScope common stock, if any, in the merger (or pursuant to the exercise of appraisal rights) by U.S. holders of Andrew common stock will be a taxable transaction for

U.S. federal income tax purposes. In general, for U.S. federal income tax purposes, a U.S. holder of Andrew common stock will recognize gain or loss equal to the difference between:

- the amount of cash and the fair market value of the CommScope stock, if any, (determined as of the date of the merger) received in exchange for Andrew common stock; and

- the U.S. holder's adjusted tax basis in such Andrew common stock.

If the holding period of the Andrew common stock surrendered in the merger (or pursuant to the exercise of appraisal rights) is greater than one year as of the date of the merger, the gain or loss will be long-term capital gain or loss. The deductibility of a capital loss recognized on the exchange is subject to limitations under the Code. If a U.S. holder acquired different blocks of Andrew common stock at different times and different prices, such holder must determine its adjusted tax basis and holding period separately with respect to each block of Andrew common stock.

Each share of CommScope common stock received by a U.S. holder in the merger will have a tax basis equal to the fair market value of the share received (determined as of the date of the merger). A new holding period for each share of stock will begin on the day after the merger.

Tax Consequences of the Merger to Non-U.S. Holders

A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the disposition of Andrew common stock in the merger unless:

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year in which the merger occurs and specific other conditions are met;

- the gain is effectively connected with the conduct of a trade or business in the United States of the non-U.S. holder, subject to an applicable treaty providing otherwise; or

- the non-U.S. holder owned, directly or under certain constructive ownership rules of the Code, more than 5% of Andrew common stock at any time during the five-year period preceding the merger, and Andrew is or has been a "United States real property holding corporation" for U.S. federal income tax purposes (which Andrew does not believe it is or has been) at any time during the shorter of a five-year period preceding the merger or the period that the non-U.S. holder held Andrew common stock.

An individual non-U.S. holder described in the first bullet point above will generally be subject to tax at a 30% rate on the gain derived from the merger, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States under the Code. A non-U.S. holder described in the second bullet point above will be taxed on a net income basis on the net gain derived from the merger and in the same manner as if it were a U.S. person, and, if a non-U.S. holder is a foreign corporation, it may be subject, in addition, to the branch profits tax equal to 30% of its effectively connected earnings and profits or at such lower rate as may be specified by an applicable income tax treaty.

Information Reporting and Backup Withholding

Certain Andrew stockholders who receive cash or stock received in the merger (or pursuant to the exercise of appraisal rights) may be subject to U.S. information reporting and backup withholding. Backup withholding (currently at a rate of 28%) will apply with respect to the amount of cash received and the fair market value CommScope common stock, if any, received by a non-corporate U.S. holder (determined as of the date of the merger), unless the U.S. holder provides proof of an applicable exemption or a correct taxpayer identification number, and otherwise complies with the applicable requirements of the backup withholding rules. Corporations are generally exempt from backup withholding. Each non-corporate stockholder should complete and sign the substitute Form W-9 that will be part of the letter of transmittal to be returned to the paying agent in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is otherwise proved in a manner satisfactory to the paying agent. In order for a foreign individual to qualify as an exempt recipient, he or she must submit a signed statement (such as a Certificate of Foreign Status on Internal Revenue Service Form W-8 BEN) attesting to his or her exempt status. Any amounts withheld under the backup withholding tax rules from a payment to a stockholder will be allowed as a refund or credit against the stockholder's United States federal income tax liability, provided that the required procedures are followed. Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be refunded or credited against a U.S. holder's U.S. federal income tax liability, if any, provided that such U.S. holder furnishes the required information to the Internal Revenue Service in a timely manner.

THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. This summary does not purport to describe all of the terms of the merger agreement and is qualified by reference to the complete merger agreement which is included as Annex A to this proxy statement/prospectus and incorporated by reference herein. All stockholders of Andrew are urged to read the entire merger agreement carefully.

The merger agreement has been included to provide Andrew stockholders with information regarding its terms and Andrew recommends that Andrew stockholders read the entire merger agreement carefully. Except for its status as the contractual document that establishes and governs the legal relations among the parties with respect to the merger, CommScope and Andrew do not intend for the text of the merger agreement to be a source of factual, business or operational information about CommScope or Andrew. That kind of information can be found elsewhere in this proxy statement/prospectus and in the documents incorporated herein by reference. The merger agreement contains representations and warranties of the parties as of specific dates and may have been used for the purposes of allocating risk between the parties rather than establishing matters as facts. Those representations and warranties are qualified in several important respects, which you should consider as you read them in the merger agreement, including contractual standards of materiality that may be different from what may be viewed as material to Andrew stockholders. Accordingly, investors should not rely on the representations and warranties in the merger agreement as characterizations of the actual state of facts about CommScope or Andrew. In particular, the assertions embodied in the representations and warranties contained in the merger agreement are qualified by information in confidential disclosure schedules provided by Andrew and CommScope to each other in connection with the signing of the merger agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the merger agreement. Except for the parties themselves, under the terms of the merger agreement only certain other specifically identified persons are third party beneficiaries of the merger agreement who may enforce it and rely on its terms. Except for Andrew stockholders, who are third party beneficiaries of Article II of the merger agreement regarding the exchange of shares in the merger, as stockholders, you are not third party beneficiaries of the merger agreement and therefore may not directly enforce or rely upon its terms and conditions. You should not rely on the representations, warranties or covenants of the merger agreement as characterizations of the actual state of facts or condition of CommScope, Andrew or any of their respective affiliates. Information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement and subsequently developed or new information qualifying a representation or warranty may have been included in this proxy statement/prospectus.

Structure of the Merger

At the effective time of the merger, DJRoss, Inc. (which we refer to as DJRoss), a Delaware corporation and an indirect wholly owned subsidiary of CommScope, will merge with and into Andrew. Andrew will be the surviving corporation in the merger and will become an indirect wholly owned subsidiary of CommScope.

Andrew's certificate of incorporation will be amended and restated in its entirety to be identical to the certificate of incorporation of DJRoss in effect prior to the merger, except that the name shall be changed to "Andrew Corporation", at the effective time of the merger and, as so amended, will be the surviving corporation's certificate of incorporation until duly amended. Andrew's by-laws will be similarly amended at the effective time of the merger and, as so amended, will be the surviving corporation's by-laws until duly amended. The directors and officers of DJRoss will be the directors and officers of the surviving corporation from and after the effective time of the merger until their respective successors are duly elected or appointed and qualified.

CommScope and Andrew may mutually agree to revise the structure of the merger described above at any time prior to the receipt of the approval of the merger agreement and the merger from Andrew stockholders, or at any time after such approval has been obtained if, with appropriate disclosure, any required further approval of the revised structure is obtained from Andrew stockholders.

When the Merger Becomes Effective

CommScope and Andrew will cause a certificate of merger to be executed and filed with the Secretary of State of the State of Delaware on the closing date of the merger. The closing date of the merger will be the third business day following the satisfaction or waiver of the conditions to the merger as described in the merger agreement, but in any event no earlier than August 10, 2007, unless another date is agreed to in writing by CommScope and Andrew. The merger will become effective at the time when the certificate of merger is duly filed or such other time as agreed upon by the parties and set forth in the certificate of merger. We refer to that time as the effective time of the merger.

Merger Consideration

The merger agreement provides that, at the effective time of the merger, each share of Andrew common stock issued and outstanding immediately prior to the effective time of the merger, but excluding shares of Andrew common stock held in the treasury of Andrew and shares held by Andrew stockholders who perfect and exercise their appraisal rights, will be converted into the right to receive, without any interest and less any withholding taxes, (1) $13.50 in cash (which we refer to as the cash merger consideration) plus (2) at the election of CommScope (at its sole discretion, by written notice to Andrew at least two business days before the closing date), one of the following three forms of consideration (which we refer to as the election merger consideration):

- $1.50 in cash;

- a fraction (which we refer to as the exchange ratio) of a fully paid and nonassessable share of CommScope common stock equal to (A) $1.50 divided by (B) the volume weighted average of the closing sale prices of a share of CommScope common stock on the NYSE Composite Transactions Tape over the ten consecutive trading days ending two trading days prior to the day on which the merger becomes effective (which we refer to as the average CommScope common stock price); or

- a combination of cash and a fraction of a share of CommScope common stock (determined as described above), together equaling $1.50.

At the effective time of the merger, (1) all shares of Andrew common stock held as treasury stock by Andrew, if any, will be automatically extinguished, and no consideration will be paid in exchange for such shares and (2) each issued and outstanding share of common stock of DJRoss will be converted into one share of the surviving corporation.

After the completion of the merger, each certificate that previously represented shares of Andrew common stock will only represent the right to receive the cash merger consideration, the election merger consideration and any cash in lieu of fractional shares of Andrew common stock, if any (which we refer to collectively as the merger consideration), together with the Pre-surrender CommScope Distributions (as defined below), without interest. In addition, after the effective time of the merger, Andrew will not register any transfers of the shares of Andrew common stock.

The exchange ratio will be adjusted to reflect fully the appropriate effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into CommScope common stock or Andrew common stock), reorganization, recapitalization, reclassification or other like change with respect to CommScope common stock or Andrew common stock having a record date on or after the date of the merger agreement and prior to the effective time of the merger.

If any CommScope common stock is included in the election merger consideration, no fractional shares of CommScope common stock will be issued in the merger. Instead, the exchange agent will pay each Andrew stockholder who would have otherwise been entitled to a fractional share of CommScope common stock (after aggregating all fractional shares of CommScope common stock that otherwise would be received by such stockholder) an amount in cash (rounded to the nearest whole cent), without interest, determined by multiplying such fraction by the average CommScope common stock price.

Until an Andrew stock certificate has been surrendered, no dividends or other distributions with respect to CommScope common stock with a record date after the effective time of the merger will be paid to the holder of such unsurrendered stock certificate of Andrew, and no cash payment in lieu of fractional shares will be paid to any such holder. Following surrender of an Andrew stock certificate, the holder will be entitled to receive, without interest, (1) the merger consideration, together with the amount of dividends or other distributions with a record date after the effective time of the merger paid with respect to the whole shares of CommScope common stock, if any, included in such merger consideration, and (2) at the appropriate payment date, the amount of dividends or other distributions with a record date after the effective time of the merger and a payment date subsequent to such surrender payable with respect to whole shares of CommScope common stock, if any, included in such merger consideration (which we refer to collectively as the Pre-surrender CommScope Distributions).

Listing of CommScope Common Stock

CommScope has agreed to use all reasonable best efforts to cause the shares of CommScope common stock issuable in the merger and the shares of CommScope common stock to be reserved for issuance with respect to stock options and restricted stock units issued under the Andrew stock plans, upon exercise of the Andrew warrant and upon conversion of the Andrew notes, to be authorized for listing on the New York Stock Exchange, upon notice of issuance, exercise or conversion, as applicable.

Treatment of Stock Options and Restricted Stock Units

All Andrew stock options will vest automatically as a result of the merger and holders of outstanding options to purchase shares of Andrew common stock may elect, not less than five days prior to the effective time of the merger, to have some or all of their stock options cancelled as of the effective time of the merger. In exchange for such cancellation, holders of each such option will be entitled to receive for each share of Andrew common stock subject to the cancelled stock option an amount equal to the merger consideration less the exercise price of the cancelled option, without interest and less any withholding taxes. The exercise price will be deducted from the cash portion of the election merger consideration and the cash merger consideration, and if the exercise price of the cancelled option is in excess of such cash portion, the number of CommScope common shares issuable will be reduced by a number of shares having a value equal to such excess based on the average CommScope common stock price.

Holders of outstanding options to purchase shares of Andrew common stock who do not elect to have all of their options cancelled as of the effective time of the merger will have each outstanding option not so cancelled converted into an option to acquire, subject to certain requirements of the Internal Revenue Code, (i) a number of shares of CommScope common stock equal to the product (rounded to the nearest whole number) of (1) the number of shares of Andrew common stock subject to such option immediately prior to the effective time of the merger and (2) the "option exchange ratio," which equals (A) $15.00 *divided by* (B) the average CommScope common stock price, and (ii) at an exercise price per share (rounded to the nearest whole cent) equal to (1) the exercise price per share of Andrew common stock of such option immediately prior to the effective time of the merger *divided by* (2) the option exchange ratio.

Restricted stock units (including, to the extent applicable, performance stock units) granted under the stock plans of Andrew, at the effective time of the merger, will be assumed by CommScope and will be converted into the right to receive, upon vesting, (1) the number of whole shares of CommScope common stock equal to the product of (A) the number of shares of Andrew common stock underlying such restricted stock units (including performance stock units) *multiplied by* (B) the stock portion of the election merger consideration (if CommScope common stock is issued as part of the merger consideration), rounded down to the nearest whole number of shares of CommScope common stock and (2) that amount of cash equal to the product of (x) the number of shares of Andrew common stock underlying such restricted stock units (including performance stock units) *multiplied by* (y) the sum of the cash portion of the election merger consideration and the cash merger consideration. No fractional shares of CommScope common stock will be issued in the merger. Cash will be paid in lieu of fractional shares.

Notwithstanding the foregoing, to the extent provided in the applicable stock plans of Andrew or the terms of any restricted stock unit (including any performance stock unit) award agreement evidencing an award, a restricted stock unit (including, to the extent applicable, a performance stock unit) of Andrew will vest upon a change of control (such as the merger) and will be cancelled as of the effective time of the merger in exchange for a cash payment in an amount equal to the product of (1) the number of shares of Andrew common stock underlying such restricted stock unit (including performance stock unit) immediately prior to the effective time of the merger *multiplied by* (2) $15.00.

Any shares of Andrew common stock issued under the stock plans of Andrew with restrictions or limitations on transfer will be treated in accordance with the terms of the respective stock plans under which such shares were issued, and the shares of CommScope common stock issued in exchange for such shares of Andrew common stock will have the same restrictions and limitations, if any, as such shares of Andrew common stock at the effective time of the merger.

Treatment of Andrew Warrant and Andrew Notes

At the effective time of the merger, the Andrew warrant will become exercisable for the merger consideration in accordance with its terms. The terms of the Andrew warrant specify that the Andrew warrant shall, after the merger, be exercisable into the kind and number of shares of stock or other securities or property of the corporation surviving such merger to which the holder of the number of shares of Andrew common stock deliverable (immediately prior to the time of such merger) upon exercise of the Andrew warrant would have been entitled upon such merger. Andrew is to provide the holder of the Andrew warrant with not less than 20 days written notice prior to the applicable record date or effective date of the occurrence of the merger (the notice shall set forth in detail all material facts and circumstances surrounding and relating to the merger).

At the effective time of the merger, the Andrew notes will become convertible into the merger consideration in accordance with the terms of the indenture, dated August 8, 2003, between Andrew and BNY Midwest Trust Company (which we refer to as the Andrew indenture) that governs the Andrew notes. The Andrew indenture provides that Andrew and CommScope shall execute a supplemental indenture providing that each note shall be convertible into the kind and amount of consideration receivable upon the merger by a holder of a specified number of shares of Andrew common stock immediately prior to the merger. As a closing condition, CommScope and Andrew, together with the trustee under the Andrew indenture, shall have entered into a supplemental indenture to the Andrew indenture providing for modification of the conversion rights of the holders of Andrew notes. In addition, following the merger, CommScope will be required to offer to repurchase any Andrew notes not converted into the merger consideration in accordance with the terms of the Andrew indenture, at a price equal to 100% of the principal amount thereof, together with accrued and unpaid interest up to, but excluding, the date of such repurchase.

Exchange of Shares and Certificates

Your right to receive the merger consideration will occur automatically at the effective time of the merger unless you perfect and exercise your appraisal rights.

Promptly after the effective time of the merger, Mellon Investor Services, L.L.C. (or another institution reasonably satisfactory to Andrew and CommScope, which we refer to as the exchange agent) will mail to each holder of record of a stock certificate or certificates that immediately prior to the effective time of the merger represented outstanding shares of Andrew common stock (which we refer to as Andrew stock certificates), (1) a letter of transmittal and (2) instructions for use in effecting the surrender of such stock certificates in exchange for the merger consideration and any Pre-surrender CommScope Distributions.

Please do not return Andrew stock certificates with the enclosed proxy card.

Upon surrender of an Andrew stock certificate to the exchange agent, together with a duly completed and executed letter of transmittal and any other documents as may reasonably be required by the exchange agent, you will be entitled to receive from the exchange agent the following:

- the number of whole shares of CommScope common stock, if any, to which you are entitled in accordance with the merger agreement;
- the cash portion, if any, of the election merger consideration, without interest, to which you are entitled in accordance with the merger agreement;
- the cash merger consideration, without interest;
- the cash payment in lieu of any fractional shares of CommScope common stock, if any, without interest; and
- any Pre-surrender CommScope Distributions, without interest.

If a transfer of shares of Andrew common stock is not registered in the transfer records of Andrew, the merger consideration for such shares and the Pre-surrender CommScope Distributions, if any, may be paid to a person other than the record holder of the surrendered Andrew stock certificate if:

- the stock certificate is properly endorsed or otherwise is in proper form for transfer; and
- the person requesting such payment either:
  - pays any transfer or other taxes required by reason of the issuance of CommScope common stock and the payment of cash to a person other than the registered holder of the surrendered certificate; or
  - establishes to the satisfaction of CommScope that such tax has been paid or is not applicable.

At the effective time of the merger, the stock transfer books of Andrew shall be closed and there shall be no further registration of transfers on the stock transfer books of the surviving corporation of the shares of Andrew common stock which were outstanding immediately prior to the effective time of the merger. If, after the effective time of the merger, Andrew stock certificates are presented to the surviving corporation or the exchange agent for any reason, they will be canceled and exchanged as provided above.

If your stock certificate has been lost, stolen or destroyed, the exchange agent will issue the applicable merger consideration for the shares represented by that certificate and the Pre-surrender CommScope Distributions (if any), if you provide an affidavit certifying that such certificate has been lost, stolen or destroyed. However, CommScope may, in its reasonable discretion require you to deliver an agreement of indemnification in form reasonably satisfactory to CommScope, or a bond in such

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amount as CommScope may reasonably direct as indemnity, against any claim that may be made against CommScope or the exchange agent in respect of such stock certificate alleged to have been lost, stolen or destroyed.

Six months after the effective time of the merger, any portion of the shares of CommScope common stock and cash deposited with the exchange agent (which we refer to as the exchange fund) that remains undistributed to the former stockholders of Andrew will be delivered to CommScope. After the expiration of the six-month period, each holder of a certificate representing shares of Andrew common stock may look only to CommScope for payment of his or her claim for the merger consideration and the Pre-surrender CommScope Distributions, if any.

None of CommScope, DJRoss, the surviving corporation or the exchange agent will be liable to any person in respect of any shares of CommScope common stock (or dividends or distributions with respect to such shares) or cash from the exchange fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. Any shares of CommScope common stock, any cash or any dividends or distributions with respect to CommScope common stock issuable in respect of any Andrew stock certificate will become the property of the surviving corporation if such stock certificate is not surrendered prior to seven years after the effective time of the merger, or immediately prior to such earlier date on which such shares or cash payments would otherwise escheat to, or become the property of, any governmental entity.

Covenants Relating to Conduct of Business

Each of Andrew and CommScope has undertaken certain covenants in the merger agreement restricting the conduct of its respective business between the date of the merger agreement and the effective time of the merger.

Affirmative Covenants Relating to Conduct of Business

Except as expressly required by, or provided for, in the merger agreement, or agreed to by the other party in writing, each of CommScope, Andrew and each of their respective subsidiaries is required to carry on its business in the ordinary course, consistent with past practice, maintain its existence in good standing under applicable law and use commercially reasonable efforts to (1) preserve intact its current business organization, (2) keep available the services of its current officers and key employees and (3) preserve its relationships with its customers, suppliers and other persons with which it has significant business relations.

Further, during the period from the date of the merger agreement to the effective time of the merger, Andrew and its subsidiaries are required to (1) maintain with financially responsible insurance companies, insurance in such amounts and against such risks and losses as are customary for companies of the size and financial condition of Andrew, and which are engaged in businesses similar to that of Andrew and its subsidiaries and (2) continue to timely file all reports and other documents that they are required to file with the SEC and pay all fees due and payable in connection with such filings, and furnish CommScope, if requested, with any work papers and other materials, including those prepared by Andrew's independent auditors, used in preparation of such filings.

Required Consent from CommScope

Without the prior written consent of CommScope, and with certain exceptions and subject to certain conditions described in the merger agreement (which exceptions and conditions apply to certain but not all of the following items), neither Andrew nor any of its subsidiaries may take any of the following actions or authorize, commit or agree to take any of the following actions during the period from the date of the merger agreement and the effective time of the merger:

Declare, set aside or pay any dividends on, make any other distributions in respect of, or enter into any agreement with respect to the voting of, any of its capital stock;

Split, combine or reclassify any of its capital stock or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock;

Purchase, redeem or acquire any shares of its capital stock or any other of its securities or any rights, warrants or options to acquire any such shares or other securities;

Issue, grant, sell, deliver, pledge or otherwise encumber or subject to any lien, any shares of capital stock or other voting securities or any rights, warrants or options, warrants or convertible notes, to acquire such shares or securities, other than (1) the issuance of common stock or options upon the exercise of Andrew options or the Andrew warrant, or conversion of the Andrew notes, (2) the issuance by a wholly owned subsidiary of Andrew of capital stock to such subsidiary's parent company or (3) the issuance of common stock, options to purchase common stock or restricted stock units in the ordinary course of business to participants in employee stock purchase plans;

Amend its certificate of incorporation or by-laws;

Acquire, or agree to acquire, by merging or consolidating with, or by purchasing any equity interest or a security convertible into or exchangeable for any equity interest in or a portion of the assets of, any person or business that is not an affiliate of Andrew which are material to Andrew and its subsidiaries' business, other than acquisitions permitted by the merger agreement;

Sell, pledge, dispose of, transfer, lease, license or otherwise encumber any property or assets, except certain sales in the ordinary course of business consistent with past practice;

Make any loans, advances or capital contributions to, or investments in, any person or entity other than certain transactions permitted by the merger agreement;

Borrow money or issue any debt securities or assume, guarantee, endorse or become responsible for the debt obligations of any person or entity, other than in the ordinary course of business;

Draw on existing credit facilities, other than in the ordinary course of business;

Pay, discharge, settle or satisfy any material claim, action or proceeding, except settlements in the ordinary course of business or for which reserves have been established as of the date of the merger agreement;

Make any material tax election, except in the ordinary course of business;

Increase in any manner the compensation or fringe benefits of (or enter into any commitment to pay any pension or benefit to), or pay any bonus to, any of its officers, directors or employees, except pursuant to existing commitments;

Enter into any collective bargaining agreement;

Commit itself to, or enter into, any employment agreement with its chief executive officer, any executive who directly reports to its chief executive officer or any executive who reports to a direct report to its chief executive officer;

Adopt any new benefit, compensation stock option plan, or amend, supplement or accelerate any existing benefit, stock option or compensation plan, except pursuant to existing commitments or as required by applicable laws;

Change accounting methods, principles or practices unless required by U.S. generally accepted accounting principles or any applicable laws with the concurrence of its independent auditors;

Enter into, modify or amend in any material respect, or terminate, waive, release or assign any material benefit or claim under, any material joint venture, strategic partnership, alliance, license or sublicense or other material contract, except for certain transactions permitted by the merger agreement;

Enter into any material new line of business;

Subject itself to any material non-compete or other similar restriction on the conduct of its business that would be binding on its business following completion of the merger; or

Make or agree to make any new capital expenditures, other than certain expenditures set forth in the merger agreement.

Required Consent from Andrew

Without the prior written consent of Andrew, neither CommScope nor any of its subsidiaries may take any of the following actions or authorize, commit or agree to take any of the following actions during the period from the date of the merger agreement and the effective time of the merger:

Amend its certificate of incorporation or by-laws that would reasonably be expected to be materially adverse to CommScope's stockholders; or

Acquire or agree to acquire, by merging or consolidating with, or by purchasing any equity interest or any security convertible into or exchangeable for any equity interest in or a portion of the assets of, or by any other manner, any person, which acquisition, merger, consolidation or purchase would reasonably be expected to materially impede or delay the receipt of any approvals from any governmental entities contemplated by the merger agreement.

Solicitation

Andrew has agreed that, except in certain circumstances as described below, Andrew and its subsidiaries will not, nor will it authorize or permit any of its officers, directors, employees, investment bankers, financial advisors, attorneys, accountants or other representatives to, take any of the following actions:

Solicit, initiate, encourage (including by way of furnishing any information) or take any other action intended to facilitate, induce or encourage any inquiries or the making, submission or announcement of any proposal or offer that constitutes, or could reasonably be expected to lead to, a proposed "alternative transaction" (as defined below);

Participate in any discussions or negotiations regarding, or furnish any information with respect to, any possible or proposed alternative transaction;

Approve, endorse or recommend any alternative transaction; or

Enter into any letter of intent, agreement or commitment contemplating or otherwise relating to any possible or proposed alternative transaction.

Andrew has agreed that it and its subsidiaries will, as of the date of the merger agreement, cease, and will cause their respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants or other representatives to cease, any and all existing activities, discussions, or negotiations with any third parties conducted up to the date of the merger agreement with respect to any possible or proposed alternative transaction and will use its reasonable best efforts to enforce any confidentiality agreement relating to those possible or proposed alternative transactions.

The merger agreement also provides that Andrew will, as promptly as practicable after the receipt of any alternative transaction proposal or any inquiry or request for information relating to any alternative transaction proposal, notify CommScope of the material terms and conditions of the alternative transaction proposal, request or inquiry and the identity of the person making the alternative transaction proposal, request or inquiry and will provide CommScope with a copy of all written materials provided by or to it in connection with any alternative transaction proposal, request or inquiry. Andrew also has agreed to notify CommScope of any meeting of the board of directors of Andrew at which any alternative transaction proposal is reasonably likely to be considered.

An "alternative transaction" means any of the following transactions:

- any transaction or series of related transactions with one or more third parties involving:
  - any purchase from Andrew or acquisition by any person or entity or group of more than 20% of the total outstanding voting securities of Andrew;
  - any tender offer or exchange offer that, if consummated, would result in any person, entity or group beneficially owning 20% or more of the total outstanding voting securities of Andrew;
  - any merger, consolidation or business combination or similar transaction involving Andrew, as a whole; or
  - any sale, lease, exchange, transfer, license, acquisition or disposition of more than 20% of the assets of Andrew (including equity securities of any subsidiary of Andrew) on a consolidated basis; or
- any liquidation or dissolution of Andrew.

Notwithstanding anything to the contrary described above, the merger agreement allows Andrew, in response to an unsolicited, bona fide proposal for an alternative transaction that is determined in accordance with the merger agreement by Andrew's board of directors to be, or to be reasonably likely to lead to, a "superior proposal" (as defined below), to take the following actions (but only (1) if and to the extent (x) Andrew's board of directors has concluded in good faith, after receipt of advice of outside legal counsel, that failure to take such action is reasonably likely to result in a breach of its fiduciary obligations and (y) Andrew has given CommScope three business days' prior written notice of its intentions to furnish information or engage in negotiations and of the identity or the person, entity or group making such superior proposal and the material terms and conditions of such superior proposal and (2) if Andrew has not breached in any material respect the provisions in the merger agreement prohibiting solicitation of competing bids):

- furnish its nonpublic information to a person proposing such superior proposal, provided that before furnishing nonpublic information to the person proposing the superior proposal, Andrew enters into a confidentiality agreement with the person proposing the superior proposal that is at least as restrictive as the confidentiality agreement entered into between Andrew and CommScope (except that such confidentiality agreement need not include a standstill); and Andrew provides a copy of any materials provided to the person making the superior proposal to CommScope; and
- engage in negotiations with such person regarding such superior proposal, but in no event shall Andrew enter into any definitive agreement (other than a confidentiality agreement) to effect a superior proposal unless Andrew's board of directors approves such superior proposal and authorizes Andrew to enter into a binding written agreement with respect to such superior proposal and, in connection with the termination of the merger agreement and entering into the agreement reflecting the superior proposal, pays to CommScope the termination fee as further described below.

A "superior proposal" means any unsolicited, bona fide written proposal made by a third party to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, consolidation or other business combination:

- 50% or more of the assets of Andrew on a consolidated basis; or
- 50% or more of the outstanding voting securities of Andrew and as a result of which the stockholders of Andrew immediately preceding such transaction would hold less than 50% of the aggregate equity interests in the surviving or resulting entity of such transaction; and

on terms that Andrew's board of directors has determined in good faith, after taking into account the advice of its outside legal counsel and its financial advisor and all of the terms and conditions of such proposal and the merger agreement (including any proposal by CommScope to amend the terms of the merger agreement), (1) to be more favorable to Andrew's stockholders (in their capacities as stockholders) than the terms of the merger agreement and (2) to be reasonably capable of being consummated on the terms proposed, taking into account all other legal, financial, regulatory and other aspects of such proposed alternative transaction and the person proposing such alternative transaction, including, if the proposed alternative transaction involves any financing, the likelihood of obtaining such financing and the terms on which such financing may be secured.

In response to the receipt of an unsolicited proposed alternative transaction that is determined to be a superior proposal, the board of directors of Andrew may withhold, withdraw, amend or modify its recommendation in favor of the merger agreement and, in the case of a tender or exchange offer made directly to Andrew stockholders, may recommend that Andrew stockholders accept the tender or exchange offer, which we refer to as a "change of recommendation," if Andrew's board of directors believes in good faith, after receipt of advice of outside legal counsel that, in light of the superior proposal, failure to change its recommendation is reasonably likely to result in a breach of its fiduciary obligations.

Prior to announcing any change of recommendation, Andrew must:

- Provide CommScope with three business days' prior written notice (1) expressly stating Andrew's intent to effect a change of recommendation and (2) describing any modifications to the material terms and conditions of the superior proposal and the identity of the person, entity or group making the superior proposal from the description contained in the notice previously provided to CommScope upon receipt of the superior proposal;
- Make available to CommScope a copy of any materials made available to the person or entity proposing the superior proposal; and
- During such three-business-day period, if requested by CommScope, engage in good faith negotiations to amend the merger agreement in such a manner that the alternative transaction proposal is no longer a superior proposal.

In addition to the circumstances described above, Andrew's board of directors may effect a change of recommendation (but only insofar as the same involves withholding, withdrawing, amending or modifying its recommendation in favor of the approval and adoption of the merger agreement) if there shall have occurred and be continuing any other event, occurrence or circumstance as a result of which, in the good faith judgment of Andrew's board of directors, after consultation with outside counsel of Andrew, the failure to effect a change in recommendation would violate the fiduciary duties of Andrew's board of directors to Andrew's stockholders.

Other Covenants and Agreements

The merger agreement contains certain other covenants and agreements, including covenants relating to:

- Cooperation between Andrew and CommScope in the preparation of this proxy statement/prospectus;
- Timeliness of holding Andrew's stockholders meeting to approve the merger agreement and the recommendation of the board of directors of Andrew with respect to approval to be sought at such meeting (subject to the provisions permitting the board of directors of Andrew to change its recommendation);
- Confidentiality and access by each party to certain information about the other party;
- Cooperation to obtain (and to keep each other apprised of the status of) all governmental approvals and other consents required to complete the merger;
- Obtaining certain directors' and officers' liability insurance policies and providing certain indemnification provisions in the certificate of incorporation and by-laws of the surviving corporation in the merger;
- Cooperation with respect to any public announcements regarding the merger;
- Listing on the New York Stock Exchange of CommScope common stock issuable under the merger agreement and the CommScope common stock to be reserved for issuance under the Andrew stock plans, the Andrew warrant and the Andrew indenture;
- Maintaining at least a comparable level of employee benefits for and recognizing the time of service for purposes of employee benefits for employees of Andrew continuing to be employed by CommScope following merger subject to certain exceptions provided in the merger agreement;
- Assumption by CommScope of all employment, severance and other compensation agreements and arrangements of Andrew and any of its subsidiaries existing on the date of the merger agreement and any other such agreements entered into after the date of the merger agreement, prior to the effective time of the merger and in accordance with the merger agreement;
- Maintaining each Andrew domestic benefit plan that is a welfare plan providing benefits to retirees and other current and future former employees of Andrew (and their respective spouses and dependents);
- Notifying the other party to the merger of the occurrence of any event that would be reasonably likely to cause the failure of any of the conditions to the closing of the merger to be satisfied;
- Responding to stockholder litigation; and
- Arranging debt financing for the purpose of funding the transactions contemplated by the merger agreement. For further information, see the section entitled "Proposal No. 1 The Merger Financing."

Expenses

Subject to limited exceptions, all fees and expenses incurred in connection with the merger agreement will be paid by the party incurring such expenses. However, CommScope and Andrew will share equally the filing fees required in connection with the filing by the parties of the pre-merger notification and report forms relating to the merger under the HSR Act and any foreign antitrust or competition laws.

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Divestitures in Connection with Antitrust and Competition Laws

In the event any governmental entity acting pursuant to any antitrust, competition or other similar law requires, as a condition to granting any waiver or consent to the merger, the divestiture of, or limitation on, any businesses, assets or property of CommScope, Andrew or any of their respective subsidiaries, CommScope and Andrew shall divest, or place limits on, such business, assets or property, provided that such actions would not reasonably be expected to result in the loss of annualized revenue of CommScope and Andrew on a combined basis of more than $225 million.

Representations and Warranties

The merger agreement contains representations and warranties made by each of CommScope and Andrew as to itself and its subsidiaries that expire at the effective time of the merger. Many of these representations or warranties do not extend to matters where the failure of the representation and warranty to be accurate would not have a material adverse effect on the party making the representation or warranty.

Some of these representations and warranties are made by both parties (in the case of CommScope, jointly and severally with DJRoss) relating to:

- Corporate existence, qualification to conduct business and corporate standing and power;
- Ownership of subsidiaries and capital structure;
- Corporate authority to enter into and perform under the merger agreement and enforceability of the merger agreement;
- Board of directors approval and in the case of Andrew, stockholder approval;
- Absence of a breach of the certificate of incorporation, by-laws, law or material agreements as a result of the merger;
- Filings with the SEC and other governmental entities;
- Accuracy of the information supplied for this proxy statement/prospectus;
- Financial statements;
- Absence of certain changes or events, including litigation;
- Compliance with laws and regulations;
- Inapplicability of anti-takeover statutes;
- Payment of fees to finders or brokers in connection with the merger agreement; and
- Ownership by CommScope or Andrew of the other party's common stock.

In addition, the merger agreement contains representations and warranties made by Andrew relating to:

Labor and other employment matters and employee benefit plans;

Tax matters;

Absence of environmental liabilities;

Intellectual property matters;

Opinions of financial advisor;

Existence and enforceability of material contracts;

- Internal control over financial reporting and disclosure controls over information filed with the SEC;
- Absence of undisclosed interested party transactions; and
- Real property matters.

The merger agreement also contains representations and warranties made by CommScope and DJRoss jointly and severally relating to the Financing Commitments. For further information, see the section entitled "Proposal No. 1 The Merger Financing."

Conditions to Completion of the Merger

The obligations of CommScope and Andrew to complete the merger are subject to the satisfaction or waiver of certain conditions including:

- The adoption of the merger agreement by Andrew stockholders;
- The expiration or termination of the applicable waiting periods under antitrust or competition laws;
- The receipt of all other governmental and regulatory consents, approvals and authorizations necessary to consummate the merger, unless failure to obtain those consents or approvals would not reasonably be expected to have a material adverse effect on CommScope (determined after giving effect to the merger);
- The absence of any law, order or injunction prohibiting completion of the merger;
- The absence of any action or proceeding by any governmental entity challenging or seeking to prevent or delay the merger;
- If any CommScope common stock is included in the election merger consideration, the SEC having declared effective the registration statement on Form S-4 of such CommScope common stock (which we refer to as the CommScope registration statement), of which this proxy statement/prospectus forms a part;
- If any CommScope common stock is included in the election merger consideration, the authorization for listing by the New York Stock Exchange of the CommScope common stock to be issued in the merger; and
- The amendment or supplement of the Andrew indenture to cause the Andrew notes to be convertible into the merger consideration following the effective time of the merger.

In addition, CommScope's obligation to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

- The representations and warranties of Andrew contained in the merger agreement (other than certain representations and warranties relating to fundamental matters such as capitalization and authority to enter into the merger agreement) being true when made and as of the closing date of the merger (except those expressly made as of a specific date, which must be true in all respects as of such date), unless the failure of such representations or warranties to be true (determined without regard to any materiality qualifiers) does not have, and would not be expected to have, a material adverse effect on Andrew;
- The representations and warranties of Andrew contained in the merger agreement relating to fundamental matters, such as capitalization and authority to enter into the merger agreement, being true in all material respects when made and as of the closing date of the merger (except

those expressly made as of a specific date, which must be true in all material respects as of such date);

- Andrew having performed or complied, in all material respects, with all obligations required to be performed or complied with by it under the merger agreement;

- Andrew and its subsidiaries not having suffered from any change or effect that would reasonably be expected to have a material adverse effect on Andrew; and

- CommScope having received an officer's certificate from the chief executive officer and the chief financial officer of Andrew regarding the satisfaction of certain conditions to closing.

Finally, Andrew's obligation to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

- The representations and warranties of CommScope contained in the merger agreement (other than certain representations and warranties relating to fundamental matters such as capitalization and authority to enter into the merger agreement) being true when made and as of the closing date of the merger (except those expressly made as of a specific date, which must be true in all respects as of such date), unless the failure of such representations and warranties to be true (determined without regard to any materiality qualifiers) does not have, and would not be expected to have, a material adverse effect on CommScope;

- The representations and warranties of CommScope contained in the merger agreement relating to fundamental matters, such as capitalization and authority to enter into the merger agreement, being true in all material respects when made and as of the closing date of the merger (except those expressly made as of a specific date, which must be true in all material respects as of such date);

- Each of CommScope and DJRoss having performed or complied, in all material respects, with all obligations required to be performed or complied with by it under the merger agreement; and

- Andrew having received an officer's certificate from the chief executive officer and the chief financial officer of CommScope regarding the satisfaction of certain conditions to closing.

For purposes of the merger agreement, a "material adverse effect" with respect to CommScope or Andrew, as the case may be, means any change, effect, event, occurrence or state of facts that has or has had a material adverse effect on (1) the business, results of operations (other than short-term effects on results of operations) or financial condition of such party and its subsidiaries, taken as a whole or (2) the ability of such party to consummate the transactions contemplated by the merger agreement in the manner contemplated thereby, other than (with respect to (1):

- any change, after the date of the merger agreement, in U.S. generally accepted accounting principles or the accounting rules and regulations of the SEC;

- any change in the market price or trading volume of CommScope common stock or Andrew common stock (it being understood that the underlying cause of such change in price or trading volume will not be excluded);

- any change in the market price of copper or any short-term adverse effects to such party or its subsidiaries directly resulting from such change;

- unless affecting such party to a materially disproportionate degree relative to other entities operating in the same markets or industries:

any change, effect, event, occurrence or state of facts exclusively relating to any acts of terrorism, sabotage, military action or war;

- any change in or relating to the United States economy or United States financial, credit or securities markets in general; or

- any change in or relating to the industry in which such party operates or the markets for any of such party's products or services in general; or

any change, effect, event, occurrence or state of facts arising directly or indirectly out of the execution, delivery, performance or disclosure of the merger agreement or the transactions contemplated by the merger agreement, including any impact on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees.

Termination of Merger Agreement

Right to Terminate

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the stockholder approval has been obtained by Andrew (except as provided otherwise below), under the following circumstances:

- By mutual written consent of Andrew and CommScope if their respective boards so determine.

- By board authorized written notice of Andrew or CommScope for any of the following reasons:

  - If the merger has not been completed by December 31, 2007 (subject to an extension to March 31, 2008 under certain conditions relating to clearances by governmental entities), provided that such termination right will not be available to a party if such party's failure to fulfill in any material respect any of its obligations or satisfy any condition to be satisfied by it has caused or resulted in the failure of the merger to occur on or before December 31, 2007 (or March 31, 2008, if extended);

  - If a governmental entity has issued a final and nonappealable order, decree or ruling or taken any other action or inaction which has the effect of permanently restraining, enjoining or otherwise prohibiting the merger; or

  - If the stockholders of Andrew fail to adopt the merger agreement at the special meeting, provided, however, such termination right shall not be available to Andrew if (1) such failure to obtain such stockholder approval was caused by Andrew (through action or inaction) and (2) such action or inaction constitutes a breach of the merger agreement.

- By CommScope or Andrew, respectively, if the other party breaches any of its representations or warranties in the merger agreement or if any of the other party's representations or warranties becomes untrue resulting in a condition of the merger not being satisfied, and the breach or inaccuracy is not curable or is not cured within 30 days of receipt of notice of such breach or inaccuracy.

- By CommScope or Andrew, respectively, upon a failure to perform or comply with in all material respects, any covenant or agreement of Andrew or CommScope, respectively, in the merger agreement and such breach has not been or is incapable of being cured by Andrew or CommScope, respectively, within 30 calendar days of receipt of notice of such breach.

- By CommScope, at any time prior to the adoption of the merger agreement by Andrew stockholders, if Andrew or its board of directors (or a committee thereof), for any reason shall have:

  - Failed to hold the Andrew stockholders meeting (1) within 75 days after the date on which the SEC declared the CommScope registration statement effective or (2) in the event Andrew adjourns or postpones the Andrew stockholders meeting in accordance with the terms of the merger agreement, within five business days after the date that is 75 days after the effective date of the CommScope registration statement;

Failed to include in this proxy statement/prospectus its recommendation that Andrew stockholders adopt the merger agreement and approve the merger;

Withdrawn, amended, modified or qualified its recommendation in favor of adoption of the merger agreement in a manner adverse to the interests of CommScope;

Failed to reconfirm such recommendation within five business days of receipt of a written request from CommScope to do so;

Approved or recommended any alternative transaction; or

Failed, within ten business days after any tender or exchange offer relating to Andrew common stock commenced by any third party is first published, sent or given, to have sent to Andrew's security holders a statement disclosing that Andrew's board of directors recommends rejection of such tender offer or exchange offer.

By Andrew, at any time prior to the adoption of the merger agreement by Andrew stockholders, if Andrew's board of directors approves a superior proposal and authorizes Andrew to enter into a binding written agreement with respect to that superior proposal and pays to CommScope the termination fee as described below.

If terminated, the merger agreement will become void, and except for certain provisions (including provisions relating to the payment of terminations fees) that will survive the termination, neither party will have any liability to the other party under the merger agreement. However, nothing contained in the merger agreement, including any payment of a termination fee as described below, will relieve any party from liability for any willful breach of any representation, warranty, covenant or agreement of such party contained in the merger agreement.

Termination Fee

Andrew will be obligated to pay a termination fee to CommScope equal to $75 million if:

CommScope or Andrew terminates the merger agreement because the merger has not been consummated by December 31, 2007 (subject to an extension to March 31, 2008 under certain circumstances) and (1) prior to such termination, a third party has made or publicly announced a proposal, offer or indication of interest relating to an "acquisition" (as defined below) with respect to Andrew and (2) within 12 months of such termination, Andrew consummates an acquisition.

CommScope or Andrew terminates the merger agreement because Andrew failed to obtain the approval of its stockholders of the adoption of the merger agreement and (1) prior to such termination, a third party has made or publicly announced a proposal, offer or indication of interest relating to an acquisition with respect to Andrew and (2) within 12 months of such termination, Andrew consummates an acquisition.

CommScope terminates the merger agreement because Andrew failed to comply in all material respects with a covenant or agreement of the merger agreement and Andrew has not or is incapable of curing such breach within 30 days following receipt of notice of such breach, and (1) prior to such termination, a third party has made or publicly announced a proposal, offer or indication of interest relating to an alternative transaction with respect to Andrew and (2) Andrew's breach is willful or intentional and intended to facilitate, assist or otherwise benefit an alternative transaction or the person making such alternative transaction. A breach of the non-solicitation covenant by Andrew will be considered willful, intentional and intended to

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facilitate, assist or otherwise benefit an alternative transaction. For further information, see the section entitled "The Merger Agreement Covenants Relating to Conduct of Business Solicitation."

(1) The board of directors of Andrew has effected a change of recommendation in accordance with the merger agreement, and (2) CommScope terminates the merger agreement at any time prior to the adoption of the merger agreement by Andrew stockholders because Andrew or its board of directors (or a committee thereof) have:

Failed to hold the Andrew stockholders meeting (A) within 75 days after the date on which the SEC declared the CommScope registration statement effective or (B) in the event Andrew adjourns or postpones the Andrew stockholders meeting in accordance with the terms of the merger agreement, within five business days after the date that is 75 days after the effective date of the CommScope registration statement;

Failed to include in this proxy statement/prospectus its recommendation that Andrew stockholders adopt the merger agreement and approve the merger;

Withdrawn, amended, modified or qualified its recommendation in favor of adoption of the merger agreement in a manner adverse to the interests of CommScope;

Failed to reconfirm such recommendation within five business days of receipt of a written request from CommScope to do so;

Approved or recommended any alternative transaction; or

Failed, within ten business days after any tender or exchange offer relating to Andrew common stock commenced by any third party is first published, sent or given, to have sent to Andrew's security holders a statement disclosing that Andrew's board of directors recommends rejection of such tender offer or exchange offer.

(1) The board of directors of Andrew has *not* effected a change of recommendation in accordance with the merger agreement, (2) (A) prior to such termination, a third party has made or publicly announced a proposal, offer or indication of interest relating to an acquisition with respect to Andrew and (B) within 12 months of such termination, Andrew consummates an acquisition and (3) CommScope terminates the merger agreement at any time prior to the adoption of the merger agreement by Andrew stockholders because Andrew or its board of directors (or a committee thereof) have:

Failed to hold the Andrew stockholders meeting (A) within 75 days after the date on which the SEC declared the CommScope registration statement effective or (B) in the event Andrew adjourns or postpones the Andrew stockholders meeting in accordance with the terms of the merger agreement, within five business days after the date that is 75 days after the effective date of the CommScope registration statement;

Failed to include in this proxy statement/prospectus its recommendation that Andrew stockholders adopt the merger agreement and approve the merger;

Withdrawn, amended, modified or qualified its recommendation in favor of adoption of the merger agreement in a manner adverse to the interests of CommScope;

Failed to reconfirm such recommendation within five business days of receipt of a written request from CommScope to do so;

Approved or recommended any alternative transaction; or

Failed, within ten business days after any tender or exchange offer relating to Andrew common stock commenced by any third party is first published, sent or given, to have sent to

Andrew's security holders a statement disclosing that Andrew's board of directors recommends rejection of such tender offer or exchange offer.

Andrew terminates the merger agreement, at any time prior to the adoption of the merger agreement by Andrew stockholders, if Andrew's board of directors approves a superior proposal and authorizes Andrew to enter into a binding written agreement with respect to that superior proposal.

An "acquisition" shall mean any of the following transactions:

any transaction or series of related transactions with one or more third parties involving:

any purchase from Andrew or acquisition by any person or entity or group of more than 50% of the total outstanding voting securities of Andrew;

any tender offer or exchange offer that, if consummated, would result in any person, entity or group beneficially owning 50% or more of the total outstanding voting securities of Andrew;

any merger, consolidation or business combination or similar transaction involving Andrew, as a whole; or

any sale, lease, exchange, transfer, license, acquisition or disposition of more than 50% of the assets of Andrew (including equity securities of any subsidiary of Andrew) on a consolidated basis; or

any liquidation or dissolution of Andrew.

Amendments, Extensions and Waivers

Amendment

The merger agreement may be amended by the parties at any time before or after the approval by the Andrew stockholders of the merger agreement. However, following such approval, an amendment that changes the amount or form of consideration to be delivered to Andrew stockholders, or that by law or under the rules or regulations of Nasdaq otherwise requires stockholder approval, can only be effected with further approval of Andrew stockholders.

Extension; Waiver

At any time prior to the effective time of the merger, any party may (1) extend the time for performance of any obligations or other acts of the other party, (2) waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement or in any document delivered pursuant to the merger agreement or (3) with certain exceptions, waive compliance by another party with any of the agreements or conditions contained in the merger agreement.

Andrew Charter and By-laws

Upon the effective time of the merger, Andrew's certificate of incorporation will be amended and restated in its entirety to be identical to the certificate of incorporation of DJRoss in effect prior to the merger, except that the name shall be changed to "Andrew Corporation." Upon the effective time of the merger, Andrew's by-laws will be amended and restated in their entirety to be identical to the by-laws of DJRoss in effect prior to the merger.

PROPOSAL NO. 2 POSSIBLE ADJOURNMENT OF THE SPECIAL MEETING

If Andrew fails to receive a sufficient number of votes to approve Proposal No. 1, Andrew may propose to adjourn the special meeting, if a quorum is present, for a period of not more than 30 days for the purpose of soliciting additional proxies to approve Proposal No. 1. Andrew currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve Proposal No. 1. If approval of the proposal to adjourn the special meeting for the purpose of soliciting additional proxies is submitted to stockholders for approval at the special meeting, such approval requires the affirmative vote of the holders of a majority of the shares present in person or by proxy at the special meeting.

THE ANDREW BOARD OF DIRECTORS RECOMMENDS THAT ANDREW'S STOCKHOLDERS VOTE "FOR" PROPOSAL NO. 2.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following Unaudited Pro Forma Condensed Combined Financial Statements are based on the historical financial statements of CommScope and Andrew. The Unaudited Pro Forma Condensed Combined Financial Statements are prepared using the purchase method of accounting with CommScope treated as the acquirer and as if the acquisition had been completed on January 1, 2006 for purposes of the pro forma statements of operations and on June 30, 2007 for purposes of the pro forma balance sheet. Because Andrew's fiscal year ends September 30, the pro forma statement of operations for the fiscal year ended December 31, 2006 is based on Andrew's statement of operations for its fiscal year ended September 30, 2006; therefore Andrew's results of operations for the three months ended December 31, 2006 do not appear in either pro forma statement of operations.

CommScope and Andrew have agreed to effect a strategic business combination in which Andrew and DJRoss, Inc., a wholly owned subsidiary of CommScope, will merge, with Andrew as the surviving corporation that will continue as a wholly owned subsidiary of CommScope. Under the merger agreement, Andrew shareholders will receive $15.00 per share, comprised of $13.50 in cash and an additional $1.50 in either cash or CommScope common stock or a combination thereof, at CommScope's option. Andrew's convertible notes will become convertible into the merger consideration. Upon completion of the merger, if CommScope elects to use CommScope common stock to pay the $1.50 of merger consideration, Andrew stockholders and noteholders will hold approximately 7% of the outstanding common shares of CommScope, assuming a CommScope common stock price of $52.62 per share (the September 21, 2007 closing price) and based on the number of shares of CommScope common stock outstanding as of September 21, 2007. The number of shares of CommScope common stock issued in connection with the merger will be lower if CommScope elects to pay the stub portion of the merger consideration only partially in CommScope common stock. If CommScope elects to pay the stub portion of the merger consideration entirely in cash, no shares of CommScope common stock would be issued in connection with the merger.

As of the date of this joint proxy statement/prospectus, CommScope has not performed the detailed valuation studies necessary to arrive at the required estimates of the fair market value of the Andrew assets to be acquired and the liabilities to be assumed and the related allocations of the purchase price, nor has CommScope identified the adjustments necessary, if any, to conform Andrew data to CommScope accounting policies. Andrew has not yet adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109* and any adjustments that result from the implementation of this interpretation would impact the purchase price allocation. As indicated in Note 3 to the Unaudited Pro Forma Condensed Combined Financial Statements, CommScope has made certain adjustments to the historical book values of the assets and liabilities of Andrew to reflect certain preliminary estimates of the fair values necessary to prepare the Unaudited Pro Forma Condensed Combined Financial Statements, with the excess of the estimated purchase price over the historical net assets of Andrew, as adjusted to reflect estimated fair values, recorded as goodwill. Actual results are expected to differ from these Unaudited Pro Forma Condensed Combined Financial Statements once CommScope has determined the final purchase price for Andrew, completed the valuation studies necessary to finalize the required purchase price allocations and identified any necessary conforming accounting changes for Andrew. There can be no assurances that such finalization will not result in material changes.

These Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with the historical consolidated financial statements and accompanying notes of CommScope and Andrew incorporated by reference into this joint proxy statement/prospectus.

The Unaudited Pro Forma Condensed Combined Financial Statements are not intended to represent or be indicative of the consolidated results of operations or financial condition of the combined company that would have been reported had the merger been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of the combined company.

The Unaudited Pro Forma Condensed Combined Financial Statements do not include the realization of future cost savings or synergies or restructuring charges that are expected to result from the Andrew acquisition.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2007
(In thousands)

	CommScope	Andrew	Adjustments	Combined
Assets				
Cash and cash equivalents	$ 247,647	$ 118,934	$ (140,997)(A)	$ 225,584
Short-term investments	241,998		(241,998)(A)	
Total cash, cash equivalents and short-term investments	489,645	118,934	(382,995)	225,584
Accounts receivable, net	275,452	551,828		827,280
Inventories	179,946	389,073	34,627 (B)	603,646
Prepaid expenses and other current assets	12,884	73,279	6,050 (C)	92,213
Assets held for sale		8,824		8,824
Deferred income taxes	28,173		(10,610)(L)	17,563
Total current assets	986,100	1,141,938	(352,928)	1,775,110
Property, plant and equipment, net	235,867	233,567	37,604 (D)	507,038
Goodwill	153,884	810,163	(810,163)(E)	1,596,700
			1,442,816 (F)	
Other intangibles, net	70,851	44,882	(44,882)(E)	668,851
			598,000 (F)	
Deferred income taxes	15,918		875 (O)	16,793
Other assets	22,652	54,082	(7,254)(E)	104,480
			35,000 (G)	
Total Assets	$ 1,485,272	$ 2,284,632	$ 899,068	$ 4,668,972
Liabilities and Stockholders' Equity				
Accounts payable	$ 98,558	$ 268,984		$ 367,542
Other accrued liabilities	102,368	183,444	(13,582)(H)	297,814
			25,584 (H)	
Notes payable and current portion of long-term debt	16,800	99,645	(116,445)(I)	23,000
			23,000 (J)	
Total current liabilities	217,726	552,073	(80,011)	688,356
Long-term debt	250,000	251,348	(251,348)(I)	2,670,244
			2,420,244 (J)	
Deferred income taxes			205,854 (L)	205,854
Other noncurrent liabilities	120,820	44,711	34,359 (K)	199,890
Total Liabilities	588,546	848,132	2,329,098	3,764,344
Commitments and contingencies				
Stockholders' Equity:				
Preferred stock				
Common stock	718	1,625	(1,625)(M)	718
Additional paid-in capital	585,410	688,878	(688,878)(M)	594,803
			9,393 (N)	
Retained earnings	447,750	736,066	(736,066)(M)	446,259
			(1,491)(O)	

	CommScope	Andrew	Adjustments	Combined
Accumulated other comprehensive income	8,383	77,415	(77,415)(M)	8,383
Treasury stock, at cost	(145,535)	(67,484)	67,484 (M)	(145,535)
Total Stockholders' Equity	896,726	1,436,500	(1,428,598)	904,628
Total Liabilities and Stockholders' Equity	$ 1,485,272	$ 2,284,632	$ 899,068	$ 4,668,972

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2007
(In thousands, except per share amounts)

	CommScope	Andrew	Adjustments	Combined
Net sales	$ 954,596	$ 1,048,490		$ 2,003,086
Operating costs and expenses:				
Cost of sales	660,058	830,901	14,083 (P)	1,506,757
			1,715 (Q)	
Selling, general and administrative	127,243	127,790	(10,014)(R)	262,869
			17,457 (P)	
			393 (Q)	
Research and development	16,322	55,940	242 (Q)	72,504
Restructuring costs	898	2,751		3,649
Goodwill impairment		107,928	(S)	107,928
Total operating costs and expenses	804,521	1,125,310	23,876	1,953,707
Operating income (loss)	150,075	(76,820)	(23,876)	49,379
Other income (expense), net	(282)	145		(137)
Interest expense	(3,674)	(8,936)	8,936 (T)	(103,550)
			459 (T)	
			(100,335)(U)	
Interest income	10,286	2,990	(8,432)(V)	4,844
Income (loss) before income taxes	156,405	(82,621)	(123,248)	(49,464)
Income tax expense	(49,421)	(15,064)	45,602 (W)	(18,883)
Net income (loss)	$ 106,984	$ (97,685)	$ (77,646)	$ (68,347)
Net income (loss) per share:				
Basic	$ 1.76	$ (0.63)		$ (1.12)
Assuming dilution	$ 1.46	$ (0.63)		$ (1.12)
Weighted average shares outstanding:				
Basic	60,817	156,055	(156,055)	60,817
Assuming dilution	74,207	156,055	(156,055)	60,817

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Fiscal Year Ended December 31, 2006
(In thousands, except per share amounts)

	CommScope	Andrew	Adjustments		Combined
Net sales	$ 1,623,946	$ 2,146,093			$ 3,770,039
Operating costs and expenses:					
Cost of sales	1,179,861	1,672,714	28,167	(P)	2,884,172
			3,430	(Q)	
Selling, general and administrative	240,024	266,213	(19,011)	(R)	522,926
			34,914	(P)	
			786	(Q)	
Research and development	32,899	112,985	484	(Q)	146,368
Merger costs		13,476			13,476
Pension termination gain		(14,228)			(14,228)
Asset impairment		3,874			3,874
Restructuring costs	12,578	7,729			20,307
Total operating costs and expenses	1,465,362	2,062,763	48,770		3,576,895
Operating income	158,584	83,330	(48,770)		193,144
Other income (expense), net	1,324	(4,597)			(3,273)
Interest expense	(8,050)	(15,345)	15,345	(T)	(206,128)
			918	(T)	
			(198,996)	(U)	
Interest income	11,837	5,720	(12,994)	(V)	4,563
Income (loss) before income taxes and OFS BrightWave transaction	163,695	69,108	(244,497)		(11,694)
Income tax expense before income tax effects of OFS BrightWave transaction	(52,187)	(103,398)	90,464	(W)	(65,121)
Income (loss) before OFS BrightWave transaction	111,508	(34,290)	(154,033)		(76,815)
OFS BrightWave transaction:					
Gain on OFS BrightWave note receivable, net of tax of $11,175	18,625				18,625
Net income (loss)	$ 130,133	$ (34,290)	$ (154,033)		$ (58,190)
Net income (loss) per share:					
Basic	$ 2.22	$ (0.22)			$ (0.99)
Assuming dilution	$ 1.84	$ (0.22)			$ (0.99)
Weighted average shares outstanding:					
Basic	58,524	159,474	(159,474)		58,524
Assuming dilution	72,266	159,474	(159,474)		58,524

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements.

COMMSCOPE, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL DATA

NOTE 1: BUSINESS COMBINATION

CommScope will account for the Andrew acquisition using the purchase method of accounting. The pro forma adjustments reflect preliminary estimates of the purchase price allocation under purchase accounting, which are expected to change upon finalization of appraisals and other valuation studies. The final allocation will be based on the actual purchase price and the assets and liabilities that exist as of the date of the Andrew acquisition. The final adjustments could be materially different from the unaudited pro forma adjustments presented herein.

The Unaudited Pro Forma Combined Condensed Financial Statements presented herein reflect the merger consideration composed entirely of cash. An analysis is included in Note 4 of the impact on net income (loss) and net income (loss) per diluted share if CommScope chooses to use its common stock rather than cash to pay the entire stub portion ($1.50 per Andrew common share) of the merger consideration.

The Unaudited Pro Forma Combined Condensed Statements of Operations also include certain accounting adjustments related to the acquisition that are expected to have a continuing impact on the combined results, such as increased depreciation and amortization on the acquired tangible and intangible assets, increased interest expense on the debt expected to be incurred to complete the acquisition, decreased interest income related to the expected use of cash, cash equivalents and short-term investments to complete the acquisition, amortization of deferred financing fees incurred in connection with the additional debt and the tax impact of these pro forma adjustments.

The Unaudited Pro Forma Combined Condensed Statements of Operations do not reflect certain adjustments that are expected to result from the acquisition because they are considered to be of a non-recurring nature. These include the cost of goods sold adjustment that is expected to result from the write-up of the acquired inventory to its estimated fair market value and the reduction of the deferred revenue balance to the expected cost to provide the contracted services.

CommScope expects to realize synergies following the acquisition that are not reflected in the pro forma adjustments. No assurance can be given with respect to the ultimate level of such synergies and the timing of their realization. CommScope expects to incur restructuring costs in conjunction with the integration of Andrew. The amount and timing of any such costs are not currently estimable and, accordingly, no adjustment for restructuring costs resulting from the integration of CommScope and Andrew has been reflected in the pro forma adjustments. Restructuring costs recognized after the acquisition could be material to CommScope's financial position and results of operations.

NOTE 2: PURCHASE PRICE

The following is a preliminary estimate of the purchase price for Andrew as of June 30, 2007 (in millions, except per share amounts):

Shares of Andrew common stock outstanding on a fully diluted basis(a)		176.6
Cash paid per share	$	15.00
Total cash consideration	$	2,648.5
Estimated transaction costs		15.0
Estimated fair value of CommScope stock options to be granted in exchange for Andrew stock options		9.4
Total purchase price	$	2,672.9

(a) Includes 17.5 million shares related to the assumed conversion of Andrew's outstanding $240.0 million of 3.25% convertible subordinated notes and 3.0 million shares related to Andrew's in-the-money stock options and restricted stock units.

For purposes of computing the purchase price, no value was ascribed to the Andrew warrant, which expires on January 16, 2008, because the $17.70 per share exercise price exceeds the $15.00 per share merger consideration. The estimated transaction costs include estimated direct acquisition costs to be incurred by CommScope to complete the merger. As Andrew stock options with exercise prices that exceed the per share merger consideration will be exchanged for CommScope stock options, the fair value of those options was estimated using the Black-Scholes valuation model and included in the purchase price.

For purposes of preparing the Unaudited Pro Forma Combined Condensed Financial Statements, the above estimated purchase price has been allocated based on the estimated fair value of the assets acquired and liabilities assumed. The final purchase price allocation will be based on the estimated fair values at the completion of the Andrew acquisition and could vary significantly from the pro forma amounts due to various factors, including but not limited to, changes in the composition of Andrew's assets and liabilities, changes in market prices for certain raw materials and changes in interest rates prior to the completion of the Andrew acquisition. Accordingly, the preliminary estimated fair values of these assets and liabilities are subject to change pending additional information that may be developed by CommScope and Andrew. Allocation of an increased portion of the purchase price to inventory, property, plant and equipment or any identifiable intangible asset with a finite life will reduce the amount of the purchase price allocated to goodwill in the Unaudited Combined Condensed Financial Statements and may result in increased depreciation and/or amortization expense, which could be material.

PURCHASE PRICE ALLOCATION

Book value of net assets acquired(b)	$	1,676.5
Less: Write-off of Andrew's existing deferred financing fees, intangible assets and goodwill		(859.8)
Establish a liability for estimated transaction costs to be incurred by Andrew, including change in control payments to certain Andrew executives		(25.6)
Adjusted book value of assets acquired		791.1
Allocation of purchase price over adjusted book value:		
Increase inventory to estimated fair value		34.6
Increase prepaid expenses and other current assets for the value of favorable copper contracts		6.1
Increase property, plant and equipment to estimated fair value		37.6
Decrease other accrued liabilities to reduce deferred revenue to estimated fair value		13.6
Increase in other noncurrent liabilities related to pension and other postretirement benefits		(34.4)
Identifiable intangible assets at estimated fair value		598.0
Increase in deferred tax liabilities		(216.5)
Goodwill		1,442.8
Total purchase price	$	2,672.9

(b) Represents Andrew reported shareholders' equity as of June 30, 2007 of $1,436.5 million plus the assumed conversion of Andrew's $240.0 million 3.25% convertible subordinated notes.

NOTE 3: PRO FORMA ADJUSTMENTS

The following pro forma adjustments are based on preliminary estimates of the purchase price and fair values of the assets acquired and liabilities assumed. The final adjustments are expected to be different from these estimates and the difference may be material.

(A)

Reflects the use of existing cash, cash equivalents and short-term investments of the combined entity to fund a portion of the acquisition. The amount of cash available to fund the acquisition at the closing of the transaction will depend on operating results, working capital needs prior to the closing and capital expenditures, among other factors.

(B)

Reflects Andrew's inventory on its consolidated balance sheet at fair market value. For purposes of the pro forma balance sheet as of June 30, 2007, CommScope estimated the fair market value of Andrew's inventory based on Andrew's historical gross margin percentages and costs associated with selling activities. The actual adjustment recorded to reflect the estimated fair market value of Andrew's inventory as of the acquisition date may be materially different from the pro forma adjustment.

(C)

Reflects an adjustment to reflect the estimated fair value of favorable copper purchase commitments as of June 30, 2007. The actual adjustment will depend on the outstanding contracts at the date of the closing and the market price for copper.

(D)

Reflects an adjustment of the net book value of Andrew's property, plant and equipment to its estimated fair value as of June 30, 2007. CommScope's adjustment is based on the extrapolation of a recent appraisal of a portion of Andrew's property, plant and equipment to all of Andrew's property, plant and equipment. The final adjustment to Andrew's property, plant and equipment as of the acquisition date will be developed with the assistance of independent third party appraisers.

(E)

Reflects the adjustments to eliminate the goodwill, other intangible assets (net of accumulated amortization) and deferred financing costs on Andrew's consolidated balance sheet as of June 30, 2007. The deferred financing costs on CommScope's consolidated balance sheet ($2.4 million) are eliminated in conjunction with the termination of CommScope's senior secured credit facility expected as a result of entering into a new credit facility in conjunction with the acquisition.

(F)

Reflects the goodwill and identifiable intangible assets estimated as of June 30, 2007. CommScope estimated the fair value of the identifiable intangible assets by reference to what are believed to be acquisitions of comparable equipment manufacturers and basing the valuations on a selected percentage of the net investment from the reference transactions. The identifiable intangible assets and their useful lives are estimated as follows (dollars in millions):

Identifiable Intangible Asset	Estimated Value	Estimated Useful Life
Patents	$ 338	12 years
Customer contracts and relationships	182	7 years
Trademarks	52	10 years
Other	26	7 years

The final determination of identifiable intangible assets and their expected useful lives is expected to be based on valuations performed by independent third party appraisers. The valuations may identify additional intangible assets, which may include in-process research and development which would be written off at the closing of the acquisition, or assets such as trademarks that are determined to have an indefinite life. The identifiable intangible assets determined as of the acquisition date and their values and useful lives are expected to differ from these pro forma estimates and such differences may be material.

(G)

Reflects the estimated deferred financing costs expected to be recognized by CommScope in conjunction with the senior secured credit facilities expected to be put in place to finance the acquisition.

(H)

Reflects a \$13.6 million reduction of deferred revenue to the estimated value to provide the contracted services and the establishment of a \$25.6 million liability related to estimated transaction costs to be incurred by Andrew and change in control payments to certain Andrew executives.

(I)

Reflects the anticipated conversion of Andrew's 3.25% convertible notes (\$240.0 million) and the projected repayment of CommScope's senior secured credit facility (\$16.8 million) and Andrew's remaining debt balance (\$111.0 million).

(J)

Reflects the current and long-term portion of the debt assumed to be incurred to finance the acquisition. The current portion reflects an annual one percent required repayment of the \$2.3 billion term loan. The calculation of total pro forma debt assumes 176.6 million shares of Andrew common stock outstanding at \$15.00 per share, \$15.0 million of estimated transaction costs (see Note 2), \$111.0 million and \$16.8 million to repay existing Andrew debt and CommScope debt, respectively (see (I)), and \$35.0 million of estimated financing costs for a total cash requirement of \$2,826.2 million, less \$383.0 million of cash, cash equivalents and short-term investments used to fund the acquisition. If CommScope chooses to use CommScope common stock to pay the stub portion of the merger consideration rather than cash, the pro forma total debt balance would be reduced by \$265.2 million to \$2,178.1 million.

(K)

Reflects the increase to Andrew's pension and post-retirement benefit obligations based on the estimated fair value of plan assets and liabilities as of September 30, 2006, the date of the most recent actuarial valuation.

(L)

Reflects the current and noncurrent deferred tax impacts, assuming a marginal combined state and federal tax rate of 37%, of the pro forma adjustments related to the acquired assets and liabilities, other than the non-deductible goodwill. The current portion relates to the inventory, prepaid and other current assets and accrued liabilities adjustments. The noncurrent portion relates to the property, plant and equipment, other intangibles and other noncurrent liabilities adjustments. No adjustment has been made to revise the valuation allowance recorded by Andrew for net operating loss carryforwards and other temporary differences for which Andrew did not consider it more likely than not that they would be realized. Realization of tax benefits that have been included in the valuation allowance will result in a reduction of goodwill.

(M)

Reflects the elimination of the separate components of Andrew's shareholders' equity (\$1,436.5 million).

(N)

Reflects the estimated fair value (based on a Black-Scholes valuation) of the CommScope stock options granted as a result of the conversion of out-of-the-money Andrew stock options.

(O)

Reflects the impact and the related tax effect of writing off the remaining balance of CommScope's deferred financing fees associated with its existing senior secured credit facility that is expected to be replaced with a new credit facility in conjunction with the acquisition.

(P)

Reflects the estimated amortization of the identifiable intangible assets, based on the preliminary valuation and estimated useful lives as per (F) above.

(Q)

Reflects the estimated additional depreciation as a result of increasing the value of Andrew's property, plant and equipment to estimated fair value. The adjustment assumes an 8-year average life for the assets that were revalued. The allocation among income statement line items is based on Andrew's current classification of depreciation expense.

(R)

To reflect the reversal of the amortization of identifiable intangible assets as previously recorded by Andrew that are eliminated per (E) above.

(S)

No adjustment has been recorded to reverse the goodwill impairment charge recorded by Andrew during the six months ended June 30, 2007.

(T)

Represents the reversal of all of the interest expense recognized by Andrew and the portion of interest expense recognized by CommScope that relates to the senior secured credit facility. This debt is assumed to be repaid (or converted in the case of Andrew's 3.25% convertible notes) in conjunction with the merger.

(U)

Represents the estimate of interest expense (including amortization of deferred financing fees), associated with the debt assumed to be incurred to fund the acquisition as per (J) above, using the average LIBOR rate for the respective period, increased by 275 basis points, the maximum amount per the terms of the debt commitments. The effect of a 12.5 basis point increase in interest rates would be a $1.5 million increase in pre-tax interest expense for the six months ended June 30, 2007 and $3.0 million for the year ended December 31, 2006.

(V)

Reflects the reversal of interest income recognized by CommScope and Andrew related to the cash assumed to be used to fund the acquisition as per (A) above.

(W)

Reflects the income tax impact of the pro forma adjustments at CommScope's combined federal and state estimated marginal income tax rate of 37%.

NOTE 4: USE OF COMMSCOPE COMMON STOCK TO PAY STUB PORTION OF MERGER CONSIDERATION

At CommScope's option, CommScope may pay up to $1.50 per Andrew share of the purchase price with its common stock, which would decrease, by up to $1.50 per share, the amount of cash to be included in the merger consideration and increase CommScope's common stock outstanding by an amount equal to the cash consideration foregone divided by the value of the shares. Per the merger agreement, the value per share is to be determined based on the volume weighted average closing price of a share of CommScope common stock over the ten trading day period ending two trading days prior to the day on which the merger becomes effective. If CommScope were to utilize common stock to pay the entire stub portion of the merger consideration, the effect would be a $265.2 million decrease in borrowings under CommScope's credit facility and an equivalent increase in equity. This would cause a decrease in interest expense. The table below summarizes the impact on pro forma net income (loss) and pro forma net income (loss) per share, assuming dilution, for the year ended December 31, 2006 and the six months ended June 30, 2007, with a sensitivity analysis providing for a 20% increase or decrease in the price per share of CommScope common stock, if CommScope were to decrease the amount of cash paid per share by $1.50, based on a $52.62 price per share of CommScope common stock (the closing price on September 21, 2007).

	Year Ended December 31, 2006	Six Months Ended June 30, 2007
Pro forma net income (loss)	$ (58,190)	$ (68,347)
Add: Decrease in interest expense, net of tax	13,264	6,689
Adjusted pro forma net income (loss)	(44,927)	(61,658)
Adjusted pro forma net income (loss) per share, assuming CommScope stock price of $42.10 per share	$ (0.69)	$ (0.92)
Adjusted pro forma net income (loss) per share, assuming CommScope stock price of $52.62 per share	$ (0.71)	$ (0.94)
Adjusted pro forma net income (loss) per share, assuming CommScope stock price of $63.14 per share	$ (0.72)	$ (0.95)

COMPARISON OF RIGHTS OF STOCKHOLDERS OF COMMSCOPE AND STOCKHOLDERS OF ANDREW

The rights of Andrew stockholders are governed by Andrew's restated certificate of incorporation, by-laws, as amended, and the DGCL. The rights of CommScope's stockholders are governed by CommScope's amended and restated certificate of incorporation, amended and restated by-laws, and the DGCL. CommScope's common stock is quoted on the New York Stock Exchange under the symbol "CTV". When the merger is complete, Andrew's stockholders may become stockholders of CommScope. As a result, the rights and obligations of the former Andrew stockholders will be governed by CommScope's articles of incorporation and by-laws, as well as by the DGCL.

This section describes certain differences between the rights of holders of Andrew common stock and the rights of holders of CommScope common stock. However, this is only a summary of material provisions and is not intended to be a complete discussion of the respective rights of Andrew and CommScope stockholders and is qualified in its entirety by reference to the DGCL and the various documents of Andrew and CommScope that we refer to in this summary. You should carefully read this entire proxy statement/prospectus and the other documents we refer to for a more complete understanding of the differences between being a stockholder of Andrew and being a stockholder of CommScope.

COMMSCOPE	ANDREW
Stockholder Meetings	
Delaware law and the CommScope by-laws require that stockholders be provided prior written or printed notice no more than 60 days nor less than 10 days prior to the date of any meeting of stockholders. CommScope's by-laws do not require any additional notice period beyond what is required under Delaware law prior to a meeting in the case of a proposal for merger or consolidation or sale, lease or exchange of all or substantially all of the property and assets of CommScope.	Delaware law and the Andrew by-laws require that stockholders be provided prior written or printed notice no more than 60 days nor less than 10 days prior to the date of any meeting of stockholders, or no more than 60 days nor less than 20 days prior to a meeting in the case of a proposal for merger or consolidation or sale, lease or exchange of all or substantially all of the property and assets of Andrew.
Right to Call Special Meetings	
Under Delaware law, a special meeting of the stockholders may be called by the Board of Directors or by such person or persons as may be authorized by the certificate of incorporation or the by-laws. The CommScope by-laws authorize special meetings of the stockholders to be called by the board of directors, the Chairman of the board of directors, or the president of CommScope and shall be called by the secretary of CommScope upon the request in writing of a stockholder or stockholders holding at least a majority of the voting power of the issued and outstanding shares of capital stock of CommScope entitled to vote at such meeting.	Under Delaware law, a special meeting of the stockholders may be called by the Board of Directors or by such person or persons as may be authorized by the certificate of incorporation or the by-laws. The Andrew certificate of incorporation and by-laws authorize special meetings of the stockholders to be called only by the board of directors pursuant to a resolution approved by a majority of the entire board of directors.

COMMSCOPE	ANDREW

Actions by Written Consent of Stockholders

COMMSCOPE	ANDREW
Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, stockholders may act by written consent in lieu of a meeting provided the written consent is signed by the holders of outstanding stock having at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present. The CommScope certificate of incorporation and by-laws do not limit the ability of CommScope stockholders to act pursuant to written consent of the stockholders as authorized by Delaware Law.	Under Delaware law, unless otherwise provided in a corporation's certificate of incorporation, stockholders may act by written consent in lieu of a meeting provided the written consent is signed by the holders of outstanding stock having at least the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present. However, the Andrew certificate of incorporation provides that any action required or permitted to be taken by the Andrew stockholders must be taken at a duly called annual or special meeting of stockholders and may not be effected by written consent of the stockholders.

Rights of Dissenting Stockholders

COMMSCOPE	ANDREW
Under Delaware law, appraisal rights are available in connection with certain statutory mergers or consolidations in which the corporation is a constituent corporation, or if such rights are otherwise provided in the corporation's certificate of incorporation. Appraisal rights are not available under Delaware law, however, if the corporation's stock is (i) listed on a national securities exchange or designated on the Nasdaq Global Market, or (ii) held of record by more than 2,000 stockholders; provided, that if the merger or consolidation requires stockholders to exchange their stock for anything other than: (a) shares of the surviving corporation; (b) shares of another corporation that will be listed on national securities exchange; (c) cash in lieu of fractional shares of any such corporation; or (d) any combination of such shares and cash in lieu of fractional shares, then appraisal rights will be available. The CommScope certificate does not grant any other appraisal rights. Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions and requirements as set forth in the DGCL in order to maintain such rights and obtain such payment.	Under Delaware law, appraisal rights are available in connection with certain statutory mergers or consolidations in which the corporation is a constituent corporation, or if such rights are otherwise provided in the corporation's certificate of incorporation. Appraisal rights are not available under Delaware law, however, if the corporation's stock is (i) listed on a national securities exchange or designated on the Nasdaq Global Market, or (ii) held of record by more than 2,000 stockholders; provided, that if the merger or consolidation requires stockholders to exchange their stock for anything other than: (a) shares of the surviving corporation; (b) shares of another corporation that will be listed on national securities exchange; (c) cash in lieu of fractional shares of any such corporation; or (d) any combination of such shares and cash in lieu of fractional shares, then appraisal rights will be available. The Andrew certificate does not grant any other appraisal rights. Stockholders who desire to exercise their appraisal rights must satisfy all of the conditions and requirements as set forth in the DGCL in order to maintain such rights and obtain such payment.

COMMSCOPE	ANDREW
Board of Directors	
Delaware law states that the board of directors shall consist of one or more members with the number of directors to be fixed as provided in the by-laws of the corporation, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. The CommScope certificate of incorporation provides that the board consists of not less than three directors. The terms of the directors of CommScope are staggered with each director holding office for three years. The CommScope certificate of incorporation states that, subject to the rights of holders of preferred stock, any director or the entire board of directors may be removed, but only for cause, by the holders of a majority of the shares then entitled to vote generally in an election of directors.	Delaware law states that the board of directors shall consist of one or more members with the number of directors to be fixed as provided in the by-laws of the corporation, unless the certificate of incorporation fixes the number of directors, in which case a change in the number of directors shall be made only by amendment of the certificate. The Andrew certificate of incorporation provides that the board consists of not less than six and not more than thirteen directors, with each director holding office until the next annual meeting of stockholders after his election or until his successor is elected and qualified or until his earlier resignation or removal. Except in the case of a classified board, Delaware law, the Andrew certificate of incorporation and Andrew by-laws state that any director, or the entire board of directors, may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote generally in an election of directors. Andrew's by-laws specify that the affirmative vote of a majority of shares present at the annual meeting is required to elect each director.
Filling Vacancies on the Board of Directors	
CommScope's certificate of incorporation specifies that subject to the rights of holders of preferred stock, vacancies on the board of directors shall be filled only by a majority of the directors then in office, even if less than a quorum is then in office, or by the sole remaining director, and shall not be filled by stockholders. Further, if, at the time of filling any vacancy, the directors then in office shall constitute less than a majority of the whole board, the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.	Delaware law and the Andrew certificate of incorporation and by-laws provides that vacancies may be filled by a majority of the directors then in office, even if less than a quorum is then in office, or by a sole remaining director, and directors so chosen shall hold office until the next annual meeting of stockholders. Further, if, at the time of filling any vacancy, the directors then in office shall constitute less than a majority of the whole board, the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

COMMSCOPE	ANDREW
Amendments to By-laws and Articles	
Delaware law requires a vote of the corporation's board of directors followed by the affirmative vote of a majority of the outstanding stock entitled to vote for any amendment to the certificate of incorporation, unless a greater level of approval, or a class vote, is required by the certificate of incorporation. Further, Delaware law states that if an amendment would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of shares of such class or alter or change the powers, preferences or special rights of a particular class or series of stock so as to affect them adversely, the class or series shall be given the power to vote as a class notwithstanding the absence of any specifically enumerated power in the certificate of incorporation. Delaware law states that the power to adopt, amend or repeal the by-laws of a corporation shall be in the stockholders entitled to vote, provided that the corporation in its certificate of incorporation may confer such power on the board of directors in addition to the stockholders. The CommScope certificate of incorporation expressly authorizes the board of directors to make, alter, amend, or repeal the by-laws of CommScope. The by-laws of CommScope may also be adopted, repealed, altered, amended or rescinded by the affirmative vote of the holders of at least a majority of the voting power of all the issued and outstanding shares of capital stock of CommScope entitled to vote on such a measure.	Delaware law requires a vote of the corporation's board of directors followed by the affirmative vote of a majority of the outstanding stock entitled to vote for any amendment to the certificate of incorporation, unless a greater level of approval, or a class vote, is required by the certificate of incorporation. Further, Delaware law states that if an amendment would increase or decrease the aggregate number of authorized shares of such class, increase or decrease the par value of shares of such class or alter or change the powers, preferences or special rights of a particular class or series of stock so as to affect them adversely, the class or series shall be given the power to vote as a class notwithstanding the absence of any specifically enumerated power in the certificate of incorporation. Delaware law states that the power to adopt, amend or repeal the by-laws of a corporation shall be in the stockholders entitled to vote, provided that the corporation in its certificate of incorporation may confer such power on the board of directors in addition to the stockholders. The Andrew certificate expressly authorizes the board of directors to make, alter, amend, or repeal the by-laws of Andrew except so far as the by-laws adopted by the stockholders otherwise provide.

COMMSCOPE	ANDREW

Indemnification of Directors, Officers and Employees

COMMSCOPE	ANDREW
Although indemnification is permissive in Delaware, a corporation may, through its certificate of incorporation, by-laws or other intracorporate agreements, make indemnification mandatory. Pursuant to this authority, the CommScope certificate of incorporation and by-laws provide that CommScope shall indemnify its officers and directors to the fullest extent permitted under Delaware law. In addition, CommScope has entered into indemnification agreements with each of its executive officers and directors.	Although indemnification is permissive in Delaware, a corporation may, through its certificate of incorporation, by-laws or other intracorporate agreements, make indemnification mandatory. Pursuant to this authority, the Andrew certificate of incorporation provides that Andrew shall indemnify its officers and directors to the fullest extent permitted under Delaware law. In addition, Andrew has entered into indemnification agreements with each of its executive officers and directors.

Liabilities of Directors

COMMSCOPE	ANDREW
Under Delaware law, a certificate of incorporation may contain a provision limiting or eliminating a director's personal liability to the corporation or its stockholders for monetary damages for a director's breach of fiduciary duty subject to certain limitations. The CommScope certificate of incorporation provides that, to the fullest extent permitted under Delaware law, a CommScope director shall not be personally liable to CommScope or its stockholders for damages for any breach of fiduciary duty as a director.	Under Delaware law, a certificate of incorporation may contain a provision limiting or eliminating a director's personal liability to the corporation or its stockholders for monetary damages for a director's breach of fiduciary duty subject to certain limitations. The Andrew certificate provides that a director shall not be personally liable to Andrew or its stockholders for monetary damages for a breach of fiduciary duty as a director, unless the liability relates to: a breach of the director's duty of loyalty to Andrew or its stockholders; acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; liability for unlawful payment of dividend or unlawful stock purchase or redemption; or transactions where the director gained an improper personal benefit.

COMMSCOPE	ANDREW

Stockholder Approval of Merger

In order to effect a merger under Delaware law, a corporation's board of directors must approve and adopt an agreement of merger and recommend it to the stockholders. The agreement must be adopted by holders of a majority of the outstanding shares of the corporation entitled to vote thereon unless the certificate of incorporation requires a greater vote. CommScope's certificate of incorporation does not discuss stockholder approval of a merger.	In order to effect a merger under Delaware law, a corporation's board of directors must approve and adopt an agreement of merger and recommend it to the stockholders. The agreement must be adopted by holders of a majority of the outstanding shares of the corporation entitled to vote thereon unless the certificate of incorporation requires a greater vote. Andrew's certificate of incorporation does not discuss stockholder approval of a merger.

Business Combinations, Control Share Acquisitions and Anti-Takeover Provisions

Delaware law prohibits, in certain circumstances, a "business combination" between the corporation and an "interested stockholder" within three years of the stockholder becoming an "interested stockholder." An "interested stockholder" is a holder who, directly or indirectly, controls 15% or more of the outstanding voting stock or is an affiliate of the corporation and was the owner of 15% or more of the outstanding voting stock at any time within the prior three-year period. A "business combination" includes a merger or consolidation, a sale or other disposition of assets having an aggregate market value equal to 10% or more of the consolidated assets of the corporation or the aggregate market value of the outstanding stock of the corporation and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation. This provision does not apply where:	Delaware law prohibits, in certain circumstances, a "business combination" between the corporation and an "interested stockholder" within three years of the stockholder becoming an "interested stockholder." An "interested stockholder" is a holder who, directly or indirectly, controls 15% or more of the outstanding voting stock or is an affiliate of the corporation and was the owner of 15% or more of the outstanding voting stock at any time within the prior three-year period. A "business combination" includes a merger or consolidation, a sale or other disposition of assets having an aggregate market value equal to 10% or more of the consolidated assets of the corporation or the aggregate market value of the outstanding stock of the corporation and certain transactions that would increase the interested stockholder's proportionate share ownership in the corporation. This provision does not apply where:
either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the date the interested stockholder acquired such 15% interest;	either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the date the interested stockholder acquired such 15% interest;

upon the completion of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation excluding for the purposes of the corporation excluding for the purposes of determining the number of shares outstanding shares held by persons who are directors and also officers and by employee stock plans in which participants do not have the right to determine confidentially whether the shares held subject to the plan will be tendered;

the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the outstanding votes entitled to be cast by disinterested stockholders at an annual or special meeting;

the corporation does not have a class of voting stock that is listed on a national securities exchange, authorized for quotation on an inter-dealer quotation system of a registered national securities association, or held of record by more than 2,000 stockholders unless any of the foregoing results from action taken, directly or indirectly, by an interested stockholder or from a transaction in which a person becomes an interested stockholder;

the stockholder acquires a 15% interest inadvertently and divests itself of such ownership and would not have been a 15% stockholder in the preceding 3 years but for the inadvertent acquisition of ownership;

the stockholder acquired the 15% interest when these restrictions did not apply; or which participants do not have the right to determine confidentially whether the shares held subject to the plan will be tendered; or

the corporation has opted out of this provision. CommScope has not expressly opted out of this provision in its certificate of incorporation.

upon the completion of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding voting stock of the corporation excluding for the purposes of the corporation excluding for the purposes of determining the number of shares outstanding shares held by persons who are directors and also officers and by employee stock plans in which participants do not have the right to determine confidentially whether the shares held subject to the plan will be tendered;

the business combination is approved by a majority of the board of directors and the affirmative vote of two-thirds of the outstanding votes entitled to be cast by disinterested stockholders at an annual or special meeting;

the corporation does not have a class of voting stock that is listed on a national securities exchange, authorized for quotation on an inter-dealer quotation system of a registered national securities association, or held of record by more than 2,000 stockholders unless any of the foregoing results from action taken, directly or indirectly, by an interested stockholder or from a transaction in which a person becomes an interested stockholder;

the stockholder acquires a 15% interest inadvertently and divests itself of such ownership and would not have been a 15% stockholder in the preceding 3 years but for the inadvertent acquisition of ownership;

the stockholder acquired the 15% interest when these restrictions did not apply; or which participants do not have the right to determine confidentially whether the shares held subject to the plan will be tendered; or

the corporation has opted out of this provision. Andrew has not expressly opted out of this provision in its certificate of incorporation.

COMMSCOPE	ANDREW
Preemptive Rights	
Unless the certificate of incorporation provides otherwise, under Delaware law, stockholders of a corporation have no preemptive rights. CommScope's certificate of incorporation does not provide for preemptive rights.	Unless the certificate of incorporation provides otherwise, under Delaware law, stockholders of a corporation have no preemptive rights. Andrew's certificate of incorporation does not provide for preemptive rights.
Advance Notice Requirements of Stockholder Proposals	
For a stockholder proposal, including a proposal for a nomination of a director, to be properly made at an annual meeting, CommScope's by-laws require that the stockholder give timely notice in writing. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal business offices of CommScope not less than 60 days and not more than 90 days prior to the date of the annual meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the annual meeting is given or made to stockholders, notice by a stockholder must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever occurred first.	For a stockholder proposal, including a proposal for a nomination of a director, to be properly made at an annual meeting, Andrew's by-laws require that the stockholder give timely notice in writing. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal business offices of Andrew at least 90 days in advance of the anniversary of the prior year's annual meeting with respect to business to be transacted or an election to be held at an annual meeting of the stockholders, or within 10 days following the notice of a special meeting.
Inspection of Corporate Documents	
Under Delaware law, a stockholder's right to inspect the corporate books is fixed by statute. Section 220(b) of the DGCL provides that any stockholder, in person or by attorney or other agent, shall, upon written demand, have the right to inspect the corporation's stock ledger, a list of its stockholders, and its other books and records. CommScope's by-laws do not modify the Delaware provisions.	Under Delaware law, a stockholder's right to inspect the corporate books is fixed by statute. Section 220(b) of the DGCL provides that any stockholder, in person or by attorney or other agent, shall, upon written demand, have the right to inspect the corporation's stock ledger, a list of its stockholders, and its other books and records. Andrew's by-laws do not modify the Delaware provisions.
Classes of Stock	
The authorized capital stock of CommScope consists of 300,000,000 shares of common stock, par value $.01 per share and 20,000,000 shares of preferred stock, par value $.01 per share.	The authorized capital stock of Andrew consists of 400,000,000 shares of common stock, par value $.01 and 1,000,000 shares of Series A 7.75% convertible preferred stock, no par value.

LEGAL MATTERS

The validity of the CommScope common stock to be issued in the merger has been passed upon for CommScope by Fried, Frank, Harris, Shriver & Jacobson LLP, counsel to CommScope.

EXPERTS

The consolidated financial statements, the related financial statement schedule, and management's report on the effectiveness of internal control over financial reporting incorporated in this prospectus by reference in this registration statement from the CommScope, Inc. Annual Report on Form 10-K for the year ended December 31, 2006 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, (which reports (1) express an unqualified opinion on the financial statements and financial statement schedule and include explanatory paragraphs referring to the adoption of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" and Statement of Financial Accounting Standards No. 158, "Accounting for Defined Benefit Pension and Other Postretirement Plans," (2) express an unqualified opinion on management's assessment regarding the effectiveness of internal control over financial reporting, and (3) express an unqualified opinion on the effectiveness of internal control over financial reporting) and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and schedule of Andrew Corporation appearing in Andrew Corporation's Annual Report on Form 10-K for the year ended September 30, 2006, and Andrew Corporation management's assessment of the effectiveness of internal control over financial reporting as of September 30, 2006 included therein, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference in this proxy statement/prospectus. Andrew's financial statements and schedule and management's assessment are incorporated herein by reference in reliance upon such reports, given on the authority of such firm as experts in accounting and auditing.

FUTURE ANDREW STOCKHOLDER PROPOSALS

Andrew will hold a 2008 annual meeting of stockholders only if the merger is not completed. Any proposal of a stockholder of Andrew that is intended to be presented by such stockholder at Andrew's 2008 annual meeting of stockholders (if it is held) must be received by Andrew no later than August 31, 2007, in order for such proposal to be considered for inclusion in Andrew's proxy statement and form of proxy relating to such meeting.

WHERE YOU CAN FIND MORE INFORMATION

CommScope and Andrew each file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that the companies file at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. CommScope's and Andrew's public filings are also available to the public from commercial document retrieval services and at the Internet web site maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning CommScope also may be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Reports, proxy statements and other information concerning Andrew also may be inspected at the offices of the National Association of Securities Dealers, Inc., Listing Section, 1735 K Street, Washington, D.C. 20006.

CommScope has filed a Form S-4 registration statement to register with the SEC the offering and sale of the shares of CommScope common stock to be issued to Andrew stockholders in the merger.

This proxy statement/prospectus is a part of that registration statement and constitutes a prospectus of CommScope and a proxy statement of Andrew for the special meeting.

As allowed by SEC rules, this proxy statement/prospectus, including the attached annexes, does not contain all the information that stockholders can find in the registration statement or the exhibits to the registration statement.

The SEC allows CommScope and Andrew to incorporate information into this proxy statement/prospectus "by reference," which means that the companies can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this proxy statement/prospectus, except for any information superseded by information contained directly in this proxy statement/prospectus. This proxy statement/prospectus incorporates by reference the documents that CommScope and Andrew have previously filed with the SEC. These documents contain important information about the companies and their financial condition.

CommScope Filings (File No. 001-12929):

Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 2007 and for the fiscal quarter ended June 30, 2007.

Current Reports on Form 8-K filed with the SEC on February 23, 2007 (relating to Item 5.02), February 28, 2007, March 19, 2007, March 22, 2007, May 1, 2007, June 27, 2007 (other than the information furnished under Item 7.01 and the press release attached as exhibit 99.2) and August 16, 2007.

The description of CommScope common stock included in CommScope's Registration Statement on Form 8-A, dated April 24, 1997, filed with the SEC, including any amendment or reports filed for the purpose of updating such description.

Andrew Filings (File No. 001-14617):

Annual Report on Form 10-K for the fiscal year ended September 30, 2006.

Quarterly Reports on Form 10-Q for the fiscal quarter ended December 31, 2006, for the fiscal quarter ended March 31, 2007 and for the fiscal quarter ended June 30, 2007.

Current Reports on Form 8-K filed with the SEC on October 19, 2006, November 6, 2006, February 9, 2007, May 16, 2007, June 6, 2007, June 27, 2007, July 17, 2007, July 18, 2007, July 31, 2007 (SEC Accession No. 00011193125-07-166356), July 31, 2007 (SEC Accession No. 0001104659-07-057243) (other than the information furnished under Item 2.01 and the press release attached as exhibit 99.1), August 16, 2007 and September 18, 2007 (as amended by the Current Report on Form 8-K/A filed with the SEC on September 19, 2007).

CommScope and Andrew also hereby incorporate by reference all additional documents that CommScope or Andrew may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this proxy statement/prospectus and the date of the special meeting. These include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

CommScope has supplied all information contained or incorporated by reference in this proxy statement/prospectus relating to CommScope or DJRoss, Inc. and Andrew has supplied all information relating to Andrew.

If you are a stockholder, you may have received some of the documents incorporated by reference. You may also obtain any of those documents from the appropriate company or the SEC or the SEC's

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Internet web site described above. Documents incorporated by reference in this proxy statement/prospectus are available from the appropriate company without charge, excluding all exhibits unless specifically incorporated by reference in such documents. Stockholders may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses:

CommScope, Inc.
Attn: Investor Relations
1100 CommScope Place, S.E.
P.O. Box 339
Hickory, North Carolina 28602
Telephone: (828) 324-2200
E-mail: investor.relations@CommScope.com

Andrew Corporation
Attn: Investor Relations
3 Westbrook Corporate Center
Suite 900
Westchester, Illinois 60154
Telephone: (800) 232-6767
E-mail: investor.relations@andrew.com

Or

Morrow & Co., Inc.
470 West Avenue
Stamford, Connecticut 06902
Call Toll-Free (800) 607-0088
E-mail: Andrew.info@morrowco.com

If you would like to request documents, please do so by , 2007, which is five days before the special meeting, to receive them before the special meeting. If you request any information that is incorporated by reference into this proxy statement/prospectus, the appropriate company will respond to your request within one business day of receipt of your request, the requested documents by first class mail, or other equally prompt means.

You should rely only on the information contained or incorporated by reference in this proxy statement/prospectus to vote your shares at the special meeting. We have not authorized anyone to provide you with information that differs from that contained in this proxy statement/prospectus. This proxy statement/prospectus is dated , 2007. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than that date, and neither the mailing of this proxy statement/prospectus to Andrew stockholders nor the issuance of shares of CommScope common stock in the merger shall create any implication to the contrary.

CommScope, the CommScope logos and all other CommScope product and service names are registered trademarks or trademarks of CommScope, Inc. in the United States and in other select countries. Andrew, the Andrew logos and all other Andrew product and service names are registered trademarks or trademarks of Andrew Corporation in the United States and in other select countries. "®" and "™" indicate U.S. registration and U.S. trademark, respectively. Other third party logos and product/trade names are registered trademarks or trade names of their respective companies.

ANNEX A

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

COMMSCOPE, INC.,

DJROSS, INC.

AND

ANDREW CORPORATION

DATED AS OF JUNE 26, 2007

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Defined Terms

AGREEMENT AND PLAN OF MERGER

This **AGREEMENT AND PLAN OF MERGER** (this "***Agreement***") is made and entered into as of June 26, 2007, by and among CommScope, Inc., a Delaware corporation ("***Parent***"), DJRoss, Inc., a Delaware corporation and an indirect wholly owned subsidiary of Parent ("***Merger Sub***"), and Andrew Corporation, a Delaware corporation ("***Andrew***").

WITNESSETH:

WHEREAS, the respective Boards of Directors of Parent, Merger Sub and Andrew have deemed it advisable and in the best interests of their respective corporations and stockholders that Parent and Andrew enter into a business combination transaction;

WHEREAS, in furtherance thereof, the Board of Directors of each of Parent, Merger Sub and Andrew have approved this Agreement and the merger of Merger Sub with and into Andrew (the "***Merger***") so that Andrew continues as the surviving corporation in the Merger (sometimes referred to in such capacity as the "***Surviving Corporation***"), upon the terms of and subject to the conditions set forth in this Agreement and in accordance with the provisions of the Delaware General Corporation Law (the "***DGCL***");

WHEREAS, the Board of Directors of Andrew has determined to recommend to its stockholders the approval and adoption of this Agreement and the Merger;

WHEREAS, the sole stockholder of Merger Sub has approved this Agreement and the Merger, and

WHEREAS, the parties desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe certain conditions to the Merger.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

Article I
The Merger

1.1 *The Merger.* Upon the terms of and subject to the conditions set forth in this Agreement, and in accordance with the DGCL, at the Effective Time (as defined in Section 1.3), Merger Sub shall be merged with and into Andrew, the separate corporate existence of Merger Sub shall cease and Andrew shall continue as the Surviving Corporation in the Merger and shall succeed to and assume all the property, rights, privileges, powers and franchises of Merger Sub in accordance with the DGCL.

1.2 *Closing.* The closing of the Merger (the "***Closing***") shall take place at 10:00 a.m., Eastern Time, on the third business day after satisfaction or waiver of all of the conditions set forth in Article VII (other than delivery of items to be delivered at the Closing and other than those conditions that by their nature are to be satisfied at the Closing, it being understood that the occurrence of the Closing shall remain subject to the delivery of such items and the satisfaction or waiver of such conditions at the Closing), but in any event no earlier than August 10, 2007, at the offices of Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004, unless another time, date or place is agreed to in writing by the parties hereto. The date on which the Closing occurs is referred to herein as the "***Closing Date***."

1.3 *Effective Time.* Upon the terms of and subject to the conditions of this Agreement, as soon as practicable on the Closing Date, the parties shall cause the Merger to be consummated by filing a certificate of merger executed in accordance with the relevant provisions of the DGCL (the "***Certificate of Merger***") with the Secretary of State of the State of Delaware (the "***Secretary of State***") and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State, or at such subsequent date or time as Andrew and Parent shall agree and specify in the Certificate of Merger. The date and time at which the Merger becomes effective as set forth in the Certificate of Merger is referred to herein as the "***Effective Time***."

1.4 *Effects of the Merger.* At the Effective Time, the Merger shall have the effects set forth in this Agreement and in the applicable provisions of the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of Andrew and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of Andrew and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

1.5 *Organizational Documents of the Surviving Corporation.* At the Effective Time, and subject to compliance with Section 6.4(a), the Andrew Charter (as defined in Section 4.1(b)) shall be amended and restated in its entirety to be identical to the certificate of incorporation of Merger Sub in the form attached as **Exhibit A** hereto, and such amended Andrew Charter shall be the certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with the DGCL and as provided in such certificate of incorporation; *provided, however,* that, at the Effective Time, Article 1 of the certificate of incorporation of the Surviving Corporation shall be amended and restated in its entirety to read as follows: "The name of the corporation is Andrew Corporation." After the Effective Time, the authorized capital stock of the Surviving Corporation shall consist of 1,000 shares of common stock, par value $0.01 per share. At the Effective Time, the Andrew By-Laws (as defined in Section 4.1(b)) shall be amended and restated in their entirety to be identical to the By-Laws of Merger Sub, as in effect immediately prior to the Effective Time, in the form attached as **Exhibit B** hereto, and such By-Laws shall be the By-Laws of the Surviving Corporation until thereafter amended in accordance with the DGCL and as provided in such By-Laws.

1.6 *Directors and Officers of the Surviving Corporation.* The directors of the Merger Sub shall, from and after the Effective Time, be the directors of the Surviving Corporation until their respective successors are duly elected or appointed and qualified. The officers of the Merger Sub shall, from and after the Effective Time, be the officers of the Surviving Corporation until their respective successors are duly appointed.

1.7 *Alternative Structure.* Parent and Andrew may mutually agree to revise the structure of the Merger provided for herein at any time prior to receipt of the Andrew Stockholder Approval (as defined in Section 4.3(c)), or at any time thereafter if, with appropriate disclosure, any required further approval of the revised structure is obtained from the stockholders of Andrew.

Article II
Effects of the Merger; Exchange of Certificates

2.1 *Effect on Capital Stock.* Upon the terms and subject to the conditions of this Agreement, at the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub, Andrew or the holders of any shares of common stock, par value $0.01 per share, of Andrew (the "***Andrew Common Stock***"):

(a) *Conversion of Andrew Common Stock.* Each share of Andrew Common Stock issued and outstanding immediately prior to the Effective Time, *other than* any shares of Andrew Common Stock to be canceled pursuant to Section 2.1(c) and any Dissenting Shares, shall automatically be converted into the right to receive (i) at the election of Parent, in its sole discretion, by written notice to Andrew at least two business days before the Closing Date, either (x) $1.50 in cash, (y) a fraction of a fully paid and nonassessable share of common stock, par value $0.01 per share, of

Parent ("***Parent Common Stock***") equal to (A) $1.50 divided by (B) the volume weighted average of the closing sale prices (calculated to the nearest tenth of a cent) for a share of Parent Common Stock on the NYSE Composite Transactions Tape (as reported by The Wall Street Journal (Northeast Edition), or, if not reported thereby, as reported by any other authoritative source) over the ten (10) consecutive trading days ending two trading days prior to the day on which the Effective Time occurs (the "***Average Parent Common Stock Price***" and such quotient, the "***Exchange Ratio***") or (z) a combination of cash and a fraction of a share of Parent Common Stock, determined as provided above, together equaling $1.50 (the form of consideration elected by Parent, the "***Election Merger Consideration***"), plus (ii) $13.50 in cash (the "***Cash Merger Consideration***"), upon surrender of the Certificate (as defined in Section 2.2(b)) which immediately prior to the Effective Time represented such share of Andrew Common Stock, in the manner provided in Section 2.2(b) (or, in the case of a lost, stolen or destroyed Certificate, Section 2.2(h)). The Election Merger Consideration and Cash Merger Consideration to be issued or paid to holders of Andrew Common Stock pursuant to this Agreement, together with any cash in lieu of fractional shares pursuant to Section 2.1(e), are referred to as the "***Merger Consideration***." As a result of the Merger, at the Effective Time, each holder of a Certificate shall cease to have any rights with respect thereto, *except* the right to receive the Merger Consideration payable in respect of the shares of Andrew Common Stock represented by such Certificate immediately prior to the Effective Time, and any dividends or other distributions payable pursuant to Section 2.2(c), all to be issued or paid, without interest, in consideration therefor upon the surrender of such Certificate in accordance with Section 2.2(b) (or, in the case of a lost, stolen or destroyed Certificate, Section 2.2(h)).

(b) *Capital Stock of Merger Sub.* Each issued and outstanding share of common stock, par value $0.01 per share, of Merger Sub shall be converted into one fully paid and nonassessable share of common stock, par value $0.01 per share, of the Surviving Corporation.

(c) *Cancellation of Treasury Shares.* Each share of Andrew Common Stock held as treasury stock by Andrew, if any, shall automatically be extinguished without any conversion, and no consideration shall be delivered in respect thereof.

(d) *Andrew Options and Other Equity Awards.*

(i) Holders of outstanding options to purchase Andrew Common Stock (each, an "***Andrew Option***") may elect, not less than five (5) days prior to the Effective Time, to have some or all of their options cancelled as of the Effective Time. In exchange for such cancellation, holders of Andrew Options shall be entitled to receive in respect of each share of Andrew Common Stock subject to the cancelled Andrew Option immediately after the Effective Time, an amount equal to the Merger Consideration less the exercise price of the cancelled Andrew Option; *provided however*, that the exercise price shall be deducted from the sum of the cash portion of the Election Merger Consideration and the Cash Merger Consideration and if the exercise price of the cancelled option is in excess of such sum, the number of Parent Shares issuable shall be reduced by a number having a value (based on the Average Parent Common Stock Price) equal to such excess. As soon as practicable following the date of this Agreement, Andrew's Board of Directors (or, if appropriate, any committee administering the Andrew Stock Plans) shall adopt such resolutions or take such other actions as are required to allow such Andrew Options that were heretofore granted under any Andrew Stock Plan or otherwise that are outstanding immediately prior to the Effective Time to be so cancelled. All amounts payable pursuant to this Section 2.1(d)(i) shall be subject to any required withholding of Taxes and shall be paid without interest. Holders of Andrew Options who do not elect do have all of their options cancelled as of the Effective Time shall have each then issued and outstanding option to purchase Andrew Common Stock under any Andrew Stock Plan not so cancelled converted into an option to acquire a number of shares of Parent Common Stock equal to the product (rounded to the nearest whole number) of (i) the number of shares of Andrew Common Stock subject to the Andrew Option immediately prior to the Effective Time and (ii) the Option Exchange Ratio, at an exercise price per share (rounded to the nearest whole cent) equal to (A) the exercise price per share of Andrew Common Stock of that Andrew Option immediately prior to the Effective Time, divided by (B) the Option Exchange Ratio; *provided*, that the exercise price and the number of shares of Parent Common Stock purchasable pursuant to the Andrew Options will be determined in a manner consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"); and *provided*, *further*, that in the case of any Andrew Option to which Section 422 of the Code applies, the exercise price and the number of shares of Parent Common Stock purchasable pursuant to such Andrew Option will be determined in accordance with the foregoing, subject to those adjustments as are necessary in order to satisfy the requirements of Section 424(a) of the Code. "***Option Exchange Ratio***" means $15.00 divided by the Average Parent Common Stock Price. As soon as reasonably practicable following the Effective Time, Parent shall file a registration statement under the Securities Act (as defined in Section 3.3(d)(ii)(B)) on Form S-8 or another appropriate form (and use its commercially reasonable efforts to maintain the effectiveness thereof and maintain the current status of the prospectuses contained therein) with respect to Andrew Options assumed by Parent pursuant hereto and shall use its commercially reasonable efforts to cause such registration statement to remain in effect for so long as such assumed Andrew Options shall remain outstanding.

(ii) At the Effective Time, all restricted stock units (including, to the extent applicable, performance stock units) granted under the Andrew Stock Plans will be assumed by Parent and will be converted into the right to receive, upon the vesting thereof in accordance with the terms of the applicable Andrew Stock Plan or the terms of the applicable award, (A) the number of whole shares of Parent Common Stock equal to the product of the number of shares of Andrew Common Stock to which such restricted stock units (including performance stock units) relate multiplied by the stock portion of the Election Merger Consideration, rounded down to the nearest whole number of shares of Parent Common Stock and (B) that amount of cash equal to the product of the number of shares of Andrew Common Stock to which such restricted stock units (including performance stock units) relate multiplied by the sum of the cash portion of the Election Merger Consideration and the Cash Merger Consideration. Notwithstanding the foregoing, to the extent as of the date hereof provided in the Andrew Stock Plans or the terms of any restricted stock unit (including performance stock unit) award agreement evidencing an award, each restricted stock unit (including each performance stock unit) shall be cancelled as of the Effective Time in exchange for a cash payment to the holder thereof in an amount equal to the product of (A) the number of shares of Andrew Common Stock subject thereto immediately prior to the Effective Time and (B) $15.00.

(iii) At the Effective Time, any share of Andrew Common Stock issued under the Andrew Stock Plans with restrictions or limitations on transfer with respect thereto shall be treated in accordance with the terms of the respective Andrew Stock Plan under which such shares were issued, and the shares of Parent Common Stock and cash issued in exchange for such Andrew Common Stock hereunder shall have the same restrictions and limitations, if any, as such shares of Andrew Common Stock exchanged therefor at the Effective Time.

(iv) Andrew's Board of Directors (or a committee thereof) will adopt amendments to, or make determinations with respect to, the Andrew Stock Plan, individual agreements evidencing the grant of Andrew Options, restricted stock units (including performance stock units), any other awards under the Andrew Stock Plans, and Andrew Benefit Plans (as defined in Section 4.9(a)), if necessary, to implement the provisions of this Section 2.1(d)(iv).

(e) *Fractional Shares.* If any Parent Common Stock is included in the Election Merger Consideration, no fraction of a share of Parent Common Stock will be issued by virtue of the Merger, but in lieu thereof each holder of shares of Andrew Common Stock who would otherwise be entitled to receive a fraction of a share of Parent Common Stock (after aggregating all fractional shares of Parent Common Stock that otherwise would be received by such holder) shall, upon surrender of such holder's Certificate(s), receive from Parent an amount of cash (rounded to the nearest whole cent), without interest, equal to the product of: (i) such fraction, multiplied by (ii) the Average Parent Common Stock Price.

(f) *Adjustments to Exchange Ratio.* Notwithstanding any provision of this Article II to the contrary (but without in any way limiting the covenants in Section 5.1), the Exchange Ratio shall be adjusted to reflect fully the appropriate effect of any stock split, reverse stock split, stock dividend (including any dividend or distribution of securities convertible into Parent Common Stock or Andrew Common Stock), reorganization, recapitalization, reclassification or other like change with respect to Parent Common Stock or Andrew Common Stock having a record date on or after the date hereof and prior to the Effective Time.

(g) *Andrew Warrant and Andrew Notes.* At the Effective Time, (i) the warrant, dated January 16, 2004, to purchase 1,000,000 shares of Andrew Common Stock issued to TruePosition, Inc. (the "***Andrew Warrant***") shall become exercisable for the Merger Consideration in accordance with its terms and (ii) all issued and outstanding $3^{1}/_{4}$% Convertible Subordinated Notes Due 2013 (the "***Andrew Notes***"), subject to the indenture, dated August 8, 2003, between Andrew and BNY Midwest Trust Company (the "***Andrew Indenture***"), shall become convertible into the Merger Consideration in accordance with the terms of the Andrew Indenture.

(h) *Dissenting Shares.*

(i) Shares of Andrew Common Stock that are issued and outstanding immediately prior to the Effective Time and which are held by holders of Andrew Common Stock who have not voted in favor of or consented to the Merger and who have properly demanded and perfected their rights to be paid the fair value of such shares of Andrew Common Stock in accordance with Section 262 of the DGCL (the "***Dissenting Shares***") shall not be converted into the right to receive the Merger Consideration, and the holders thereof shall be entitled to only such rights as are granted by Section 262 of the DGCL; *provided, however*, that if any such stockholder of Andrew shall fail to perfect or shall effectively waive, withdraw or lose such stockholder's rights under Section 262 of the DGCL, such stockholder's shares of Andrew Common Stock in respect of which the stockholder would otherwise be entitled to receive fair value under Section 262 of the DGCL shall thereupon be deemed to have been converted, at the Effective Time, into the right to receive the Merger Consideration without any interest thereon.

(ii) Andrew will give Parent (x) prompt notice of any notice received by Andrew of intent to demand the fair value of any shares of Andrew Common Stock, withdrawals of such notices and any other instruments served pursuant to Section 262 of the DGCL and received by Andrew and (y) the opportunity to direct all negotiations and proceedings with respect to the exercise of dissenters' rights under Section 262 of the DGCL. Andrew shall not, except with the prior written consent of Parent, make any payment with respect to any such exercise of dissenters' rights or offer to settle or settle any such rights.

2.2 *Exchange of Shares and Certificates.*

(a) *Exchange Agent.* At or prior to the Effective Time, Parent shall engage Mellon Investor Services, L.L.C. (or such other institution reasonably satisfactory to Parent and Andrew) to act as exchange agent in connection with the Merger (the "***Exchange Agent***"), pursuant to an agreement reasonably satisfactory to Parent and Andrew. Immediately prior to the Effective Time, Parent shall deposit with the Exchange Agent, in trust for the benefit of the holders of shares of Andrew Common Stock, the aggregate number of shares of Parent Common Stock issuable pursuant to Section 2.1(a), if any Parent Common Stock is included in the Election Merger Consideration, and an amount of cash sufficient to pay the aggregate Cash Merger Consideration and cash portion of the Election Merger Consideration payable pursuant to Section 2.1(a). In addition, Parent shall make available by depositing with the Exchange Agent, as necessary from time to time after the Effective Time as needed, cash in an amount sufficient to make the payments in lieu of fractional shares pursuant to Section 2.1(e) and any dividends or distributions to which holders of shares of Andrew Common Stock may be entitled pursuant to Section 2.2(c). All shares of Parent Common Stock and cash deposited with the Exchange Agent shall hereinafter be referred to as the "***Exchange Fund***."

(b) *Exchange Procedures.* Promptly after the Effective Time, Parent shall cause the Exchange Agent to mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented outstanding shares of Andrew Common Stock and that at the Effective Time were converted into the right to receive the Merger Consideration pursuant to Section 2.1 (the "***Certificates***"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration and any dividends or other distributions payable pursuant to Section 2.2(c). Upon surrender of Certificates for cancellation to the Exchange Agent, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificates shall be entitled to receive in exchange therefor the number of whole shares of Parent Common Stock, if any, to which such holder is entitled pursuant to Section 2.1, the cash portion, if any, of the Election Merger Consideration to which such holder is entitled to pursuant to Section 2.1, the Cash Merger Consideration to which such holder is entitled pursuant to Section 2.1, payment in lieu of fractional shares which such holder is entitled to receive pursuant to Section 2.1(e) and any dividends or distributions payable pursuant to Section 2.2(c), and the Certificates so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Andrew Common Stock which is not registered in the transfer records of Andrew, the proper number of shares of Parent Common Stock, if any, may be issued to, and the cash portion, if any, of the Election Merger Consideration, the Cash Merger Consideration, payment in lieu of fractional shares and any dividends or distributions payable may be paid to, a Person other than the Person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the Person requesting such issuance shall pay any transfer or other taxes required by reason of the issuance of shares of Parent Common Stock, payment of the cash portion of the Election Merger Consideration and payment of the Cash Merger Consideration, payment in lieu of fractional shares and any dividends or distributions payable to a Person other than the registered holder of such Certificate or establish to the reasonable satisfaction of Parent that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2(b), each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration (and any amounts to be paid pursuant to Section 2.2(c)) upon such surrender. No interest shall be paid or shall accrue on any amount payable pursuant to Section 2.1(e) or Section 2.2(c).

(c) *Distributions with Respect to Unexchanged Shares.* No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock, if any, represented thereby, and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.1(e), until such Certificate has been surrendered in accordance with this Article II. Subject to Applicable Law (as defined in Section 3.7(a)), following surrender of any such Certificate, there shall be paid to the recordholder thereof, without interest, (i) promptly after such surrender, the Merger Consideration in exchange therefor pursuant to this Article II, together with the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to the whole shares of Parent Common Stock, if any, included in such Merger Consideration, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time and a payment date subsequent to such surrender payable with respect to whole shares of Parent Common Stock, if any, included in such Merger Consideration.

(d) *No Further Ownership Rights in Andrew Common Stock.* All Merger Consideration issued and paid upon the surrender for exchange of Certificates in accordance with the terms of this Article II and any cash paid pursuant to Section 2.1(e) or Section 2.2(c) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the shares of Andrew Common Stock previously represented by such Certificates. At the Effective Time, the stock transfer books of Andrew shall be closed and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Andrew Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(e) *Termination of Exchange Fund.* Any portion of the Exchange Fund which remains undistributed to the holders of Certificates six months after the Effective Time shall be delivered to Parent, upon demand, and any holders of Certificates who have not theretofore complied with this Article II shall thereafter look only to Parent for payment of their claim for the Merger Consideration, and any dividends or distributions pursuant to Section 2.2(c).

(f) *No Liability.* None of Parent, Merger Sub, Surviving Corporation or the Exchange Agent shall be liable to any Person in respect of any shares of Parent Common Stock (or dividends or distributions with respect thereto) or cash from the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificate shall not have been surrendered prior to seven years after the Effective Time, or immediately prior to such earlier date on which any shares of Parent Common Stock, any cash or any dividends or distributions with respect to Parent Common Stock issuable in respect of such Certificate would otherwise escheat to or become the property of any Governmental Entity (as defined in Section 3.3(d)), any such shares, cash, dividends or distributions in respect of such Certificate shall, to the extent permitted by Applicable Law, become the property of the Surviving Corporation, free and clear of all claims or interest of any Person previously entitled thereto.

(g) *Withholding Rights.* Parent or the Exchange Agent shall be entitled to deduct and withhold from any consideration payable pursuant to this Agreement to any Person who was a holder of Andrew Common Stock, options or other securities or rights immediately prior to the Effective Time such amounts as Parent or the Exchange Agent may be required to deduct and withhold with respect to the making of such payment under the Code, or any provision of federal, state, local or foreign tax law. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person to whom such consideration would otherwise have been paid.

(h) *Lost, Stolen or Destroyed Certificates.* In the event any Certificates shall have been lost, stolen or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof, such Merger Consideration as may be required pursuant to Section 2.1 and any dividends or distributions payable pursuant to Section 2.2(c); *provided, however*, that Parent may, in its reasonable discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed Certificates to deliver an agreement of indemnification in form reasonably satisfactory to Parent, or a bond in such sum as Parent may reasonably direct as indemnity, against any claim that may be made against Parent or the Exchange Agent in respect of the Certificates alleged to have been lost, stolen or destroyed.

(i) *Investment of Exchange Fund.* The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Parent on a daily basis *provided* that no such investment or loss thereon shall affect the amounts payable to former stockholders of Andrew after the Effective Time pursuant to this Article II. Any interest and other income resulting from such investment shall become a part of the Exchange Fund and any amounts in excess of the amounts payable pursuant to this Article II shall promptly be paid to Parent.

Article III
Representations and Warranties of Parent and Merger Sub

Except as disclosed in (x) a Parent SEC Document (as defined in Section 3.4(a)), but excluding any risk factor disclosure contained in any such Parent SEC Document under the heading "Risk Factors" or "Forward-Looking Information," or (y) the Parent Disclosure Letter (as defined in Section 9.5), Parent and Merger Sub jointly and severally represent and warrant to Andrew as follows:

3.1 *Corporate Organization.*

(a) Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. CommScope, Inc. of North Carolina, a North Carolina corporation ("***CommScope NC***"), is a corporation duly organized, validly existing and in good standing under the laws of the State of North Carolina. Each of Parent, CommScope NC and Merger Sub has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, *except* where the failure to be so licensed or qualified would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Parent.

As used in this Agreement, the terms "***Material Adverse Change***" or "***Material Adverse Effect***" mean, with respect to Parent or Andrew, as the case may be, any change, effect, event, occurrence or state of facts that has or has had a material adverse effect (i) on the business, results of operations (other than short-term effects on results of operations) or financial condition of such party and its Subsidiaries, taken as a whole, *provided, however*, that a Material Adverse Effect/Material Adverse Change will be deemed not to include effects to the extent resulting from: (A) any change, after the date hereof, in U.S. generally accepted accounting principles ("***GAAP***") or the accounting rules and regulations of the Securities and Exchange Commission (the "***SEC***"), (B) any change in the market price or trading volume of Parent Common Stock or Andrew Common Stock (it being understood that any change, effect, event, occurrence or state of facts that is an underlying cause of such change in price or trading volume shall not be excluded by virtue of this exception), (C) any change in the market price of copper or any short-term adverse effects to such party or its Subsidiaries directly resulting from such change, (D) any change, effect, event, occurrence or state of facts exclusively relating to any acts of terrorism, sabotage, military action or war, (E) any change in or relating to the United States economy or United States financial, credit or securities markets in general, (F) any change in or relating to the industry in which such party operates or the markets for any of such party's products or services in general, which change in the case of clauses (D), (E) and (F) does not affect such party to a materially disproportionate degree relative to other entities operating in such markets or industries or serving such markets, or (G) any change, effect, event, occurrence or state of facts arising directly or indirectly out of the execution, delivery, performance or disclosure of this Agreement or the transactions contemplated hereby, including any impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners or employees; or (ii) the ability of such party to consummate the transactions contemplated by this Agreement in the manner contemplated hereby.

(b) True and complete copies of the Amended and Restated Articles of Incorporation of Parent, as amended through, and as in effect as of, the date of this Agreement (the "***Parent Charter***") and the Amended and Restated By-Laws of Parent, as amended through, and as in effect as of, the date of this Agreement (the "***Parent By-Laws***", and, together with the Parent Charter, the "***Parent Organizational Documents***") have previously been made available to Andrew.

3.2 *Capital Structure.*

(a) The authorized capital stock of Parent consists of 300,000,000 shares of Parent Common Stock, and 20,000,000 shares of preferred stock, $0.01 par value per share ("***Parent Preferred Stock***"). At the close of business on June 15, 2007: (i) 61,575,192 shares of Parent Common Stock were issued and outstanding; (ii) no shares of Parent Preferred Stock were issued and outstanding; (iii) an aggregate of 5,716,506 shares of Parent Common Stock were reserved for issuance pursuant to Parent's 1997 Long Term Incentive Plan and 2006 Long Term Incentive Plan (such plans, as amended to date, are collectively referred to herein as the "***Parent Stock Plans***"); (iv) 11,494,250 shares of Parent Common Stock were reserved for issuance upon the conversion of Parent's 1% Convertible Unsecured Subordinated Notes Due 2004 (collectively, the "***Parent Notes***") and (v) 400,000 shares of Parent Preferred Stock were designated as Series A Junior Preferred Stock, par value $0.01 per share. All of the outstanding shares of capital stock of, or other equity interests in, Parent have been validly issued and are fully paid and nonassessable.

(b) As of the close of business on June 15, 2007: (i) 2,898,635 shares of Parent Common Stock were subject to issuance pursuant to outstanding options to acquire shares of Parent Common Stock ("***Parent Options***") under the Parent Stock Plans; (ii) 1,025,653 shares of Parent Common Stock were subject to issuance pursuant to outstanding restricted stock units and outstanding performance stock units issued under the Parent Stock Plans and (iii) 11,494,250 shares of Parent Common Stock were subject to issuance upon the conversion of the Parent Notes. All shares of Parent Common Stock subject to issuance under the Parent Stock Plans, upon issuance upon the terms and subject to the conditions set forth in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. There are no commitments or agreements of any character to which Parent is bound obligating Parent to accelerate the vesting of any Parent Option as a result of the Merger. Except as set forth in this Section 3.2, there are no outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to Parent.

(c) No bonds, debentures, notes or other evidences of indebtedness having the right to vote on any matters on which stockholders of Parent may vote ("***Voting Debt***") are issued or outstanding.

(d) Except as otherwise set forth in this Section 3.2, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Parent or any of its Subsidiaries is a party or by which any of them is bound obligating Parent or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, Voting Debt or other voting securities of Parent or any of its Subsidiaries, or obligating Parent or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. All outstanding shares of Parent Common Stock, all outstanding Parent Options, and all outstanding shares of capital stock of each Subsidiary of Parent have been issued and granted (as applicable) in compliance in all material respects with all applicable securities laws and all other Applicable Laws.

(e) Since June 15, 2007, and through the date of this Agreement, *except* for issuances of Parent Common Stock pursuant to the exercise of Parent Options and the conversion of Parent Notes outstanding as of June 15, 2007, there has been no change in (x) the outstanding capital stock of Parent, (y) the number of Parent Options outstanding, or (z) the number of other options, warrants or other rights to purchase Parent Common Stock.

(f) As of the date of this Agreement, neither Parent nor any Subsidiary of Parent is a party to any agreement, arrangement or understanding restricting the purchase or transfer of, relating to the voting of, requiring registration of, or granting any preemptive or antidilutive rights with respect to, any capital stock of Parent or any of its Subsidiaries or any securities of the type referred to in Section 3.2(d) hereof.

(g) As of the date of this Agreement, all of the issued and outstanding shares of capital stock or other equity ownership interests of each "significant subsidiary" (as such term is defined under Regulation S-X of the SEC) of Parent are owned by Parent, directly or indirectly, free and clear of any material liens, pledges, charges and security interests and similar encumbrances, *other than* for Taxes that are not yet due ("***Liens***"), and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other equity ownership interest (other than restrictions under applicable securities laws), and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. As of the date of this Agreement, no such significant subsidiary is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such significant subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such significant subsidiary. Except for the capital stock or other equity ownership interests of its Subsidiaries, as of the date of this Agreement, Parent does not beneficially own directly or indirectly any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person that constitutes a Substantial Investment. As used in this Agreement, (i) "***Subsidiary***", when used with respect to either party, means any corporation, partnership, limited liability company or other organization, whether incorporated or unincorporated, including any branches or representative offices thereof, (x) of which such party or any other Subsidiary of such party is a general partner (excluding partnerships, the general partnership interests of which held by such party or any Subsidiary of such party do not have a majority of the voting interests in such partnership) or (y) a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party and/or by any one or more of its Subsidiaries, and (ii) "***Substantial Investment***", when used with respect to either party, means a stock or other equity investment having a fair market value or book value in excess of $10,000,000, directly or indirectly, in any Person.

(h) The authorized capital stock of Merger Sub consists of 1,000 shares of common stock, par value $0.01 per share, all of which shares are issued and outstanding. Parent is the legal and beneficial owner of all of the issued and outstanding shares of CommScope NC, which is the legal and beneficial owner of all the issued and outstanding shares of Merger Sub. Merger Sub was formed at the direction of Parent on June 19, 2007, solely for the purposes of effecting the Merger and the other transactions contemplated hereby. Except as required by or provided for in this Agreement, Merger Sub (A) does not hold, nor has it held, any assets, (B) does not have, nor has it incurred, any liabilities and (C) has not carried on any business activities *other than* in connection with the Merger and the transactions contemplated hereby. All of the outstanding shares of capital stock of Merger Sub have been duly authorized and validly issued, and are fully paid and nonassessable and not subject to any preemptive rights.

(i) Each grant of a Parent Option was duly authorized no later than the grant date thereof by all necessary corporate action, including, as applicable, approval by the Board of Directors of Parent (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (B) each such grant was made in accordance with the terms of the applicable compensation plan or arrangement of Parent, the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and all other Applicable Laws and regulatory rules or requirements, including the rules of the New York Stock Exchange ("***NYSE***"), (C) the per share exercise price of each Parent Option was equal to the fair market value (as defined in the applicable compensation plan or arrangement of Parent) of a share of Parent Common Stock on the applicable grant date and (D) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of Parent and disclosed in the Parent SEC Documents in accordance with the Exchange Act and all other Applicable Laws.

3.3 *Authority; Board Approval; Voting Requirements; No Conflict; Required Filings and Consents.*

(a) *Authority.* Each of Parent and Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and Merger Sub, and the consummation by Parent and Merger Sub of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of Parent, CommScope NC and Merger Sub, and no other corporate proceedings on the part of Parent, CommScope NC or Merger Sub and no shareholder votes are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by Parent and Merger Sub. Assuming the due authorization, execution and delivery of this Agreement by Andrew, this Agreement constitutes the legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against Parent and Merger Sub in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(b) *Board Approval.* The Board of Directors of Parent has (A) determined that this Agreement, the Merger and the issuance of shares of Parent Common Stock in connection with this Agreement (the "***Parent Share Issuance***") are advisable and fair to and in the best interest of Parent and its shareholders and (B) approved and adopted this Agreement, the Merger, the Parent Share Issuance and the other transactions contemplated hereby, which adoption has not been rescinded or modified.

(c) *No Conflict.* The execution and delivery of this Agreement by Parent and Merger Sub do not, and the consummation by Parent and Merger Sub of the transactions contemplated hereby and compliance by Parent and Merger Sub with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, require any consent, waiver or approval under, give rise to any right of termination or other right, or the cancellation or acceleration of any right or obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of Parent or any of its Subsidiaries or any restriction on the conduct of Parent's or any of its Subsidiaries' business or operations under, (A) the Parent Organizational Documents, (B) any Contract, permit, concession, franchise, license or authorization applicable to Parent or any of its Subsidiaries or their respective properties or assets, (C) any judgment, order or decree, or (D) subject to the governmental filings and other matters referred to in Section 3.3(d), any statute, law, ordinance, rule or regulation applicable to Parent or any of its Subsidiaries or their respective properties or assets, *other than*, in the case of clauses (B), (C) and (D), any such conflicts, violations, defaults, rights, losses, restrictions or Liens, or failure to obtain consents, waivers or approvals, which would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Parent.

(d) *Required Filings or Consents.* No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with, any federal, state, local or foreign government, any court, administrative, regulatory or other governmental agency, commission or authority or any non-governmental self-regulatory agency, commission or authority (a "***Governmental Entity***") is required to be made or obtained by or with respect to Parent or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Parent or Merger Sub, the approval of the Parent Share Issuance or the consummation by Parent or Merger Sub of the transactions contemplated hereby, *except for:*

(i) the filing of a pre-merger notification and report form by Parent and Merger Sub under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "***HSR Act***"), and any applicable filings or notifications under the antitrust, competition or similar laws of any foreign jurisdiction;

(ii) the filing with the SEC of:

(A) the registration statement on Form S-4 to be filed with the SEC by Parent in connection with the issuance of Parent Common Stock, if any, in the Merger (including any amendments or supplements, the "***Form S-4***");

(B) such reports under the Exchange Act and the Securities Act of 1933, as amended (the "***Securities Act***"), in each case as may be required in connection with this Agreement and the transactions contemplated hereby;

(iii) the filing of a Notification Form: Listing of Additional Shares with the NYSE in connection with the Parent Share Issuance;

(iv) the filing of the Certificate of Merger with the Secretary of State and appropriate documents with the relevant authorities of other states in which Parent or Merger Sub is qualified to do business;

(v) filings required by state securities laws or other "blue sky" laws, if any; and

(vi) other consents, approvals, orders or authorizations, the failure of which to be made or obtained, would not reasonably be likely to have a Material Adverse Effect on Parent.

3.4 *SEC Documents; Financial Statements.*

(a) Parent and each of its Subsidiaries has timely filed all reports, registrations, schedules, forms, statements and other documents, together with any amendments required to be made with respect thereto, that they were required to file since January 1, 2004, with (i) the SEC, (ii) any state or other federal regulatory authority and (iii) any foreign regulatory authority (collectively, "***Regulatory Agencies***"), and have paid all fees and assessments due and payable in connection therewith, *except* in each case where the failure to file such report, registration, schedule, form, statement or other document, or to pay such fees and assessments, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Parent. No publicly available final registration statement, prospectus, report, form, schedule or definitive proxy statement filed since January 1, 2004, and prior to the close of business on June 25, 2007 by Parent with the SEC pursuant to the Securities Act or the Exchange Act (collectively, the "***Parent SEC Documents***"), as of their respective dates or, if amended prior to the date of this Agreement, as of the date of such amendment, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, *except that* information contained in any subsequent Parent SEC Document filed as of a later date (but before the date of this Agreement) will be deemed to modify information contained in any Parent SEC Document filed as of an earlier date. As of their respective filing dates, all Parent SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act. None of Parent's Subsidiaries is required to file any reports with the SEC.

(b) The principal executive officer and principal financial officer of Parent have made all certifications required by the Sarbanes-Oxley Act of 2002 (the "***Sarbanes-Oxley Act***") and any related rules and regulations promulgated thereunder by the SEC, and the statements contained in all such certifications were complete and correct in all material respects as of the respective dates made. Neither Parent nor any of its officers has received notice from the SEC or the NYSE questioning or challenging the accuracy, completeness, content, form or manner of filing or submission of such certifications. Parent is, and through the Closing Date will be, otherwise in material compliance with all applicable effective provisions of the Sarbanes-Oxley Act and the applicable listing and corporate governance rules of the NYSE.

(c) The financial statements of Parent included in the Parent SEC Documents complied, as of their respective dates of filing with the SEC, in all material respects with accounting requirements and the published rules and regulations of the SEC applicable with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by the instructions and applicable rules of Form 10-Q or Form 8-K of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which are not, individually or in the aggregate, material).

(d) The financial statements of Parent included in each publicly available final registration statement, prospectus, report, form, schedule or definitive proxy statement to be filed with the SEC pursuant to the Securities Act or Exchange Act after the date hereof until the Effective Time will comply, as of their respective dates of filing with the SEC, in all material respects with accounting requirements and the published rules and regulations of the SEC applicable with respect thereto, will be prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by the instructions or other applicable rules of Form 10-Q or Form 8-K of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and will fairly present the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which are not, individually or in the aggregate, expected to be material).

(e) Except as reflected or reserved against in the balance sheet of Parent dated March 31, 2007 included in the Form 10-Q filed by Parent with the SEC on May 1, 2007 (including the notes thereto, the "***Parent Balance Sheet***"), as of the date of this Agreement, neither Parent nor any of its Subsidiaries has any liabilities (absolute, accrued, contingent or otherwise) which are required by GAAP to be set forth on a consolidated balance sheet of Parent and its consolidated Subsidiaries or in the notes thereto, *other than* (A) liabilities and obligations incurred since March 31, 2007, in the ordinary course of business which would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Parent, or (B) liabilities and obligations incurred in connection with this Agreement or the transactions contemplated hereby.

(f) Neither Parent nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any contract, agreement, arrangement or understanding (including any contract or arrangement relating to any transaction or relationship between or among Parent and any of its Subsidiaries, on the one hand, and any unconsolidated affiliate (as such term is defined Rule 12b-2 under the Exchange Act (an "***Affiliate***")), including any structured finance, special purpose or limited purpose entity or Person, on the other hand), where the result, purpose or intended effect of such contract or arrangement is to avoid disclosure of any material transaction involving, or material liabilities of, Parent or any of its Subsidiaries in Parent's or its Subsidiaries' published financial statements.

3.5 *Information Supplied.* None of the information supplied or to be supplied by or on behalf of Parent, Merger Sub or any of their respective Subsidiaries for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or (ii) the Proxy Statement will, at the date it is first mailed to Andrew's shareholders or at the time of the Andrew Shareholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement and the Form S-4 will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations thereunder, *except that* no representation or warranty is made by Parent with respect to information or statements with respect to Andrew or its Subsidiaries made or incorporated by reference therein or otherwise supplied by or on behalf of Andrew for inclusion or incorporation by reference in the Proxy Statement or the Form S-4.

3.6 *Absence of Certain Changes or Events.*

(a) Since March 31, 2007, through the date hereof, *except* as and to the extent (i) disclosed in Parent's quarterly report for the fiscal quarter ended March 31, 2007, and filed on Form 10-Q with the SEC on May 1, 2007, or (ii) expressly contemplated by this Agreement:

(i) Parent and its Subsidiaries have conducted their business only in the ordinary course consistent with past practice in all material respects;

(ii) there has not been any split, combination or reclassification of any of Parent's capital stock or any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, in lieu of, or in substitution for, shares of Parent's capital stock;

(iii) except as required by a change in GAAP, there has not been any material change in accounting methods, principles or practices by Parent; and

(iv) there has not been any action taken by Parent or any of its Subsidiaries that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a breach of Section 5.1(c), *other than* actions in connection with entering into this Agreement.

(b) Since December 31, 2006, through the date hereof, there have not been any changes, circumstances or events that, individually or in the aggregate, have had, or would reasonably be likely to have, a Material Adverse Effect on Parent.

3.7 *Compliance with Applicable Laws; Permits; Litigation.*

(a) Parent, its Subsidiaries and employees hold all permits, licenses, easements, variances, exemptions, orders, consents, registrations and approvals of all Governmental Entities which are required for the operation of the businesses of Parent and its Subsidiaries in the manner described in the Parent SEC Documents filed prior to the date hereof and as they are being conducted as of the date hereof (the "***Parent Permits***"), and all Parent Permits are in full force and effect, and all required filings and applications (including renewals) with respect to the Parent Permits have been made in a timely basis, *except* where the failure to have, or the suspension or cancellation of, or the failure to be valid or in full force and effect of, any such Parent Permit would not reasonably be likely to have a Material Adverse Effect on Parent. Parent and its Subsidiaries are in compliance with and have no unresolved liability under the terms of the Parent Permits and all applicable laws, statutes, orders, rules, regulations, policies or guidelines promulgated, or judgments, decisions or orders entered by any Governmental Entity (all such laws, statutes, orders, rules, regulations, policies, guidelines, judgments, decisions and orders, collectively, "***Applicable Laws***" or "***Applicable Law***") relating to Parent and its Subsidiaries or their respective business or properties, *except* where the failure to be in compliance with the terms of the Parent Permits or such Applicable Laws would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Parent. To the Knowledge of Parent, there are no facts or circumstances that are reasonably likely to prevent or increase the cost of compliance with the Parent Permits or Applicable Laws, *except* where the increased costs would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Parent.

(b) As of the date hereof, *except* as and to the extent disclosed in the Parent SEC Documents filed prior to the date of this Agreement, no action, demand, suit, proceeding, mediation, arbitration, requirement or investigation by any Governmental Entity or action, demand, suit, proceeding, mediation or arbitration by any Person, against or affecting Parent or any of its Subsidiaries or any of their respective businesses or properties, including Intellectual Property, is pending or, to the Knowledge of Parent, threatened which, individually or in the aggregate, has had, or is reasonably likely to have, a Material Adverse Effect on Parent.

(c) As of the date hereof, neither Parent nor any of its Subsidiaries is subject to any material outstanding order, injunction or decree.

3.8 *State Takeover Statutes.* To the Knowledge of Parent, *other than* Section 203 of the DGCL, no state takeover statute is applicable to the Merger or the other transactions contemplated hereby.

3.9 *Brokers.* Except for fees payable to Banc of America Securities LLC and Duff & Phelps, LLC, no broker, investment banker, financial advisor or other Person, is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Merger Sub.

3.10 *Ownership of Andrew Common Stock.* None of Parent, Merger Sub, their respective Subsidiaries, nor the executive officers or directors of Parent or Merger Sub nor, to the Knowledge of Parent without independent investigation, any of their respective Affiliates beneficially owns (as defined in Rule 13d-3 under the Exchange Act) directly, or is party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, shares of capital stock of Andrew.

3.11 *Financing.* Parent has delivered to Andrew a true and complete copy of each of the commitment letters, dated as of the date of this Agreement, between Parent and each of Bank of

America, N.A. and Wachovia Bank, N.A. (the "***Financing Commitments***"), pursuant to which Financing Commitments the lenders party thereto have committed, subject to the terms thereof, to lend the amounts set forth therein. Prior to the date of this Agreement, the respective commitments contained in the Financing Commitments have not been withdrawn or rescinded in any respect. Each of the Financing Commitments, in the form so delivered, is in full force and effect as of the date of this Agreement and is a legal, valid and binding obligation of Parent and, to the knowledge of Parent, the other parties thereto. As of the date of this Agreement, no event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Parent under any term or condition of the Financing Commitments. As of the date of this Agreement, Parent has no reason to believe that it will be unable to satisfy on a timely basis any term or condition of closing to be satisfied by it contained in the Financing Commitments. Parent and Merger Sub will have, as of the Closing, sufficient funds available to them to make the deposit into the Exchange Fund required by Section 2.2 and pay any expenses required to be incurred by Parent or Merger Sub in connection with the transactions contemplated by this Agreement.

Article IV
Representations and Warranties of Andrew

Except as disclosed in (x) an Andrew SEC Document (as defined in Section 4.4(a)), but excluding any risk factor disclosure contained in any such Andrew SEC Document under the heading "Risk Factors" or "Forward-Looking Information," or (y) the Andrew Disclosure Letter (as defined in Section 9.5), Andrew represents and warrants to Parent and Merger Sub as follows:

4.1 *Corporate Organization.*

(a) Andrew is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Andrew has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, *except* where the failure to be so licensed or qualified would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew.

(b) True and complete copies of the Restated Certificate of Incorporation of Andrew, as amended through, and as in effect as of, the date of this Agreement (the "***Andrew Charter***") and the By-laws of Andrew, as amended through, and as in effect as of, the date of this Agreement (the "***Andrew By-Laws***", and, together with the Andrew Charter, the "***Andrew Organizational Documents***") have previously been made available to Parent.

(c) Each Subsidiary of Andrew (i) is duly organized and validly existing under the laws of its jurisdiction of organization, (ii) is duly qualified to do business and, where applicable, in good standing in all jurisdictions (whether federal, state, local or foreign) where its ownership or leasing of property or the conduct of its business requires it to be so qualified, and (iii) has all requisite corporate power and authority to own or lease its properties and assets and to carry on its business as now conducted, *except for* such variances from the matters set forth in any of clauses (i), (ii) or (iii) as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew.

4.2 *Capital Structure.*

(a) The authorized capital stock of Andrew consists of 400,000,000 shares of Andrew Common Stock and 1,000,000 shares of Series A 7.75% Convertible Preferred Stock, no par value per share ("***Andrew Preferred Stock***"). At the close of business on June 15, 2007: (i) 155,888,606 shares of Andrew Common Stock were issued and outstanding; (ii) 6,587,908 shares of Andrew

Common Stock were held by Andrew in its treasury; (iii) no shares of Andrew Preferred Stock were issued and outstanding; (iv) an aggregate of 14,057,931 shares of Andrew Common Stock were reserved for issuance pursuant to Andrew's Management Incentive Plan, Non-Employee Directors' Stock Option Plan, 2005 Long-Term Incentive Plan, and Allen Telecom Inc. Amended and Restated 1992 Stock Plan (such plans, as amended to date, are collectively referred to herein as the "***Andrew Stock Plans***"); (v) 1,000,000 shares of Andrew Common Stock were reserved for issuance upon the exercise of the Andrew Warrant; and (vi) 17,531,568 shares of Andrew Common Stock were reserved for issuance upon the conversion of the Andrew Notes. All the outstanding shares of capital stock of, or other equity interests in, Andrew have been validly issued and are fully paid and nonassessable.

(b) As of the close of business on June 15, 2007: (i) no shares of Andrew Common Stock were subject to issuance pursuant to outstanding Andrew Options under the Andrew 2005 Long-Term Incentive Plan; (ii) 6,675,787 shares of Andrew Common Stock were subject to issuance pursuant to outstanding Andrew Options under the Andrew Stock Plans other than the Andrew 2005 Long-Term Incentive Plan; (iii) 2,147,399 shares of Andrew Common Stock were subject to issuance pursuant to outstanding restricted stock units issued under the Andrew Stock Plans; (iv) 1,000,000 shares were subject to issuance upon the exercise of the Andrew Warrant; and (v) 17,531,568 shares were subject to issuance upon the conversion of the Andrew Notes. All shares of Andrew Common Stock subject to issuance under the Andrew Stock Plans, upon issuance upon the terms and subject to the conditions set forth in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. Except as contemplated by this Agreement, there are no commitments or agreements of any character to which Andrew is bound obligating Andrew to accelerate the vesting of any Andrew Option as a result of the Merger. Except as set forth in this Section 4.2, there are no outstanding or authorized stock appreciation, phantom stock, profit participation or other similar rights with respect to Andrew.

(c) No Voting Debt of Andrew is issued or outstanding.

(d) Except as otherwise set forth in this Section 4.2, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Andrew or any of its Subsidiaries is a party or by which any of them is bound obligating Andrew or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, Voting Debt or other voting securities of Andrew or any of its Subsidiaries, or obligating Andrew or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. All outstanding shares of Andrew Common Stock, all outstanding Andrew Options, the Andrew Warrant, the Andrew Notes and all outstanding shares of capital stock of each Subsidiary of Andrew have been issued and granted (as applicable) in compliance in all material respects with (A) all applicable securities laws and all other Applicable Law and (B) all requirements set forth in applicable material Contracts.

(e) Since June 15, 2007, and through the date hereof, *except* for issuances of Andrew Common Stock pursuant to the exercise of Andrew Options granted and outstanding as of June 15, 2007, there has been no change in (x) the outstanding capital stock of Andrew, (y) the number of Andrew Options outstanding, or (z) the number of other options, warrants or other rights to purchase Andrew capital stock.

(f) Neither Andrew nor any Subsidiary of Andrew is a party to any agreement, arrangement or understanding restricting the purchase or transfer of, relating to the voting of, requiring registration of, or granting any preemptive or antidilutive rights with respect to, any capital stock of Andrew or any of its Subsidiaries or any securities of the type referred to in Section 4.2(d) hereof.

(g) All of the issued and outstanding shares of capital stock or other equity ownership interests of each "significant subsidiary" (as such term is defined under Regulation S-X of the SEC) of Andrew are owned by Andrew, directly or indirectly, free and clear of any Liens and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other equity ownership interest (other than restrictions under applicable securities laws), and all of such shares or equity ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. No such significant subsidiary is bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of such significant subsidiary or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of such significant subsidiary. Except for the capital stock or other equity ownership interests of its Subsidiaries, as of the date of this Agreement, Andrew does not beneficially own directly or indirectly any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person that constitutes a Substantial Investment.

(h) Andrew terminated its Amended and Restated Employee Stock Purchase Plan, as amended to date, effective prior to the date hereof.

(i) Each grant of an Andrew Option was duly authorized no later than the grant date thereof by all necessary corporate action, including, as applicable, approval by the Board of Directors of Andrew (or a duly constituted and authorized committee thereof) and any required stockholder approval by the necessary number of votes or written consents, and the award agreement governing such grant (if any) was duly executed and delivered by each party thereto, (B) each such grant was made in accordance with the terms of the applicable compensation plan or arrangement of Andrew, the Exchange Act and all other Applicable Laws and regulatory rules or requirements, including the rules of the NASDAQ National Market ("***NASDAQ***"), (C) the per share exercise price of each Andrew Option was equal to the fair market value (as defined in the applicable compensation plan or arrangement of Andrew) of a share of Andrew Common Stock on the applicable grant date, and (D) each such grant was properly accounted for in accordance with GAAP in the financial statements (including the related notes) of Andrew and disclosed in the Andrew SEC Documents in accordance with the Exchange Act and all other Applicable Laws.

4.3 *Authority; Board Approval; Voting Requirements; No Conflict; Required Filings and Consents.*

(a) *Authority.* Subject to obtaining the Andrew Stockholder Approval, Andrew has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Andrew, and the consummation by Andrew of the transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of Andrew, and no other corporate proceedings on the part of Andrew and no stockholder votes are necessary to authorize this Agreement or to consummate the transactions contemplated hereby, *other than* with respect to approval of this Agreement, the Merger and the other transactions contemplated hereby, the Andrew Stockholder Approval. This Agreement has been duly executed and delivered by Andrew. Assuming the due authorization, execution and delivery of this Agreement by Parent and Merger Sub, this Agreement constitutes the legal, valid and binding obligation of Andrew enforceable against Andrew in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(b) *Board Approval.* Subject to Section 5.3, the Board of Directors of Andrew has (A) determined that this Agreement and the Merger are advisable and fair to and in the best interest of Andrew and its stockholders, (B) approved and declared advisable this Agreement, the Merger and the other transactions contemplated hereby, which approval and declaration have not been rescinded or modified, (C) resolved to recommend this Agreement and the Merger to its stockholders for approval, and (D) directed that this Agreement and the Merger be submitted to its stockholders for consideration in accordance with this Agreement.

(c) *Voting Requirements.* The affirmative vote in favor of approval of this Agreement and the Merger by the holders of a majority of the outstanding shares of Andrew Common Stock entitled to vote thereon (the "***Andrew Stockholder Approval***") at a duly convened and held Andrew Stockholders' Meeting (as defined in Section 6.1(b)) at which a quorum is present is the only vote of the holders of any class or series of Andrew's capital stock necessary to approve and adopt this Agreement, the Merger and the other transactions contemplated hereby.

(d) *No Conflict.* The execution and delivery of this Agreement by Andrew does not, and the consummation by Andrew of the transactions contemplated hereby and compliance by Andrew with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, require any consent, waiver or approval under, give rise to any right of termination or other right, or the cancellation or acceleration of any right or obligation or loss of a benefit under, or result in the creation of any Lien upon any of the properties or assets of Andrew or any of its Subsidiaries or any restriction on the conduct of Andrew's or any of its Subsidiaries' business or operations under, (A) the Andrew Organizational Documents, (B) any Contract, permit, concession, franchise, license or authorization applicable to Andrew or any of its Subsidiaries or their respective properties or assets, (C) any judgment, order or decree, or (D) subject to the governmental filings and other matters referred to in Section 4.3(e), any statute, law, ordinance, rule or regulation applicable to Andrew or any of its Subsidiaries or their respective properties or assets, *other than*, in the case of clauses (B), (C) and (D), any such conflicts, violations, defaults, rights, losses, restrictions or Liens, or failure to obtain consents, waivers or approvals, which would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew.

(e) *Required Filings or Consents.* No consent, approval, order or authorization of, action by or in respect of, or registration, declaration or filing with, any Governmental Entity is required to be made or obtained by or with respect to Andrew or any of its Subsidiaries in connection with the execution and delivery of this Agreement by Andrew or the consummation by Andrew of the transactions contemplated hereby, *except for*:

(i) the filing of a pre-merger notification and report form by Andrew under the HSR Act, and any applicable filings or notifications under the antitrust, competition or similar laws of any foreign jurisdiction;

(ii) the filing with the SEC of:

(A) a proxy statement relating to the Andrew Stockholders' Meeting (the "***Proxy Statement***");

(B) such reports under the Exchange Act and the Securities Act, in each case, as may be required in connection with this Agreement and the transactions contemplated hereby;

(iii) the filing of the Certificate of Merger with the Secretary of State and appropriate documents with the relevant authorities of other states in which Andrew is qualified to do business;

(iv) filings required by state securities laws or other "blue sky" laws; and

(v) other consents, approvals, orders or authorizations, the failure of which to be made or obtained would not reasonably be likely to have a Material Adverse Effect on Andrew.

4.4 *SEC Documents; Financial Statements.*

(a) Andrew and each of its Subsidiaries has timely filed all reports, registrations, schedules, forms, statements and other documents, together with any amendments required to be made with respect thereto, that they were required to file since October 1, 2003, with Regulatory Agencies, and have paid all fees and assessments due and payable in connection therewith, *except* in each case where the failure to file such report, registration, schedule, form, statement or other document, or to pay such fees and assessments, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew. No publicly available final registration statement, prospectus, report, form, schedule or definitive proxy statement filed since October 1, 2003, and prior to the close of business on June 25, 2007 by Andrew with the SEC pursuant to the Securities Act or the Exchange Act (collectively, the "***Andrew SEC Documents***"), as of their respective dates or, if amended prior to the date of this Agreement, as of the date of such amendment, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances in which they were made, not misleading, *except that* information contained in any subsequent Andrew SEC Document filed as of a later date (but before the date of this Agreement) will be deemed to modify information contained in any Andrew SEC Document filed as of an earlier date. As of their respective filing dates, all Andrew SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act. None of Andrew's Subsidiaries is required to file any reports with the SEC.

(b) The principal executive officer and principal financial officer of Andrew have made all certifications required by the Sarbanes-Oxley Act and any related rules and regulations promulgated thereunder by the SEC, and the statements contained in all such certifications were complete and correct in all material respects as of the respective dates made. Neither Andrew nor any of its officers has received notice from the SEC or the NASDAQ questioning or challenging the accuracy, completeness, content, form or manner of filing or submission of such certifications. Andrew is, and through the Closing Date will be, otherwise in material compliance with all applicable effective provisions of the Sarbanes-Oxley Act and the applicable listing and corporate governance rules of the NASDAQ.

(c) The financial statements of Andrew included in the Andrew SEC Documents complied, as of their respective dates of filing with the SEC, in all material respects with accounting requirements and the published rules and regulations of the SEC applicable with respect thereto, have been prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by the instructions and applicable rules of Form 10-Q or Form 8-K of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of Andrew and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which are not, individually or in the aggregate, material).

(d) The financial statements of Andrew included in each publicly available final registration statement, prospectus, report, form, schedule or definitive proxy statement to be filed with the SEC pursuant to the Securities Act or Exchange Act after the date hereof until the Effective Time will comply, as of their respective dates of filing with the SEC, in all material respects with accounting requirements and the published rules and regulations of the SEC applicable with respect thereto, will be prepared in accordance with GAAP (except, in the case of unaudited statements, as permitted by the instructions or other applicable rules of Form 10-Q or Form 8-K of the SEC) applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and will fairly present the consolidated financial position of Andrew and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments which are not, individually or in the aggregate, expected to be material).

(e) Except as reflected or reserved against in the balance sheet of Andrew dated March 31, 2007, included in the Form 10-Q filed by Andrew with the SEC on May 10, 2007 (including the notes thereto, the "***Andrew Balance Sheet***"), neither Andrew nor any of its Subsidiaries has any liabilities (absolute, accrued, contingent or otherwise) which are required by GAAP to be set forth on a consolidated balance sheet of Andrew and its consolidated Subsidiaries or in the notes thereto, *other than* (A) liabilities and obligations incurred since March 31, 2007, in the ordinary course of business which would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew, or (B) liabilities and obligations incurred in connection with this Agreement or the transactions contemplated hereby.

(f) Neither Andrew nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any contract, agreement, arrangement or understanding (including any contract or arrangement relating to any transaction or relationship between or among Andrew and any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or Person, on the other hand), where the result, purpose or intended effect of such contract or arrangement is to avoid disclosure of any material transaction involving, or material liabilities of, Andrew or any of its Subsidiaries in Andrew's or its Subsidiaries' published financial statements.

(g) There are no outstanding loans or other extensions of credit made by Andrew or any of its Subsidiaries to any executive officer (as defined in Rule 3b-7 under the Exchange Act) or director of Andrew. Andrew has not, since the enactment of the Sarbanes-Oxley Act, taken any action prohibited by Section 402 of the Sarbanes-Oxley Act.

4.5 *Information Supplied.* None of the information supplied or to be supplied by or on behalf of Andrew or its Subsidiaries for inclusion or incorporation by reference in (i) the Form S-4 will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or (ii) the Proxy Statement will, at the date it is first mailed to Andrew's stockholders or at the time of the Andrew Stockholders' Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement and the Form S-4 will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations thereunder, *except that* no representation or warranty is made by Andrew with respect to information or statements with respect to Parent or its Subsidiaries made or incorporated by reference therein or otherwise supplied by or on behalf of Parent for inclusion or incorporation by reference in the Proxy Statement or the Form S-4.

4.6 *Absence of Certain Changes or Events.*

(a) Since March 31, 2007, through the date hereof, *except* as and to the extent (i) disclosed in Andrew's quarterly report for the fiscal quarter ended March 31, 2007, and filed on Form 10-Q with the SEC on May 10, 2007, or (ii) expressly contemplated by this Agreement:

(i) Andrew and its Subsidiaries have conducted their business only in the ordinary course consistent with past practice in all material respects;

(ii) there has not been any split, combination or reclassification of any of Andrew's capital stock or any declaration, setting aside or payment of any dividend on, or other distribution (whether in cash, stock or property) in respect of, in lieu of, or in substitution for, shares of Andrew's capital stock;

(iii) except as required by a change in GAAP, there has not been any material change in accounting methods, principles or practices by Andrew; and

(iv) there has not been any action taken by Andrew or any of its Subsidiaries that, if taken during the period from the date of this Agreement through the Effective Time, would constitute a breach of any of clauses (iii), (iv), (vii), (x), (xi) or (xii) of Section 5.1(b), *other than* actions in connection with entering into this Agreement.

(b) Since December 31, 2006 through the date hereof, there have not been any changes, circumstances or events that, individually or in the aggregate, have had, or would reasonably be likely to have, a Material Adverse Effect on Andrew.

4.7 *Compliance with Applicable Laws; Permits; Litigation.*

(a) Andrew, its Subsidiaries and employees hold all permits, licenses, easements, variances, exemptions, orders, consents, registrations and approvals of all Governmental Entities which are required for the operation of the businesses of Andrew and its Subsidiaries in the manner described in the Andrew SEC Documents filed prior to the date hereof and as they are being conducted as of the date hereof (the "***Andrew Permits***"), and all Andrew Permits are in full force and effect, and all required filings and applications (including renewals) with respect to Andrew Permits have been made in a timely basis, *except* where the failure to have, or the suspension or cancellation of, or the failure to be valid or in full force and effect of, any such Andrew Permit would not reasonably be likely to have a Material Adverse Effect on Andrew. Andrew and its Subsidiaries are in compliance with and have no unresolved liability under the terms of the Andrew Permits and all Applicable Laws relating to Andrew and its Subsidiaries or their respective business or properties, *except* where the failure to be in compliance with the terms of the Andrew Permits or such Applicable Laws would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew. To the Knowledge of Andrew, there are no facts or circumstances that are reasonably likely to prevent or increase the cost of compliance with the Andrew Permits or Applicable Laws, *except* where the increased costs would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew.

(b) As of the date hereof, *except* as and to the extent disclosed in the Andrew SEC Documents filed prior to the date of this Agreement, no action, demand, suit, proceeding, mediation, arbitration, requirement or investigation by any Governmental Entity or action, demand, suit, proceeding, mediation or arbitration by any Person, against or affecting Andrew or any of its Subsidiaries or any of their respective businesses or properties, including Intellectual Property, is pending or, to the Knowledge of Andrew, threatened which, individually or in the aggregate, has had, or is reasonably likely to have, a Material Adverse Effect on Andrew.

(c) As of the date hereof and except with respect to environmental matters which are covered by Section 4.11, neither Andrew nor any of its Subsidiaries is subject to any material outstanding order, injunction or decree.

4.8 *Employees.*

(a) Except as would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew, (i) no work stoppage, slowdown, lockout, labor strike, material arbitrations, request for representation or other labor disputes against Andrew or any of its Subsidiaries are pending or, to the Knowledge of Andrew, threatened, (ii) no unfair labor practice charges, grievances or complaints are pending or, to the Knowledge of Andrew, threatened against Andrew or any of its Subsidiaries, (iii) neither Andrew nor any of its Subsidiaries is delinquent in payments to any of its employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it or amounts required to be reimbursed to such employees, (iv) Andrew and each of its Subsidiaries are in compliance with all Applicable Laws respecting labor and employment, including terms and conditions of employment, workers' compensation, occupational safety and health requirements, plant closings, wages and hours, employment discrimination, disability rights or benefits, equal opportunity, affirmative action, labor relations, employee leave issues and unemployment insurance and related matters, (v) there are no complaints, charges or claims against Andrew or any of its Subsidiaries pending with or, to the Knowledge of Andrew, threatened by any Governmental Entity or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment of any employees by Andrew and or any of its Subsidiaries, other than those occurring in the ordinary course of business, such as claims for workers' compensation or unemployment benefits, (vi) Andrew and each of its Subsidiaries have withheld all amounts required by Applicable Law to be withheld from the wages, salaries, benefits and other compensation to employees, and are not liable for any arrears of wages or any Taxes or any penalty for failure to comply with any of the foregoing, and (vii) neither Andrew nor any of its Subsidiaries is liable for any payment to any trust or other fund or to any Governmental Entity, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the ordinary course of business consistent with past practice).

(b) As of the date hereof:

(i) other than as required by Applicable Law, neither Andrew nor any of its Subsidiaries is a party to, or otherwise bound by, any material collective bargaining agreement or any other material agreement with a labor union, works council or labor organization, nor is any such agreement presently being negotiated;

(ii) no labor organization or group of employees of Andrew or any of its Subsidiaries has made a pending demand for recognition or certification, and there are no representation or certification proceedings or petitions seeking a representation proceeding presently pending or, to the Knowledge of Andrew, threatened to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority; and

(iii) to the Knowledge of Andrew, no labor union or works council is seeking to organize any employees of Andrew or any of its Subsidiaries.

4.9 *Benefit Plans.*

(a) As of the date of this Agreement, the Andrew Disclosure Letter sets forth a true and complete list of each material benefit or compensation plan, program, fund, contract, arrangement or agreement, including any material bonus, incentive, deferred compensation, vacation, stock purchase, stock option, severance, employment, golden parachute, retention, salary continuation, change of control, retirement, pension, profit sharing, healthcare, disability, life insurance or fringe benefit plan, program, fund, contract, arrangement or agreement of any kind (whether written or oral, tax-qualified or non-tax qualified, funded or unfunded, foreign or domestic, active, frozen or terminated) and any related trust, insurance contract, escrow account or similar funding arrangement, that is maintained or contributed to by Andrew or any Subsidiary (or required to be maintained or contributed to by Andrew or any Subsidiary) for the benefit of current or former directors, officers or employees of, or consultants to, Andrew and its Subsidiaries or with respect to which Andrew or any of its Subsidiaries may, directly or indirectly, have any liability, as of the date of this Agreement (the "***Andrew Benefit Plans***").

(b) Andrew has heretofore made available to Parent true and complete copies of (i) each written Andrew Benefit Plan, (ii) the actuarial report for each Andrew Benefit Plan (if applicable) for each of the last three years, (iii) the most recent determination letter from the Internal Revenue Service ("***IRS***") (if applicable) for each Andrew Benefit Plan, (iv) the current summary plan description of each Andrew Benefit Plan that is subject to the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"), (v) a copy of the description of each Andrew Benefit Plan not subject to ERISA that is currently provided to participants in such plan, (vi) a summary of the material terms of each unwritten Andrew Benefit Plan, and (vii) the annual report for each Andrew Benefit Plan (if applicable) for each of the last three years.

(c) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew, with respect to each Andrew Benefit Plan subject to United States law (each, an "***Andrew Domestic Benefit Plan***"), (i) each of the Andrew Domestic Benefit Plans has been operated and administered in compliance with its terms and Applicable Law, including ERISA and the Code, (ii) each of the Andrew Domestic Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified, and there are no existing circumstances or any events that have occurred that would reasonably be expected to adversely affect the qualified status of any such Andrew Domestic Benefit Plan, and each such plan has a favorable determination letter from the IRS to the effect that it is so qualified or the applicable remedial amendment period has not expired and, if the letter for such plan is not current, such plan is the subject of a timely request for a current favorable determination letter or the applicable remedial amendment period has not expired, (iii) with respect to each Andrew Domestic Benefit Plan that is subject to Title IV of ERISA, the present value (as defined under Section 3(27) of ERISA) of accumulated benefit obligations under such Andrew Domestic Benefit Plan, based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such Andrew Domestic Benefit Plan's actuary with respect to such Andrew Domestic Benefit Plan, did not, as of its latest valuation date, exceed the then current value (as defined under Section 3(26) of ERISA) of the assets of such Andrew Domestic Benefit Plan allocable to such accrued benefits, (iv) no Andrew Domestic Benefit Plan that is an employee welfare benefit plan (including any plan described in Section 3(1) of ERISA) (a "***Welfare Plan***") provides benefits coverage, including death or medical benefits coverage (whether or not insured), with respect to current or former employees or directors of Andrew or its Subsidiaries beyond their retirement or other termination of service, *other than* (A) coverage mandated by Applicable Law, (B) benefits the full cost of which is borne by such current or former employee or director (or his or her beneficiary), (C) coverage through the last day of the calendar month in which retirement or other termination of service occurs, or (D) medical expense reimbursement accounts, (v) no liability under Title IV of ERISA has been incurred by Andrew, its Subsidiaries or any trade or business, whether or not incorporated, all of which together with Andrew would be deemed a "single employer" within the meaning of Section 414(b), 414(c) or 414(m) of the Code or Section 4001(b) of ERISA (an "***Andrew ERISA Affiliate***"), that has not been satisfied in full, and no condition exists that presents a material risk to Andrew, its Subsidiaries or any Andrew ERISA Affiliate of incurring a liability thereunder, (vi) no Andrew Domestic Benefit Plan is a "multiemployer plan" (as such term is defined in Section 3(37) of ERISA), (vii) none of Andrew or its Subsidiaries or, to the Knowledge of Andrew, any other Person, including any fiduciary, has engaged in a transaction in connection with which Andrew, its Subsidiaries or any Andrew Domestic Benefit Plan would reasonably be expected to be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a Tax imposed pursuant to Section 4975 or 4976 of the Code, (viii) to the Knowledge of Andrew, there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Andrew Domestic Benefit Plans or any trusts, insurance contracts, escrow accounts or similar funding arrangements related thereto, (ix) all contributions or other amounts required to be paid by Andrew or its Subsidiaries as of the Effective Time with respect to each Andrew Domestic Benefit Plan in respect of current or former plan years have been paid in accordance with Section 412 of the Code or accrued in accordance with GAAP (as applicable), and (x) since January 1, 2005, no Andrew Domestic Benefit Plan has been amended or modified in a manner that increases in any material amount the benefits payable pursuant to such Andrew Domestic Benefit Plan.

(d) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew, with respect to each Andrew Benefit Plan not subject to United States law (each, an "***Andrew Foreign Benefit Plan***"), (i) the fair market value of the assets of each funded Andrew Foreign Benefit Plan, the liability of each insurer for any Andrew Foreign Benefit Plan funded through insurance or the reserve shown on the consolidated financial statements of Andrew included in the Andrew SEC Documents for any unfunded Andrew Foreign Benefit Plan, together with any accrued contributions, is sufficient to provide for the projected benefit obligations, as of the Effective Time, with respect to all current and former participants in such plan based on reasonable, country-specific actuarial assumptions and valuations and no transaction contemplated by this Agreement shall cause such assets or insurance obligations or book reserve to be less than such projected benefit obligations, (ii) each Andrew Foreign Benefit Plan has been operated and administered in compliance with its terms and Applicable Law and (iii) each Andrew Foreign Benefit Plan required to be registered has been registered and has been maintained in good standing with the appropriate regulatory authorities, (iv) to the Knowledge of Andrew, there are no pending, threatened or anticipated claims (other than routine claims for benefits) by, on behalf of or against any of the Andrew Foreign Benefit Plans or any trusts, insurance contracts, escrow accounts or similar funding arrangements related thereto, and (v) since January 1, 2005, no Andrew Foreign Benefit Plan has been amended or modified in a manner that increases in any material amount the benefits payable pursuant to such Andrew Foreign Benefit Plan.

(e) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement will (either alone or in conjunction with any other event) (i) provide for the payment of any amounts or benefits, or increase in any amounts or benefits otherwise payable or due, to any such Person under any Andrew Benefit Plan or otherwise, or (ii) result in any acceleration of the time of payment or vesting of, or any requirement to fund or secure, any such amounts or benefits (including any Andrew Stock Option) or result in any breach of or default under or restriction on the ability to terminate any Andrew Benefit Plan. No payment or benefit that will or may be made by Andrew with respect to any employee under any Andrew Benefit Plan or otherwise in connection with the transactions contemplated by this Agreement will be characterized as an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

4.10 *Taxes.*

(a) As used in this Agreement, the term "***Tax***" or "***Taxes***" means (i) all federal, state, local and foreign income, excise, gross receipts, gross income, ad valorem, profits, gains, property, capital, sales, transfer, use, payroll, employment, severance, withholding, duties, intangibles, franchise, backup withholding and other taxes, charges, levies or like assessments together with all penalties and additions to tax and interest thereon and (ii) any liability for Taxes described in clause (i) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), and the term "***Tax Return***" means any return, filing, report, questionnaire, information statement or other document required to be filed, including any amendments that may be filed, for any taxable period with any taxing authority (whether or not a payment is required to be made with respect to such filing).

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew: (i) Andrew and its Subsidiaries have timely filed all Tax Returns required to be filed by them on or prior to the date of this Agreement (all such returns being accurate and complete in all material respects) and have paid all Taxes required to be paid by them (whether or not shown as due on any Tax Return) *other than* Taxes that are not yet due; (ii) there are no Liens for Taxes on any assets of Andrew or its Subsidiaries; (iii) no deficiency for any Tax has been asserted or assessed by a taxing authority against Andrew or any of its Subsidiaries which deficiency has not been paid; (iv) Andrew and its Subsidiaries have provided adequate reserves in their financial statements for any Taxes that have not been paid; (v) neither Andrew nor any of its Subsidiaries is a party to or is bound by any Tax sharing, allocation or indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Andrew and any of its Subsidiaries); and (vi) Andrew and its Subsidiaries have withheld, collected and paid over to the appropriate governmental authority all material Taxes required to be collected or withheld.

(c) Within the past five years, neither Andrew nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify for tax-free treatment under Section 355 of the Code.

(d) Neither Andrew nor any of its Subsidiaries has been a party to a transaction that, as of the date of this Agreement, constitutes a "listed transaction" for purposes of Section 6011 of the Code and applicable Treasury Regulations thereunder (or a similar provision of state law). To the Knowledge of Andrew, Andrew has disclosed to Parent all "reportable transactions" within the meaning of Treasury Regulation Section 1.6011-4(b) (or a similar provision of state law) to which it or any of its Subsidiaries has been a party.

(e) Neither Andrew nor any of its Subsidiaries has any liability for the Taxes of any other person (other than any such liability which is solely a liability of Andrew or any of its Subsidiaries) under Treasury Regulation Section 1.1502-6 or any similar provision of state, local law or foreign law.

4.11 *Environmental Matters.* There are no pending or, to the Knowledge of Andrew, threatened legal, administrative, arbitral or other proceedings, claims, actions, causes of action, private environmental investigations or remediation activities, or governmental investigations, requests for information or notices of violation of any nature seeking to impose, or that are reasonably likely to result in the imposition, on Andrew or any of its Subsidiaries, of any liability or obligation arising under common law or under any local, state, federal or foreign environmental statute, regulation, permit or ordinance including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("***CERCLA***"), and the Waste of Electronic and Electrical Equipment and Reduction of Hazardous Substances Directives of the European Union, which liability or obligation would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew. Neither Andrew nor any of its Subsidiaries is subject to any agreement, order, judgment, decree, directive or Lien by or with any Governmental Entity or third party with respect to any environmental liability or obligation that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Andrew. Neither Andrew nor any of its Subsidiaries owns, operates or has arranged for the disposal of any substances at any real property that has been placed on the National Priorities List under CERCLA, or any similar list of contaminated sites maintained by a Governmental Entity. To the Knowledge of Andrew, neither Andrew nor any Subsidiary has manufactured, sold, marketed, installed or distributed products containing asbestos or mercury.

4.12 *Intellectual Property.*

(a) "***Intellectual Property***" shall mean trademarks, service marks, brand names, certification marks, logos and slogans, commercial symbols, business name registrations, domain names, trade dress and other indications of origin, the goodwill associated with the foregoing and registrations in any domestic or foreign jurisdiction of, and applications in any such jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application; inventions, discoveries, whether patentable or reduced to practice or not, in any domestic or foreign jurisdiction; patents, applications for patents (including provisionals, divisions, continuations, continuations in part and renewal applications), and any renewals, extensions, supplementary protection certificates or reissues or reexams thereof, in any such jurisdiction; research and development data, formulae, know-how, technical information, designs, mask works, procedures, customer and supplier lists, trade secrets and confidential information and rights in any domestic or foreign jurisdiction to limit the use or disclosure thereof by any Person; copyrights, writings and other works, whether copyrightable or not, in any such jurisdiction; computer software; and registrations or applications for registration of copyrights in any domestic or foreign jurisdiction, and any renewals or extensions thereof; rights in data or databases; and any similar intellectual property or proprietary rights.

(b) (i) Andrew and each of its Subsidiaries owns or has a legally enforceable right to use (in each case, free and clear of any material Liens) all material Intellectual Property used in or necessary for the conduct of its business as currently conducted, including all material patents and patent applications and all material trademark registrations and trademark applications; (ii) to the Knowledge of Andrew, the conduct of the business of Andrew and its Subsidiaries as currently conducted does not infringe on or misappropriate the Intellectual Property rights of any Person, and Andrew and its Subsidiaries are not in breach of any applicable grant, license, agreement, instrument or other arrangement pursuant to which Andrew or any Affiliate acquired the right to use such Intellectual Property, *except* as would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew; (iii) to the Knowledge of Andrew, no Person is materially misappropriating, infringing, diluting or otherwise violating any right of Andrew or any of its Subsidiaries with respect to any material Intellectual Property owned or used by Andrew or any of its Subsidiaries; (iv) within the three-year period prior to the date hereof, neither Andrew nor any of its Subsidiaries has received written notice of any pending or threatened material claim, order or proceeding with respect to the ownership, validity, enforcement, infringement, misappropriation or maintenance of any material Intellectual Property owned or used by Andrew or any of its Subsidiaries or with respect to the infringement, misappropriation, or licensing of any material Intellectual Property of any Person in connection with the conduct of the business of Andrew or any of its Subsidiaries as currently conducted, and no such material claim, order or proceeding was actually asserted more than three years ago and is still, to the Knowledge of Andrew, unresolved; (v) Andrew and each of its Subsidiaries have implemented commercially reasonable measures to maintain the confidentiality of the material Intellectual Property used in the business of Andrew or any of its Subsidiaries as currently conducted; (vi) immediately following the Closing, Andrew and each of its Subsidiaries shall own or have a legally enforceable right to use all material Intellectual Property on terms and conditions substantially identical to those under which Andrew or its Subsidiaries owned or used such Intellectual Property immediately prior to the Closing; (vii) to the Knowledge of Andrew, Andrew and each of its Subsidiaries have executed written agreements with all former and current employees, consultants, contractors and any and all other third parties who participated materially in the design or creation of material Intellectual Property which assign to Andrew or such Subsidiary any and all rights to such material Intellectual Property including material inventions, improvements, or discoveries of information, whether patentable or not, made by them during their service to Andrew or such Subsidiary and works of authorship that are not considered a work made for hire, *except* as would not, individually or in the aggregate, be reasonably be likely to have a Material Adverse Effect on Andrew; (viii) Andrew, together with its Subsidiaries, solely owns all material Intellectual Property that was conceived, made, discovered, reduced to practice or developed (in whole or in part, either alone or jointly with others) by any third parties performing any development, engineering, or manufacturing services on behalf of Andrew or any other services that have created any material Intellectual Property (such third parties including but not limited to all contract manufacturers, consultants providing contract engineering services, joint venture partners and providers of maquiladora services) *except* with respect to such material Intellectual Property the lack of sole ownership of which would not, individually or in the aggregate, be reasonably be likely to have a Material Adverse Effect on Andrew; and (ix) no Person has any right, title, or interest of any kind in or to any material Intellectual Property owned by Andrew or any of its Subsidiaries other than a non-exclusive license granted to customers of Andrew or any of its Subsidiaries, either directly or through a chain of distribution, to use any software of Andrew or any of its Subsidiaries that is embedded in products sold by Andrew or any of its Subsidiaries.

4.13 *State Takeover Statutes.* The Board of Directors of Andrew has adopted a resolution or resolutions approving this Agreement, the Merger and the other transactions contemplated hereby, and, assuming the accuracy of Parent's representation and warranty contained in Section 3.10 (without giving effect to the Knowledge qualification contained therein), such approval constitutes approval of the Merger and the other transactions contemplated hereby by the Board of Directors of Andrew under the provisions of Section 203 of the DGCL such that Section 203 does not apply to this Agreement and the other transactions contemplated hereby. To the Knowledge of Andrew, no state takeover statute *other than* Section 203 of the DGCL (which has been rendered inapplicable) is applicable to the Merger or the other transactions contemplated hereby.

4.14 *Brokers.* Except for fees payable to Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Andrew.

4.15 *Opinion of Financial Advisor.* Andrew has received the opinion of its financial advisor, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as of the date of this Agreement, to the effect that subject to the limitations set forth in the opinion, as of such date, the Merger Consideration is fair, from a financial point of view, to the holders of Andrew Common Stock.

4.16 *Ownership of Parent Common Stock.* None of Andrew, its Subsidiaries, nor the officers or directors of Andrew nor, to the Knowledge of Andrew without independent investigation, any of their respective Affiliates beneficially owns (as defined in Rule 13d-3 under the Exchange Act) directly, or is party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, shares of capital stock of Parent.

4.17 *Material Contracts.*

(a) For the purposes of this Agreement, a "***Contract***" shall mean any written or oral agreement, contract, subcontract, settlement agreement, lease, binding understanding, instrument, note, option, bond, mortgage, indenture, trust document, loan or credit agreement, warranty, purchase order, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature, as in effect as of the date hereof or as may hereinafter be in effect.

(b) For purposes of this Agreement, "***Andrew Material Contract***" shall mean:

(i) any Contract to which Andrew or any of its Subsidiaries is a party, that would need to be filed as an exhibit to a SEC filing made by Andrew in which exhibits were required to be filed with the SEC in response to Item 601(b)(10) of Regulation S-K promulgated under the Securities Act and the Exchange Act;

(ii) any Contract to which Andrew or any of its Subsidiaries is a party, which is material to Andrew and its Subsidiaries, taken as a whole, and which contains any covenant limiting or restricting the right of Andrew or any of its Subsidiaries, or that would, after the Effective Time, limit or restrict Andrew or any of its Subsidiaries (including the Surviving Corporation and its Subsidiaries), from engaging or competing in any material line of business or in any geographic area or with any Person in any material line of business; or

(iii) any Contract or group of Contracts with a Person (or group of affiliated Persons) to which Andrew or any of its Subsidiaries is a party, the termination or breach of which would reasonably be likely to have a Material Adverse Effect on Andrew.

(c) All Andrew Material Contracts are valid and in full force and effect and enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law), *except* to the extent that (A) they have previously expired in accordance with their terms or (B) the failure to be in full force and effect or enforceable would not, individually or in the aggregate, reasonably be likely to have a Material Adverse Effect on Andrew. Neither Andrew nor any of its Subsidiaries, nor, to Andrew's Knowledge, any counterparty to any Andrew Material Contract, has breached or violated any provision of, or committed or failed to perform any act which, with or without notice, lapse of time or both would constitute a default under the provisions of, any Andrew Material Contract, *except* in each case for those breaches, violations and defaults which would not permit any other party to cancel or terminate such Andrew Material Contract, and would not permit any other party to seek damages or other remedies (for any or all of such breaches, violations or defaults, individually or in the aggregate) which would reasonably be likely to have a Material Adverse Effect on Andrew.

4.18 *Interested Party Transactions.* Since the date of the Andrew Balance Sheet, no event has occurred that would be required to be reported as a Certain Relationship or Related Transaction pursuant to Statement of Financial Accounting Standards No. 57 or Item 404 of Regulation S-K of the SEC.

4.19 *Internal Controls and Disclosure Controls.* Andrew and its Subsidiaries have designed and maintain a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting. Andrew (i) has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information required to be disclosed by Andrew in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to Andrew's management as appropriate to allow timely decisions regarding required disclosure and (ii) has disclosed, based on its most recent evaluation of such disclosure controls and procedures prior to the date hereof, to Andrew's auditors and the audit committee of Andrew's Board of Directors (A) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect Andrew's ability to record, process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in Andrew's internal controls over financial reporting.

4.20 *Real Property.*

(a) The Andrew Disclosure Letter identifies (i) all U.S. real property owned (ii) all material non-U.S. real property owned and (iii) all material property leased, subleased or operated in whole or in part, in each case, by Andrew and its Subsidiaries (the "***Real Property***").

(b) Andrew and its Subsidiaries have good, valid and marketable fee simple title to all the Real Property that is shown on the Andrew Disclosure Letter as being owned by Andrew and its Subsidiaries (the "***Owned Real Property***"), free and clear of all Liens, as defined below, other than Permitted Liens, as defined below. "***Lien***" means any mortgage, deed of trust, deed to secure debt, other lien, security interests or pledge, escrow, charge, option, easement, covenant, condition, restriction or other encumbrance of any kind or character. "***Permitted Lien***" means (i) ad valorem taxes not yet due and payable, (ii) easements, covenants, conditions, restrictions and other similar matters of record that do not materially impair the use of the Real Property subject thereto for its present and anticipated uses by Andrew and its Subsidiaries, and (iii) zoning laws and other land use restrictions that are not violated and do not materially impair the present or anticipated uses of the Real Property subject thereto.

(c) Andrew and its Subsidiaries have good and valid leasehold title to all the Real Property that is shown on the Andrew Disclosure Letter as being leased or subleased by Andrew and its Subsidiaries (the "***Leased Real Property***"), free and clear of all Liens other than Permitted Liens. Each lease or sublease of the Leased Real Property (each, as amended, supplemented, extended, renewed or otherwise modified, a "***Lease***") grants Andrew or a Subsidiary, as applicable, the exclusive right to occupy the premises leased under such Lease, and Andrew and its Subsidiaries enjoy peaceful and undisturbed possession of the Leased Real Property. All of the Leased Real Property is insurable at regular rates. Andrew and its Subsidiaries have made available true and correct copies of all of the Leases (including without limitation all amendments, supplements, extensions, renewals, other modifications and recorded memoranda of the Leases (as recorded)) by which Andrew and its Subsidiaries lease the Leased Real Property, any notices of default given under any Lease, any notices of any violation of applicable legal requirements regarding any Leased Real Property. Neither Andrew, nor its Subsidiaries, nor any other party to any Lease is in material default under any Lease.

Article V
Covenants Relating to Conduct of Business

5.1 *Conduct of Business.*

(a) *Ordinary Course*. Except as otherwise expressly required by, or provided for, in this Agreement, as set forth in Section 5.1(a) of the Parent Disclosure Letter or Section 5.1(a) of the Andrew Disclosure Letter (as the case may be) or as consented to by the other party in writing, during the period from the date of this Agreement to the Effective Time, each of Parent and Andrew shall, and shall cause each of their respective Subsidiaries to, carry on its business in the ordinary course of such party's business consistent with past practice, maintain its existence in good standing under Applicable Law and use commercially reasonable efforts to (i) preserve intact its current business organization, (ii) keep available the services of its current officers and key employees, and (iii) preserve its relationships with its customers, suppliers and other persons with which it has significant business relations. Further, during the period from the date of this Agreement to the Effective Time, Andrew will, and will cause its Subsidiaries to, (i) maintain with financially responsible insurance companies, insurance in such amounts and against such risks and losses as are customary for companies of the size and financial condition of Andrew, and which are engaged in businesses similar to that of Andrew and its Subsidiaries and (ii) continue to timely file all reports, registrations, schedules, forms, statements and other documents, together with any amendments required to be made with respect thereto, that they are required to file with the SEC, pay all fees and assessments due and payable in connection therewith, and furnish Parent, if requested, with any work papers and other materials, including those prepared by Andrew's independent auditors (subject to Parent holding such independent auditors harmless for such materials), used in preparation thereof.

(b) *Required Consent from Parent*. Without limiting the generality of Section 5.1(a), *except* as otherwise expressly required by, or provided for in, this Agreement, or as set forth in Section 5.1(b) of the Andrew Disclosure Letter, without the prior consent of Parent, during the period from the date of this Agreement to the Effective Time, Andrew shall not do any of the following, and shall not permit any of its Subsidiaries to do any of the following:

(i) other than dividends and distributions (x) by a direct or indirect wholly owned Subsidiary of Andrew to Andrew, or (y) by a Subsidiary of Andrew that is partially owned by Andrew or any of its Subsidiaries, *provided* that Andrew or such Subsidiary receives or is to receive its proportionate share thereof, (A) declare, set aside or pay any dividends on, make any other distributions in respect of, or enter into any agreement with respect to the voting of, any of its or any of its Subsidiary's capital stock, (B) split, combine or reclassify any of its or any of its Subsidiary's capital stock or issue or authorize the issuance of any other securities as a stock dividend in respect of, in lieu of or in substitution for, shares of its or any of its Subsidiary's capital stock, or (C) purchase, redeem or otherwise acquire any shares of its or any of its Subsidiary's capital stock or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities (except, in the case of clause (C), for (1) the deemed acceptance of shares upon cashless exercise of Andrew Options or to pay tax withholding thereon or on the vesting of shares of restricted stock outstanding on the date of this Agreement, or (2) the repurchase of shares of capital stock from former employees, directors and consultants in accordance with agreements providing for the repurchase of shares upon any termination of service), notice of which will be delivered to Parent;

(ii) other than issuances or sales by a direct or indirect wholly owned Subsidiary of Andrew to Andrew, issue, grant, sell, deliver, pledge, or otherwise encumber or subject to any Lien, any shares of Andrew's or any of its Subsidiary's capital stock, any other voting securities or any securities convertible into, or exchangeable for, or any rights, warrants or options to acquire, any such shares, voting securities or convertible or exchangeable securities, *other than* (A) the issuance of Andrew Common Stock upon the exercise or conversion of Andrew Options, the Andrew Warrant or Andrew Notes, in each case outstanding as of the date of this Agreement in accordance with their present terms; (B) the issuance by a wholly owned Subsidiary of Andrew of capital stock to such Subsidiary's parent company; and (C) the issuance of shares of Andrew Common Stock, options to purchase Andrew Common Stock or the issuance of restricted stock units of Andrew, in each case, to participants in the Andrew Stock Plans in the ordinary course of business consistent with past practice; *provided, however*, that no issuance by either party of new options, shares of restricted stock, restricted stock units or similar equity-based awards to such party's directors, officers or employees may be made without the prior consent of Parent;

(iii) amend any Andrew Organizational Document;

(iv) acquire or agree to acquire, by merging or consolidating with, or by purchasing any equity interest or any security convertible into or exchangeable for any equity interest in or a portion of the assets of, or by any other manner, any Person that is not an Affiliate of Andrew or any business or division thereof, or otherwise acquire or agree to acquire any assets of a Person that is not an Affiliate of Andrew which are material, individually or in the aggregate, to its and its Subsidiaries' business, taken as a whole, *other than* pursuant to any acquisition transaction (or series of acquisition transactions), (A) which is in the existing line of business of Andrew or any of its Subsidiaries, (B) in which the fair market value of the total consideration (including the value of indebtedness or other obligations assumed or acquired in connection with such transaction(s)) issued by Andrew or their respective Subsidiaries in exchange therefor, does not, when taken together with the fair market value of such total consideration issued by Andrew in previously committed or consummated transactions pursuant to this Section 5.1(b)(iv), exceed $25,000,000 in the aggregate, (C) which does not present a material risk of delaying the Merger or making it more difficult to obtain any required consents or approvals therefor, and (D) which does not require approval of Andrew's stockholders;

(v) sell, pledge, dispose of, transfer, lease, license or otherwise encumber, or authorize the sale, pledge, disposition, transfer, lease, license or other encumbrance of, any of its or any of its Subsidiary's property or assets, *except* (A) sales, pledges, dispositions, transfers, leases, licenses or encumbrances of such property or assets in the ordinary course of business of such party or its Subsidiaries consistent with past practice but not to exceed an aggregate value of $25,000,000 for all sales, pledges, dispositions, transfers, leases, licenses or encumbrances made by Andrew or its Subsidiaries in reliance upon this clause (A), (B) sales, pledges, dispositions, transfers, leases, licenses of such property or assets by Andrew or its Subsidiary to an Affiliate of Andrew, (C) sales or dispositions of inventory in the ordinary course of business of Andrew or its Subsidiaries consistent with past practice, or (D) licenses granted, or implied, pursuant to customer contracts made in the ordinary course of business of Andrew or its Subsidiaries; provided that no Leased Real Property that is material to the businesses of Andrew or its Subsidiaries, and no Owned Real Property, may be sold, pledged, disposed of, transferred, leased, licensed or otherwise further encumbered, and no Lease or Leased Real Property that is material to the businesses of Andrew or its Subsidiaries may be amended, terminated or otherwise modified;

(vi) make any loans, advances or capital contributions to, or investments in, any other Person, *other than*: (A) in connection with any transaction permitted pursuant to Section 5.1(b)(iv) above, (B) loans or advances by Andrew or any of its wholly owned Subsidiaries to Andrew or any of its Subsidiaries, (C) investments or capital contributions in any of its wholly owned Subsidiaries, (D) employee advances made in compliance with Applicable Laws and in the ordinary course of business of Andrew consistent with past practice (provided that, in the case of this clause (D), the aggregate amount of all such advances made by Andrew or its Subsidiaries in reliance upon this clause (D), is not more than $1,000,000), (E) as required by binding Contracts in effect as of the date hereof, all of which Contracts are listed on Section 5.1(b)(vi) of the Andrew Disclosure Letter, as applicable, (F) highly liquid investments with an original maturity of three months or less at the date of purchase, made in the ordinary course of business consistent with past practice, or (G) in the ordinary course of business of such party consistent with past practice (provided that, in the case of this clause (G), the aggregate amount of all such loans, advances, capital contributions and investments made by Andrew or its Subsidiaries in reliance upon this clause (G), is not more than $10,000,000, and the transactions do not present a material risk of delaying the Merger or making it more difficult to obtain any required consents or approvals therefor, or require approval of Andrew's stockholders);

(vii) other than draws on credit facilities existing on the date hereof permitted pursuant to Section 5.1(b)(viii) below, incur any indebtedness for borrowed money, enter into any letter of credit or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for the obligations of any Person for borrowed money, *other than* in the ordinary course of business of Andrew consistent with past practice, *provided* that the aggregate amount of all such newly incurred indebtedness for borrowed money, debt securities and obligations outstanding at any time by Andrew and its Subsidiaries is not more than $10,000,000;

(viii) draw on any credit facilities existing on the date hereof *other than* in the ordinary course of business of Andrew consistent with past practice, *provided* that the aggregate amount outstanding at any time of all such draws by Andrew and its Subsidiaries from such facilities is not more than $175,000,000;

(ix) pay, discharge, settle or satisfy any claim, liability, obligation or litigation (absolute, accrued, asserted or unasserted, contingent or otherwise) requiring payment by Andrew or its Subsidiaries in excess of $10,000,000 individually, or $25,000,000 in the aggregate (excluding attorneys' fees and expenses), *other than* the payment, discharge, settlement or satisfaction in the ordinary course of business of Andrew consistent with past practice or in accordance with their terms, of liabilities disclosed, reflected or reserved against in the Andrew Balance Sheet, as applicable, or incurred since the date of such financial statements and reserved for in accordance with GAAP in the ordinary course of business of Andrew consistent with past practice;

(x) make any material Tax election, take any material position with respect to Taxes that is inconsistent with a position taken in a prior period, adopt or change any material accounting method in respect of Taxes, enter into any closing agreement or settle or compromise any material income Tax liability, or enter into any internal restructuring or reorganization that would result in any material Tax liability;

(xi) except as required by binding Contracts in effect as of the date hereof, all of which are listed on Section 5.1(b)(xi) of the Andrew Disclosure Letter (the "***Existing Benefits Commitments***"), (A) increase in any manner the compensation (including bonus and incentive compensation) or fringe benefits of any of its officers, directors or employees, except in each case as contemplated by Section 5.1(b)(xii) or Section 6.4(b), or (B) enter into any collective bargaining agreement or make any commitment to provide any pension, retirement or severance benefit to any such officers, directors or employees;

(xii) (A) commit itself to, or enter into, any employment agreement or arrangement for Andrew's chief executive officer or any executive or management employee who does or would directly report to (1) Andrew's chief executive officer, or (2) a direct report to Andrew's chief executive officer, or (B) adopt or commit itself to any material new benefit, base salary or stock option plan or arrangement, or amend, otherwise supplement or, *except* as required by Existing Benefits Commitments or Applicable Law, accelerate the timing of, or make discretionary determinations that permit, payments or vesting under any existing benefit, stock option or compensation plan or arrangement;

(xiii) change in any material respect any of their respective methods or principles of accounting unless required by GAAP or any Applicable Laws, rules or regulations, as concurred in by its independent auditors;

(xiv) enter into, modify or amend in any material respect, or terminate, or waive, release or assign any material benefit or claim under, any Contract, joint venture, strategic partnership, alliance, license or sublicense, *except* with respect to (A) Contracts for the purchase of raw materials or sale of products, in each case in the ordinary course of business of Andrew or its Subsidiaries consistent with past practice or (B) joint ventures, collaborations, strategic partnerships or alliances, which, in the case of each of (A) and (B), (1) do not involve payments by Andrew or their respective Subsidiaries of more than $25,000,000, (2) do not materially impair the conduct of a reporting business segment of Andrew and its Subsidiaries, (3) do not present a material risk of delaying the Merger or making it more difficult to obtain any required consents or approvals therefor, and (4) do not require approval of Andrew's stockholders;

(xv) enter into any material new line of business;

(xvi) take any action that would subject Andrew or any of its Subsidiaries to any material non-compete or other similar material restriction on the conduct of any of their respective businesses that would be binding following the Closing;

(xvii) make or agree to make any new capital expenditure or expenditures, or enter into any agreement or agreements providing for payments by Andrew or its Subsidiaries for capital expenditures which, in the aggregate, are in excess of $50,000,000; or

(xviii) authorize, or commit or agree to take, any of the foregoing actions.

(c) *Required Consent from Andrew*. Without limiting the generality of Section 5.1(a), *except* as otherwise expressly required by, or provided for in, this Agreement, or as set forth in Section 5.1(c) of the Parent Disclosure Letter, without the prior consent of Andrew, during the period from the date of this Agreement to the Effective Time, Parent shall not do any of the following, and shall not permit any of its Subsidiaries to do any of the following:

(i) amend any Parent Organizational Document in any respect that would reasonably be expected to be materially adverse to Parent's shareholders;

(ii) acquire or agree to acquire, by merging or consolidating with, or by purchasing any equity interest or any security convertible into or exchangeable for any equity interest in or a portion of the assets of, or by any other manner, any Person, which acquisition, merger, consolidation or purchase would reasonably be expected to materially impede or delay the receipt of any approvals from any Governmental Entities contemplated hereby; or

(iii) authorize, or commit or agree to take, any of the foregoing actions.

5.2 *Solicitation.*

(a) The following terms will have the definitions set forth below:

(i) An "***Alternative Transaction***" shall mean any of the following transactions: (i) any transaction or series of related transactions with one or more third Persons involving: (A) any purchase from Andrew or acquisition by any Person or "group" (as defined under Section 13(d) of the Exchange Act and the rules and regulations thereunder) of more than a 20% interest in the total outstanding voting securities of Andrew or any tender offer or exchange offer that if consummated would result in any Person or group beneficially owning 20% or more of the total outstanding voting securities of Andrew or any merger, consolidation or business combination involving Andrew as a whole, or (B) any sale, lease (other than in the ordinary course of business consistent with past practice), exchange, transfer, license (other than in the ordinary course of business consistent with past practice), acquisition or disposition of more than 20% of the assets of Andrew (including equity securities of any Subsidiary of such party) on a consolidated basis, or (ii) any liquidation or dissolution of Andrew;

(ii) An "***Alternative Transaction Proposal***" shall mean any offer or proposal relating to an Alternative Transaction;

(iii) A "***Superior Proposal***" means an unsolicited, bona fide, written Alternative Transaction Proposal made by a third Person to acquire, directly or indirectly, pursuant to a tender offer, exchange offer, merger, consolidation or other business combination, (A) 50% or more of the assets of Andrew on a consolidated basis or (B) 50% or more of the outstanding voting securities of Andrew, and as a result of which, the stockholders of Andrew immediately preceding such transaction would hold less than 50% of the aggregate equity interests in the surviving or resulting entity of such transaction (or its ultimate parent), which the Board of Directors of Andrew has in good faith determined (taking into account, among other things, (1) the advice of its outside legal counsel and its financial adviser, and (2) all terms of such Alternative Transaction Proposal and this Agreement (as it may be proposed to be amended by Parent)), to be more favorable to Andrew's stockholders (in their capacities as stockholders) than the terms of this Agreement (as it may be proposed to be amended by Parent) and to be reasonably capable of being consummated on the terms proposed, taking into account all other legal, financial, regulatory and other aspects of such Alternative Transaction Proposal and the Person making such Alternative Transaction Proposal including, if such Alternative Transaction Proposal involves any financing, the likelihood of obtaining such financing and the terms on which such financing may be secured.

(b) Andrew shall not, and shall not permit any of its Subsidiaries to, or authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its Subsidiaries to, directly or indirectly, (i) solicit, initiate or encourage (including by way of furnishing any information), or take any other action intended to facilitate, induce or encourage, any inquiries with respect to, or the making, submission or announcement of, any Alternative Transaction Proposal, (ii) participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to, any, or any possible, Alternative Transaction Proposal (except (A) to disclose the existence of the provisions of this Section 5.2, or (B) to the extent specifically permitted pursuant to Section 5.2(d)), (iii) approve, endorse or recommend any Alternative Transaction (except to the extent specifically permitted pursuant to Section 5.3), or (iv) enter into any letter of intent or similar document or any contract, agreement or commitment contemplating or otherwise relating to any possible or proposed Alternative Transaction Proposal. Andrew and each of its Subsidiaries will immediately cease, and will cause their officers, directors and employees and any investment banker, financial adviser, attorney, accountant or other representative retained by it to cease, any and all existing activities, discussions or negotiations with any third Persons conducted heretofore with respect to any possible or proposed Alternative Transaction, and will use its reasonable best efforts to enforce (and not waive any provisions of) any confidentiality agreement (or any similar agreement) relating to any such possible or proposed Alternative Transaction.

(c) As promptly as practicable (and in any event within 48 hours) after receipt of any Alternative Transaction Proposal or any request for nonpublic information or any inquiry relating to any Alternative Transaction Proposal, Andrew shall provide Parent with oral and written notice of the material terms and conditions of such Alternative Transaction Proposal, request or inquiry, and the identity of the Person or group making any such Alternative Transaction Proposal, request or inquiry. In addition, Andrew shall provide Parent as promptly as practicable with oral and written notice setting forth all such information as is reasonably necessary to keep Parent informed in all material respects of all material developments regarding the status and terms (including material amendments or proposed material amendments) of, any such Alternative Transaction Proposal, request or inquiry, and, without limitation of the other provisions of this Section 5.2, shall promptly provide to Parent a copy of all written materials (including written materials provided by e-mail or otherwise in electronic format) subsequently provided by or to it in connection with such Alternative Transaction Proposal, request or inquiry. Andrew shall provide Parent with 48 hours' prior notice (or such lesser prior notice as is provided to the members of its Board of Directors) of any meeting of its Board of Directors at which its Board of Directors is reasonably likely to consider any such Alternative Transaction Proposal or Alternative Transaction.

(d) Notwithstanding anything to the contrary contained in Section 5.2(b), in the event that Andrew receives an unsolicited, bona fide Alternative Transaction Proposal which is determined by its Board of Directors to be, or to be reasonably likely to lead to, a Superior Proposal, it may then take the following actions (but only (1) if and to the extent that (x) its Board of Directors concludes in good faith, after receipt of advice of its outside legal counsel, that the failure to do so is reasonably likely to result in a breach of its fiduciary obligations to its stockholders under Applicable Law and (y) Andrew has given Parent at least three business days' prior written notice of its intention to take any of the following actions and of the identity of the Person or group making such Superior Proposal and the material terms and conditions of such Superior Proposal and (2) if it shall not have breached in any material respect any of the provisions of this Section 5.2):

(i) furnish nonpublic information to the Person or group making such Superior Proposal, *provided* that (A) prior to furnishing any such nonpublic information, it receives from such Person or group an executed confidentiality agreement containing terms at least as restrictive as the terms contained in the Confidentiality Agreement (except that such confidentiality agreement need not include a standstill), dated as of April 3, 2007, between Andrew and Parent (together with the Confidentiality Agreement, dated as of May 17, 2007, between Parent and Andrew, the "***Confidentiality Agreements***"), and (B) contemporaneously with furnishing any such nonpublic information to such Person or group, it furnishes such nonpublic information to Parent (to the extent such nonpublic information has not been previously so furnished to Parent); and

(ii) engage in negotiations with such Person or group with respect to such Superior Proposal; *provided, however*, in no event shall Andrew enter into any definitive agreement (other than a confidentiality agreement as permitted hereunder) to effect such Superior Proposal unless the Board of Directors of Andrew approves a Superior Proposal in accordance with Section 5.3 and authorizes Andrew to enter into a binding written agreement with respect to that Superior Proposal and, in connection with the termination of this Agreement and entering into the agreement reflecting the Superior Proposal, pays to Parent in immediately available funds the Termination Fee required to be paid by Section 8.3(a)(v).

(e) Nothing contained in this Agreement shall prohibit Andrew or its Board of Directors from taking and disclosing to Andrew's stockholders a position contemplated by Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act or making any disclosure required by Applicable Law.

5.3 *Board of Directors Recommendation.*

(a) In response to the receipt of an unsolicited, bona fide Alternative Transaction Proposal which is determined by the Board of Directors of Andrew to be a Superior Proposal, Andrew's Board of Directors may withhold, withdraw, amend or modify its recommendation in favor of approval and adoption of this Agreement and the Merger and may approve or recommend to its shareholders any Superior Proposal (any of the foregoing actions, whether by a Board of Directors or a committee thereof, a "***Change of Recommendation***") if the Board of Directors of Andrew has concluded in good faith, after receipt of advice of its outside legal counsel, that, in light of such Superior Proposal, the failure of the Board of Directors to effect a Change of Recommendation is reasonably likely to result in a breach of its fiduciary obligations to its stockholders under Applicable Law.

(b) Prior to announcing any Change of Recommendation pursuant to Section 5.3(a), Andrew shall (A) provide to Parent three business days' prior written notice which shall (x) state expressly that it intends to effect a Change of Recommendation and (y) describe any modifications to the material terms and conditions of the Superior Proposal and the identity of the Person or group making the Superior Proposal from the description of such terms and conditions and such Person contained in the notice required under Section 5.2(d), (B) make available to Parent all materials and information made available to the Person or group making the Superior Proposal in connection with such Superior Proposal, and (C) during the three business-day period commencing upon receipt of the notice described in Section 5.3(b)(A), if requested by Parent, engage in good faith negotiations to amend this Agreement in such a manner that the Alternative Transaction Proposal which was determined to be a Superior Proposal no longer is a Superior Proposal.

(c) In addition to the circumstances set forth in Section 5.3(a), the Board of Directors of Andrew may effect a Change of Recommendation (but only insofar as the same involves withholding, withdrawing, amending or modifying its recommendation in favor of the approval and adoption of this Agreement and the Merger) if there shall have occurred and be continuing any other event, occurrence or circumstance as a result of which, in the good faith judgment of the Board of Directors of Andrew, after consultation with outside counsel of Andrew, the failure to effect a Change in Recommendation would violate the fiduciary duties of the Andrew Board of Directors to Andrew's stockholders under Applicable Law.

(d) If the Board of Directors of Andrew has effected a Change of Recommendation, Andrew shall promptly notify Parent in writing of such Change in Recommendation, including the specific subparagraph, but not more than one subparagraph, of Section 5.3 in reliance upon which such Change in Recommendation is made.

If Parent thereafter terminates this Agreement in accordance with Section 8.1 based upon such notice, then the termination effects with respect to the specific subparagraph identified in such notice that are set forth in Section 8.3 shall apply.

5.4 *Control of Other Party's Business.* Nothing contained in this Agreement shall be construed to give Parent, directly or indirectly, the right to control or direct Andrew's operations or give Andrew, directly or indirectly, the right to control or direct Parent's operations, in each case, prior to the Effective Time. Prior to the Effective Time, each of Parent and Andrew shall exercise, on the terms and subject to the conditions of this Agreement, complete control and supervision over its respective operations.

Article VI
Additional Agreements

6.1 *Preparation of SEC Documents; Stockholders' Meeting.*

(a) As soon as practicable following the date of this Agreement, Andrew and Parent shall agree upon the terms of, prepare and file with the SEC the Proxy Statement, and Parent shall prepare and file with the SEC the Form S-4, in which the Proxy Statement will be included as a prospectus. Each of Andrew and Parent shall use commercially reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after such filing. Andrew will use commercially reasonable efforts to cause the Proxy Statement to be mailed to Andrew's stockholders as promptly as practicable after the Form S-4 is declared effective under the Securities Act. Parent shall also take any action (other than qualifying to do business in any jurisdiction in which it is not now so qualified or to file a general consent to service of process) reasonably required to be taken under any applicable state securities laws in connection with the Parent Share Issuance, and Andrew shall furnish all information concerning Andrew and the holders of Andrew Common Stock as may be reasonably requested in connection with any such action. Each party shall cooperate and provide the other party with a reasonable opportunity to review and comment on any amendment or supplement to the Form S-4 or the Proxy Statement or any filing with the SEC incorporated by reference in the Form S-4 or the Proxy Statement, in each case prior to filing such with the SEC, except where doing so would cause the filing to not be filed timely, without regard to any extension pursuant to Rule 12b-25 of the Exchange Act; *provided, however*, that each party shall be deemed to have consented to the inclusion in the Form S-4, the Proxy Statement or any filing with the SEC incorporated by reference in the Form S-4 or the Proxy Statement of any information, language or content specifically agreed to by such party or its counsel on or prior to the date hereof for inclusion therein. Parent will advise Andrew promptly after it receives notice of (i) the time when the Form S-4 has become effective or any supplement or amendment has been filed, (ii) the issuance or threat of any stop order, (iii) the suspension of the qualification of the Parent Common Stock issuable in connection with this Agreement for offering or sale in any jurisdiction, or (iv) any request by the SEC for amendment of the Proxy Statement or the Form S-4 or comments thereon and responses thereto or requests by the SEC for additional information. If at any time prior to the Effective Time any information (including any Change of Recommendation) relating to Andrew or Parent, or any of their respective Affiliates, officers or directors, should be discovered by Andrew or Parent which should be set forth in an amendment or supplement to any of the Form S-4 or the Proxy Statement, so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement, including, where appropriate, a filing pursuant to Rules 165 and 425 of the Securities Act, describing such information shall promptly be filed with the SEC and, to the extent required by law, disseminated to the stockholders of Andrew.

(b) Andrew shall, as promptly as practicable after the Form S-4 is declared effective under the Securities Act, take all action necessary in accordance with Applicable Law and the Andrew Organizational Documents to duly give notice of, convene and hold a meeting of its stockholders to be held as promptly as practicable to consider the approval and adoption of this Agreement and the Merger (the "***Andrew Stockholders' Meeting***"). Except in the case of a Change of Recommendation in accordance with Section 5.3, Andrew will use commercially reasonable efforts to solicit from its stockholders proxies in favor of the approval and adoption of this Agreement and the Merger and will take all other action reasonably necessary or advisable to secure the vote or consent of its stockholders required by the rules of NASDAQ or Applicable Law to obtain such approvals. Notwithstanding anything to the contrary contained in this Agreement, Andrew may adjourn or postpone the Andrew Stockholders' Meeting to the extent necessary to ensure that any necessary supplement or amendment to the Proxy Statement is provided to its stockholders in advance of a vote on the adoption and approval of this Agreement and the Merger or, if, as of the time for which the Andrew Stockholders' Meeting is originally scheduled, there are insufficient shares of Andrew Common Stock represented (either in person or by proxy) to constitute a quorum necessary to conduct the business of such meeting. Andrew shall use commercially reasonable efforts such that the Andrew Stockholders' Meeting is called, noticed, convened, held and conducted, and that all proxies solicited in connection with the Andrew Stockholders' Meeting are solicited in compliance with Applicable Law, the rules of the NASDAQ and the Andrew Organizational Documents. Without the prior written consent of Parent, the approval and adoption of this Agreement and the Merger is the only matter which Andrew shall propose to be acted on by Andrew's stockholders at the Andrew Stockholders' Meeting.

(c) Andrew will use commercially reasonable efforts to hold the Andrew Stockholders' Meeting as soon as reasonably practicable after the date of this Agreement, subject to the requirements of Instruction D.3 to Schedule 14A (Rule 14a-101) promulgated under the Exchange Act.

(d) Except to the extent expressly permitted by Section 5.3: (i) the Board of Directors of Andrew shall recommend that its stockholders vote in favor of the approval and adoption of this Agreement and the Merger at the Andrew Stockholders' Meeting, (ii) the Proxy Statement shall include a statement to the effect that the Board of Directors of Andrew has recommended that Andrew's stockholders vote in favor of approval and adoption of this Agreement and the Merger at the Andrew Stockholders' Meeting, and (iii) neither the Board of Directors of Andrew nor any committee thereof shall withdraw, amend or modify, or propose or resolve to withdraw, amend or modify in a manner adverse to the other party, the recommendation of its respective Board of Directors that the stockholders of Andrew vote in favor of the approval and adoption of this Agreement and the Merger.

(e) Notwithstanding anything to the contrary in this Agreement, if Parent shall have determined, by irrevocable written notice to Andrew, not to include any Parent Common Stock in the Election Merger Consideration, Parent shall have no obligation to file or have declared effective the Form S-4 with the SEC.

6.2 *Access to Information; Confidentiality.*

(a) Subject to the Confidentiality Agreements and Applicable Law, each of Andrew and Parent shall, and shall cause each of its respective Subsidiaries to, afford to the other party and to the officers, employees, accountants, counsel, financial advisors and other representatives of such other party, reasonable access during normal business hours during the period prior to the Effective Time to all their respective properties, books, contracts, commitments, personnel and records (provided that such access shall not interfere with the business or operations of such party) and, during such period, each of Andrew and Parent shall, and shall cause each of its respective Subsidiaries to, furnish promptly to the other party (a) a copy of each report, schedule, registration statement and other document filed by it during such period pursuant to the requirements of federal or state securities laws and (b) all other information concerning its business, properties and personnel as such other party may reasonably request. No review pursuant to this Section 6.2 shall affect or be deemed to modify any representation or warranty contained herein, the covenants or agreements of the parties hereto or the conditions to the obligations of the parties hereto under this Agreement. Between the date hereof and Closing, Andrew and its Subsidiaries shall afford Parent and its authorized representatives reasonable access, during normal business hours and upon reasonable notice, to the Real Property to conduct such activities as are necessary to consummate the Merger (including to satisfy requirements of lenders that will provide financing for the Merger) only, and for no other purposes, provided that any such investigations shall be conducted in such a manner as not to interfere unreasonably with the normal operations of Andrew and its Subsidiaries.

(b) Andrew agrees to deliver to Parent as soon as is reasonably practicable, to the extent in the possession or control of Andrew or its Subsidiaries, true and correct copies of the most recent title insurance policy (or if none, title opinion, title certificate or other equivalent evidence of title) and most recent survey for each Owned Real Property and any lease agreements regarding the Real Property to which it is a party.

(c) Each of Andrew and Parent will hold, and will cause its respective officers, employees, accountants, counsel, financial advisors and other representatives and Affiliates to hold, any nonpublic information received from the other party in confidence in accordance with the terms of the Confidentiality Agreements.

(d) If, on the date that is five business days before the date that the parties' obligations under the Confidentiality Agreements terminate, (i) the Effective Time has not occurred and (ii) this Agreement has not been terminated pursuant to Section 8.1, then the parties shall amend the Confidentiality Agreements to extend the term of each party's obligations under the Confidentiality

Agreements to the earlier of (A) the Effective Time and (B) the date on which this Agreement is terminated pursuant to Section 8.1.

6.3 *Commercially Reasonable Efforts.*

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the Merger and the other transactions contemplated by this Agreement, including commercially reasonable efforts to accomplish the following: (i) the taking of all acts necessary to cause the conditions to the Closing to be satisfied (but in no event shall a party be required to waive any such condition) as promptly as practicable, (ii) the obtaining of all necessary actions or nonactions, waivers, consents, clearances and approvals from Governmental Entities and the making of all necessary registrations and filings, including all filings required by the HSR Act (the initial filing required by the HSR Act to be filed as soon as reasonably practicable, but in any event within 15 days, following the execution of this Agreement) and any applicable antitrust, competition or similar laws of any foreign jurisdiction, and the taking of all steps as may be necessary to obtain an approval, clearance or waiver from, or to avoid an action or proceeding by, any Governmental Entity, (iii) the obtaining of all necessary consents, approvals or waivers from third parties, (iv) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed, and (v) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. In furtherance of the covenants contained in Sections 6.3(a)(ii) and 6.3(a)(iv), Parent and Andrew shall, if required by one or more Governmental Entities acting pursuant to any applicable antitrust, competition or similar laws to obtain any of the actions or nonactions, waivers, consents, clearances, approvals, or avoidance of actions or proceedings referred to in Sections 6.3(a)(ii), or pursuant to Section 6.3(a)(iv) or if required by a federal, state or foreign court, agree to the divestiture by Parent, Andrew or any of their respective Subsidiaries of shares of capital stock or of any business, assets or property of Parent or its Subsidiaries or Andrew or its Subsidiaries and the imposition of any limitation on the ability of Parent or its Subsidiaries or Andrew or its Subsidiaries to conduct their respective businesses or to own or exercise control of their respective assets, properties and stock (including licenses, hold separate agreements, covenants affecting business operating practices or similar matters) if such divestitures and limitations, individually or in the aggregate, would not be reasonably expected to result in the loss of annualized revenue of Parent and Andrew on a combined consolidated basis of more than $225,000,000. Subject to Applicable Laws relating to the exchange of information and in addition to Section 6.3(b), Parent and Andrew, or their respective counsel, shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Parent and its Subsidiaries or Andrew and its Subsidiaries, as the case may be, that appears in any filing made with, or written materials submitted to, any third party or any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement.

(b) Subject to Applicable Laws relating to the exchange of information, each of Andrew and Parent shall keep the other reasonably apprised of the status of matters relating to the completion of the transactions contemplated hereby and work cooperatively in connection with obtaining all required approvals, consents or clearances of any Governmental Entity (whether domestic, foreign or supranational). In that regard, each party shall use commercially reasonable efforts to: (i) promptly notify the other of, and if in writing, furnish the other with copies of (or, in the case of material oral communications, advise the other orally of) any communications from or with any Governmental Entity (whether domestic, foreign or supranational) with respect to the Merger or any of the other transactions contemplated by this Agreement, (ii) permit the other to review and discuss in advance, and consider in good faith the views of the other in connection with, any proposed written (or any material proposed oral) communication with any such Governmental Entity, (iii) not participate in any meeting with any such Governmental Entity unless it consults with the other in advance and to the extent permitted by such Governmental Entity gives the other the opportunity to attend and participate thereat, (iv) furnish the other with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and any such Governmental Entity with respect to this Agreement and the Merger, and (v) furnish the other with such necessary information and reasonable assistance as Andrew or Parent may reasonably request in connection with its preparation of necessary filings or submissions of information to any such Governmental Entity. Each of Andrew and Parent shall designate any competitively sensitive material provided to the other under this Section 6.3 as "outside counsel only." Such material and the information contained therein shall be given only to the outside legal counsel of the recipient and will not be disclosed by such outside counsel to employees, officers, or directors of the recipient unless express permission is obtained in advance from the source of the materials (Andrew or Parent, as the case may be) or its legal counsel.

(c) In connection with and without limiting the foregoing, Andrew and Parent shall (i) take all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to this Agreement or any of the transactions contemplated hereby and (ii) if any state takeover statute or similar statute or regulation becomes applicable to this Agreement or any of the transactions contemplated hereby, take all action necessary to ensure that such transactions may be consummated as promptly as practicable on the terms required by, or provided for, in this Agreement and otherwise to minimize the effect of such statute or regulation on the Merger and the other transactions contemplated by this Agreement.

6.4 *Indemnification and Insurance.*

(a) Immediately after the Effective Time, the certificate of incorporation and by-laws of the Surviving Corporation will contain provisions with respect to exculpation and indemnification that are at least as favorable to the present and former officers and directors of Andrew and its Subsidiaries (each an "***Indemnified Party***") as those contained in the Andrew Charter and the Andrew By-laws as in effect on the date hereof, which provisions will not be amended, repealed or otherwise modified for a period of six years from the Effective Time in any manner that would adversely affect the rights thereunder of individuals who, immediately prior to the Effective Time, were directors, officers, employees or agents of Andrew, unless such modification is required by law. Parent shall cause the Surviving Corporation to indemnify and hold harmless each Indemnified Party against all claims, losses, liabilities, damages, judgments, inquiries, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of actions taken by them in their capacity as officers or directors at or prior to the Effective Time (including in connection with this Agreement and the transactions contemplated hereby), or taken by them at the request of Andrew, Parent, the Surviving Corporation or any of their respective Subsidiaries, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent permitted under Applicable Law for a period of six years after the Effective Time. Each Indemnified Party shall be entitled to advancement of expenses incurred in the defense of any claim, action, suit, proceeding or investigation from the Surviving Corporation within ten Business Days of receipt by the Surviving Corporation from the Indemnified Party of a request therefor; *provided, however*, that any Indemnified Party to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification. Neither Parent nor the Surviving Corporation shall settle, compromise or consent to the entry of any judgment in any proceeding or threatened action, suit, proceeding, investigation or claim in which indemnification could be sought by such Indemnified Party hereunder, without the consent of such Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed, unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liability arising out of such action, suit, proceeding, investigation or claim.

(b) Prior to the Effective Time, Parent shall purchase a directors' and officers' and fiduciary liability insurance policy providing coverage for a period of at least six years following the Effective Time for persons who were officers and/or directors of Andrew prior to the Effective Time for claims arising after the Effective Time from facts or events which occurred at or prior to the Effective Time, and in each case, which policy shall provide for at least the same coverage and amounts containing terms and conditions that are not less advantageous than the respective policies of Andrew, as in place at the Effective Time; *provided, however*, that in no event will Parent be required to expend in any year an amount in excess of 250% of the annual aggregate premiums currently paid by Andrew for such insurance (the "***Maximum Premium***"). If such insurance coverage cannot be obtained at all, or can only be obtained at an annual premium in excess of the Maximum Premium, Parent will cause to be maintained the most advantageous policies of directors' and officers' insurance obtainable for an annual premium equal to the Maximum Premium.

(c) In the event that Parent or any of its successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision will be made so that the successors and assigns of Parent assume the obligations set forth in this Section 6.4.

(d) The provisions of this Section 6.4 are intended for the benefit of, and will be enforceable by, each Indemnified Party and his or her heirs and representatives, and are in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Indemnified Party may have had by contract or otherwise.

6.5 *Fees and Expenses.* Except as otherwise set forth in this Section 6.5 and in Section 8.3, all fees and expenses incurred in connection with the Merger, this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such fees or expenses (including Andrew's fees and expenses incurred in connection with the printing and mailing of the Proxy Statement to its shareholders), whether or not the Merger is consummated, *provided* that Andrew shall pay any foreign, state or local real estate transfer or similar taxes imposed on the stockholders of Andrew as a result of the transactions contemplated in this Agreement. Parent and Andrew shall each bear one-half of the filing fees required by the HSR Act and any antitrust, competition or similar laws of any foreign jurisdiction. Parent shall bear the fee to the SEC for the Form S-4 (including any amendments thereto).

6.6 *Announcements.* Parent and Andrew will consult with each other before issuing, and will provide each other the opportunity to review, comment upon and concur with, and use commercially reasonable efforts to agree on, any press release, public statements or other announcements with respect to the transactions contemplated by this Agreement, including any announcement to employees, customers, suppliers or others having dealings with Parent or Andrew, respectively, or similar publicity with respect to this Agreement or the transactions contemplated by this Agreement, and shall not issue any such press release or make any such public statement or other announcement prior to such consultation, *except* as either party may determine is required by Applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or stock market.

6.7 *Listing.* Parent shall use all reasonable best efforts to cause the Parent Common Stock issuable under Article II and those shares of Parent Common Stock required to be reserved for issuance under the Andrew Stock Plans, the Andrew Warrant and the Andrew Indenture to be authorized for listing on the NYSE, upon notice of issuance, exercise or conversion, as applicable.

6.8 *Conveyance Taxes.* Parent and Andrew shall cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer, sales, use, transfer, value added, stock transfer and stamp taxes, any transfer, recording, registration and other fees or any similar taxes which become payable in connection with the transactions contemplated by this Agreement that are required or permitted to be filed on or before the Effective Time, and any such taxes shall be paid one-half by Parent and one-half by Andrew.

6.9 *Employee Benefits.*

(a) For one year following the Effective Time (the "***Continuation Period***"), with respect to each country in which Andrew has an employee workforce, Parent shall provide or cause to be provided to the employee workforce of the Surviving Corporation and the other members of the employee workforce of any other Affiliate of Parent who were employees of Andrew or any of its Subsidiaries immediately prior to the Effective Time ("***Continuing Employees***"), employee benefits that, in the aggregate, are no less favorable than the employee benefits package provided by Andrew to the Continuing Employees in such country by Andrew or any of its Subsidiaries; *provided*, *however*, that, subject to Applicable Law, if Parent has an employee workforce in such country, Parent may, in lieu thereof, provide to the Continuing Employees the benefits package offered to Parent's employee workforce in such country immediately prior to the execution of this Agreement; and, *provided, further,* that with respect to equity based compensation, Parent shall have no obligation to provide equity awards to the Continuing Employees during the Continuation Period covering a number of shares of Parent Common Stock in excess of the number of shares of Andrew Common Stock available under the 2000 Management Incentive Program and/or 2005 Long Term Incentive Plan of Andrew as in effect immediately prior to the Effective Time (as appropriately adjusted to reflect the Merger). Notwithstanding anything in this Section 6.9(a) to the contrary, each employee of Andrew or any of its Subsidiaries, other than any director or officer of Andrew, who is covered and eligible for benefits under an Andrew Domestic Benefit Plan that provides for payment of cash severance benefits upon certain employment termination shall, upon termination of employment within one year following the Effective Time, receive the severance benefits provided by the Andrew Domestic Benefit Plans applicable to non-officer and non-director employees (including, without limitation, the Allen Telecom, Inc. Key Employee Severance Policy and the Andrew Employee Severance Plan effective May 1, 2007) or, if the cash severance payments would be higher under a severance plan maintained by Parent or its Affiliates (other than Andrew and its Subsidiaries) applicable to non-officer and non-director employees, such plan of Parent or its Affiliates. From and after the Effective Time, Parent and its Affiliates shall continue, and shall cause the Surviving Entity to continue, the Allen Telecom, Inc. Key Employee Severance Policy in accordance with its terms in effect on the date hereof until it is amended or terminated in accordance with the provisions of the policy, including (without limitation) the consent requirement described in Section II of the policy.

(b) Following the Effective Time, Parent shall recognize (or cause to be recognized) the service of each Continuing Employee with Andrew or any of its Subsidiaries for purposes of (i) eligibility and vesting under any Parent Benefit Plan, (ii) determination of benefits levels under any vacation or severance Parent Benefit Plan and (iii) determination of "retiree" status under any Parent Benefit Plan, for which the Continuing Employee is otherwise eligible and in which the Continuing Employee is offered participation, in each case *except* where such crediting would result in a duplication of benefits or such service would not be recognized for a similarly situated employee of Parent or one of its subsidiaries. To the extent Parent establishes or designates a

Parent Benefit Plan to provide group health benefits to Continuing Employees, (x) Parent shall, with respect to each such Parent Benefit Plan, waive pre-existing condition limitations with respect to Continuing Employees to the same extent waived or no longer applicable under the applicable group health plan of Andrew and (y) each Continuing Employee shall be given credit under the applicable Parent Benefit Plan for amounts paid under the corresponding group health plan of Andrew or an Affiliate during the plan year in which the Effective Time occurs for purposes of applying deductibles, co-payments and out-of-pocket maximums for such plan year.

(c) As of the Effective Time, the Surviving Corporation shall assume all rights (including the rights to modify in accordance with their terms) under and agree to perform in accordance with their terms (i) all employment, severance and other compensation agreements and arrangements existing as of the date hereof (and provided to Parent by Andrew prior to the date hereof) between Andrew or any of its Subsidiaries and any director, officer or employee thereof, and (ii) any such agreements or arrangements entered into after the date hereof and prior to the Effective Time by Andrew or any of its Subsidiaries in compliance with the terms of this Agreement.

(d) For a period not less than one year following the Effective Time, Parent and its Affiliates shall maintain, and shall cause the Surviving Corporation to maintain, each Andrew Domestic Benefit Plan that is a Welfare Plan providing benefits to retirees and other current and future former employees of Andrew (and their respective spouses and dependents) in accordance with the terms of each such plan (including cost sharing feature) as in effect immediately prior to the date hereof.

(e) Andrew shall, if requested to do so by Parent and if permitted by Applicable Law, take any action required to terminate its defined contribution 401(k) plan, such termination to be effective immediately prior to and conditioned upon the Effective Time; provided, however, that Andrew shall be permitted to authorize a profit sharing contribution to such plan for 2007 for allocation to eligible employees in an amount equal to the lesser of (x) 3.5% of the adjusted pre-tax income of Andrew and its Subsidiaries on a consolidated basis and (y) $5,400,000 and further provided that nothing in this Section 6.9(e) shall be construed as requiring Andrew to make plan termination distributions or otherwise wind up its 401(k) plan prior to the Effective Time. Parent shall provide, or shall cause the Surviving Corporation to provide, that each Continuing Employee who is a participant in Andrew's 401(k) plan shall be given the opportunity to "roll over" his or her account balance (including any promissory note evidencing an outstanding loan) from the terminated plan to a tax-qualified defined contribution plan maintained by Parent or the Surviving Corporation.

(f) Without limiting the generality of Section 9.7, nothing in this Agreement will be construed to create a right in any employee of Andrew or any Subsidiary to employment with Parent, the Surviving Corporation or any other Subsidiary of Parent or grant or create any right in any employee or beneficiary of such employee under an Parent Benefit Plan or an Andrew Benefit Plan, nor shall anything is this Agreement be deemed to constitute an amendment of any Andrew Benefit Plan.

6.10 *Consents of Accountants.* Andrew and Parent will each use commercially reasonable efforts to cause to be delivered to each other consents from their respective independent auditors, dated the date on which the Form S-4 is filed with the SEC, is amended or supplemented, and becomes effective or a date not more than two days prior to each such date, in form reasonably satisfactory to the recipient and customary in scope and substance for consents delivered by independent public accountants in connection with registration statements on Form S-4 under the Securities Act.

6.11 *Financing.*

(a) Parent shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange debt financing for the purpose of funding the transactions contemplated by this Agreement (the "***Debt Financing***") so as to close within the time period provided in Section 1.2 hereof. Parent shall keep Andrew informed on a reasonably current basis of the status of its efforts to arrange the Debt Financing.

(b) Andrew shall provide to Parent all cooperation reasonably requested by Parent that is reasonably necessary and customary in connection with the Debt Financing (provided that such requested cooperation shall not unreasonably interfere with the operation of the business of Andrew or require Andrew to take any action Andrew reasonably believes to be inconsistent with Applicable Laws and provided further that Andrew shall not be required to pay any commitment or other similar fee or incur any other cost, expense or liability that is not simultaneously reimbursed by Parent in connection with the Debt Financing or any of the actions contemplated by this Section 6.11 prior to the Closing), including:

(i) participating in a reasonable number of customary meetings, presentations, road shows, due diligence sessions, drafting sessions and sessions with rating agencies;

(ii) assisting Parent with the preparation of materials for rating agency presentations and offering documents (including private placement memoranda, bank information memoranda, prospectuses and similar documents) necessary and customary in connection with the Debt Financing; provided, that any private placement memoranda or prospectuses in relation to high yield debt securities need not be issued by Andrew or any of its Subsidiaries; provided further, that any such memoranda or prospectuses shall contain disclosure and financial statements with respect to Andrew or the Surviving Corporation reflecting the Surviving Corporation and/or its Subsidiaries as the obligor;

(iii) assisting Parent with the preparation of all financial statements and financial data of the type required by Regulation S-X (provided that information required by Rule 3-10 of Regulation S-X may be in summary form) and Regulation S-K under the Securities Act (without giving effect to the executive compensation and related person disclosure rules related to SEC Release Nos. 33-8732A; 34-54302A; IC-27444A);

(iv) furnishing Parent with financial and other pertinent information regarding Andrew as may be reasonably requested by Parent to consummate the Debt Financing, including all financial statements and financial data reasonably required to consummate the Debt Financing if such offering were registered under the Securities Act and of the type and form customarily included in private placements under Rule 144A of the Securities Act and the financial data required by Item 3-01 of Regulation S-K under the Securities Act;

(v) using reasonable best efforts to assist Parent in procuring accountants' comfort letters and consents, payoff letters, lien releases, legal opinions, surveys and title insurance as reasonably requested by Parent;

(vi) providing and executing customary officer's certificates and other similar documents as may be reasonably requested by Parent so long as no such document is effective until the occurrence of the Closing;

(vii) using reasonable best efforts to cooperate with the marketing efforts of Parent and its financing sources for any Debt Financing to be raised by Parent to complete the transactions contemplated hereby;

(viii) executing and delivering definitive financing documentation and delivering collateral for the Debt Financing, all effective at the Effective Time; and

(ix) taking all corporate actions, subject to the occurrence of the Closing, reasonably requested by Parent in connection with the consummation of the Debt Financing.

(c) The parties acknowledge that the active participation and assistance of appropriate members of management of Andrew will be necessary in order to enable Parent to create an offering memorandum or bank memorandum for any bond offering or bank credit facility that is part of the Debt Financing. Andrew will endeavor to make such individuals reasonably available to Parent for the purpose described in the preceding sentence to an extent generally consistent with the availability that would reasonably be expected in other comparable companies operating under a similar timetable.

(d) All non-public or otherwise confidential information regarding Andrew obtained by Parent pursuant to this Section 6.11 shall be kept confidential in accordance with the Confidentiality Agreements.

(e) Parent shall, promptly upon request by Andrew, reimburse Andrew for all reasonable and documented out-of-pocket costs incurred by Andrew or its Subsidiaries in connection with their respective cooperation pursuant to this Section 6.11 and shall indemnify and hold harmless Andrew, its Subsidiaries and their respective representatives for and against any and all losses suffered or incurred by them in connection with the arrangement of the Debt Financing and any information utilized in connection therewith (other than in respect of any actions or omissions of Andrew, its Subsidiaries and its Affiliates which constitute willful misconduct or gross negligence or any information provided by Andrew or its Subsidiaries).

(f) Parent acknowledges and agrees that consummation of the transactions contemplated by this Agreement is not conditional upon the receipt by Parent of the proceeds of the Financing Commitments and that any failure by Parent to consummate the Merger on the Closing Date, *provided*, that at such time the conditions to Closing set forth in Sections 7.1 and 7.2 are satisfied, shall constitute a breach by Parent of this Agreement.

6.12 *Affiliate Legends.* Section 6.12 of the Andrew Disclosure Letter sets forth a list of those Persons who are, in Andrew's reasonable judgment, "affiliates" of Andrew within the meaning of Rule 145 promulgated under the Securities Act ("***Rule 145 Affiliates***"). Andrew shall notify Parent in writing regarding any change in the identity of its Rule 145 Affiliates prior to the Closing Date. Parent shall be entitled to issue appropriate stop transfer instructions to the transfer agent for Parent Common Stock (provided that such legends or stop transfer instructions shall be removed one year after the Effective Time upon the request of any holder of shares of Parent Common Stock issued in the Merger if such holder is not then a Rule 145 Affiliate).

6.13 *Notification of Certain Matters.* Andrew shall give prompt notice to Parent, and Parent shall give prompt notice to Andrew, of the occurrence, or failure to occur, of any event, which is in Andrew's or Parent's Knowledge, as applicable, and as to which the occurrence or failure to occur would reasonably be likely to result in the failure of any of the conditions set forth in Article VII to be satisfied. Each of the parties shall give prompt written notice to the other party of any material correction to any of the Parent SEC Documents or the Andrew SEC Documents, as the case may be, from and after the date hereof. Notwithstanding the above, the delivery of any notice pursuant to this Section 6.13 will not limit or otherwise affect the remedies available hereunder to the party receiving such notice or the conditions to such party's obligation to consummate the Merger.

6.14 *Section 16 Matters.*

(a) Prior to the Effective Time, Andrew's Board of Directors, or an appropriate committee of non-employee directors of Andrew, shall, if necessary, adopt a resolution consistent with the SEC's interpretive guidance to approve the disposition by any officer or director of Andrew who is a "covered person" of Andrew for the purposes of Section 16 of the Exchange Act of Andrew

Common Stock or Andrew Stock Options pursuant to this Agreement and the Merger for the purposes of qualifying the disposition as an exempt transaction under Section 16 of the Exchange Act.

(b) Prior to the Effective Time, Parent's Board of Directors, or an appropriate committee of non-employee directors of Parent, shall, if necessary, adopt a resolution consistent with the SEC's interpretive guidance to approve the acquisition by any officer or director of Andrew who will become a "covered person" of Parent for the purposes of Section 16 of the Exchange Act of Parent Common Stock or Parent Stock Options pursuant to this Agreement and the Merger for the purposes of qualifying the acquisition as an exempt transaction under Section 16 of the Exchange Act.

6.15 *State Takeover Laws.*

(a) Prior to the Effective Time, Andrew shall not take any action to render inapplicable, or to exempt any third Person from, any state takeover law or state law that purports to limit or restrict business combinations or the ability to acquire or vote shares of capital stock unless (i) required to do so by order of a court of competent jurisdiction or (ii) Andrew's Board of Directors has concluded in good faith, after receipt of advice of its outside legal counsel, that, in light of a Superior Proposal with respect to it, the failure to take such action is reasonably likely to result in a breach of its Board of Directors' fiduciary obligations to its stockholders under Applicable Law.

6.16 *Reservation of Parent Common Stock.* Effective at or prior to the Effective Time, Parent shall reserve out of its reserved but unissued shares of Parent Common Stock sufficient shares of Parent Common Stock to provide for (i) the issuance of Parent Common Stock as part of the Election Merger Consideration, if applicable, (ii) the issuance of Parent Common Stock upon the exercise of the Andrew Options, (iii) the issuance of Parent Common Stock upon the exercise of the Andrew Warrant and (iv) the issuance of Parent Common Stock upon the conversion of Andrew Notes.

6.17 *Further Assurances.* At and after the Effective Time, the officers and directors of the Surviving Corporation will be authorized to execute and deliver, in the name and on behalf of Andrew, any deeds, bills of sale, assignments or assurances and to take any other actions and do any other things, in the name and on behalf of Andrew, reasonably necessary to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of Andrew acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

6.18 *Stockholder Litigation.* Andrew shall give Parent the opportunity to participate in the defense and settlement of any stockholder litigation against Andrew and/or its directors relating to the transactions contemplated by this Agreement; provided, however, nothing herein shall require either party to take any action that its counsel reasonably concludes would jeopardize the work product privilege or the attorney-client privilege. Neither Parent nor Andrew shall enter any settlement of such litigation without the other party's prior written consent (such consent not to be unreasonably withheld or delayed).

Article VII
Conditions Precedent

7.1 *Conditions to Each Party's Obligation to Effect The Merger.* The obligation of each party to effect the Merger is subject to the satisfaction or waiver at or prior to the Closing of the following conditions:

(a) *Stockholder Approval.* The Andrew Stockholder Approval shall have been obtained.

(b) *Antitrust/Competition.* The waiting periods (and any extensions thereof) applicable to the Merger under the HSR Act and under the foreign antitrust or competition laws, rules or regulations for the jurisdictions listed on Section 7.1(b) of the Parent Disclosure Letter shall have been terminated or shall have expired. In addition, all of the authorizations, consents, orders or approvals of, or declarations or filings with, any Governmental Entity required under the foreign antitrust or competition laws, rules or regulations for the jurisdictions listed on Section 7.1(b) of the Parent Disclosure Letter shall have been filed, have occurred, or have been obtained and shall be in full force and effect.

(c) *Governmental Consents and Approvals.* Except for the matters covered by Section 7.1(b), all filings with, and all consents, approvals and authorizations of, any Governmental Entity required to be made or obtained by Andrew, Parent or any of their Subsidiaries to consummate the Merger shall have been made or obtained, other than those that if not made or obtained would not, individually or in the aggregate, have a Material Adverse Effect on Parent and its Subsidiaries (determined, for purposes of this clause, after giving effect to the Merger) on a combined basis.

(d) *No Injunctions or Restraints.* No judgment, order, decree, statute, law, ordinance, rule or regulation, or other legal restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Entity of competent jurisdiction shall be in effect which prohibits, materially restricts, makes illegal or enjoins the consummation of the transactions contemplated by this Agreement.

(e) *Governmental Action.* No action or proceeding shall be instituted or pending by any Governmental Entity challenging or seeking to prevent or delay consummation of or seeking to render unenforceable the Merger, asserting the illegality of the Merger or any material provision of this Agreement or seeking material damages in connection with the transactions contemplated hereby which continues to be outstanding.

(f) *Form S-4.* If any Parent Common Stock is included in the Election Merger Consideration, the Form S-4 shall have become effective under the Securities Act, and no stop order or proceedings seeking a stop order shall have been initiated or, to the Knowledge of Andrew or Parent, threatened by the SEC.

(g) *Listing.* If any Parent Common Stock is included in the Election Merger Consideration, the shares of Parent Common Stock issuable to the stockholders of Andrew as provided for in Article II shall have been authorized for listing on the NYSE, upon official notice of issuance.

(h) *The Andrew Indenture.* Parent and Andrew, together with the trustee under the Andrew Indenture, shall have entered into a supplemental indenture to the Andrew Indenture providing for modification of the conversion rights of the holders of Andrew Notes, as contemplated by Section 15.06 of the Andrew Indenture.

7.2 *Conditions to Obligations of Parent and Merger Sub.* The obligation of Parent and Merger Sub to effect the Merger is further subject to satisfaction or waiver at or prior to the Closing of the following conditions:

(a) Except as a result of action expressly permitted or expressly consented to in writing by Parent pursuant to Section 5.1, (i) the representations and warranties of Andrew contained in this Agreement (other than the representations and warranties of Andrew contained in Sections 4.2, 4.3(a), 4.3(b), 4.3(c), 4.13 and 4.15) shall be true both when made and as of the Closing Date, as if made as of such time (*except* to the extent such representations and warranties are expressly made as of a certain date, in which case such representations and warranties shall be true in all respects, as of such date), *except* where the failure of such representations and warranties to be so true (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Andrew and (ii) the representations and warranties of Andrew contained in Sections 4.2, 4.3(a), 4.3(b), 4.3(c), 4.13, and 4.15 shall be true in all material respects both when made and as of the Closing Date, as if made as of such time (*except*, to the extent such representations and warranties are expressly made as of a certain date, in which case such representations and warranties shall be true in all material respects, as of such date).

(b) Andrew shall have performed, or complied with, in all material respects, all obligations required to be performed or complied with by it under this Agreement at or prior to the Closing Date.

(c) No Material Adverse Change of Andrew shall have occurred since the date of this Agreement and be continuing.

(d) Parent shall have received an officer's certificate duly executed by each of the Chief Executive Officer and Chief Financial Officer of Andrew to the effect that the conditions set forth in Sections 7.2(a), (b), and (c) have been satisfied.

7.3 *Conditions to Obligations of Andrew.* The obligations of Andrew to effect the Merger are further subject to satisfaction or waiver at or prior to the Closing of the following conditions:

(a) Except as a result of action expressly permitted or expressly consented to in writing by Andrew pursuant to Section 5.1, (i) the representations and warranties of Parent contained in this Agreement (other than the representations and warranties of Parent contained in Sections 3.2, 3.3(a), 3.3(b) and 3.8) shall be true both when made and as of the Closing Date, as if made as of such time (*except* to the extent such representations and warranties are expressly made as of a certain date, in which case such representations and warranties shall be true in all respects, as of such date), *except* where the failure of such representations and warranties to be so true (without giving effect to any limitation as to "materiality" or "Material Adverse Effect" set forth therein) does not have and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Parent and (ii) the representations and warranties of Parent contained in Sections 3.2, 3.3(a), 3.3(b) and 3.8 shall be true in all material respects both when made and as of the Closing Date, as if made as of such time (*except*, to the extent such representations and warranties are expressly made as of a certain date, in which case such representations and warranties shall be true in all material respects, as of such date).

(b) Each of Parent and Merger Sub shall have performed, or complied with, in all material respects all obligations required to be performed or complied with by it under this Agreement at or prior to the Closing Date.

(c) Andrew shall have received an officer's certificate duly executed by each of the Chief Executive Officer and Chief Financial Officer of Parent to the effect that the conditions set forth in Sections 7.3(a) and (b) have been satisfied.

Article VIII
Termination, Amendment and Waiver

8.1 *Termination.* This Agreement may be terminated at any time prior to the Effective Time by action taken or authorized by the Board of Directors of the terminating party or parties, and (except in the case of Sections 8.1(b)(iii), 8.1(e), or 8.1(f)) whether before or after the Andrew Stockholder Approval:

(a) by mutual written consent of Parent and Andrew, if the Board of Directors of each so determines;

(b) by written notice of either Parent or Andrew (as authorized by the Board of Directors of Parent or Andrew, as applicable):

(i) if the Merger shall not have been consummated by December 31, 2007 (the "***Outside Date***"), *provided, however*, that if (x) the Effective Time has not occurred by such date by reason of nonsatisfaction of any of the conditions set forth in Section 7.1(b), Section 7.1(c), Section 7.1(d) or Section 7.1(e) and (y) all other conditions set forth in Article VII have been satisfied or waived or are then capable of being satisfied, then such date shall automatically be extended to March 31, 2008 (which shall then be the Outside Date); *provided*, further that the right to terminate this Agreement under this Section 8.1(b)(i) shall not be available to any party whose failure to fulfill in any material respect any obligation of such party, or satisfy any condition to be satisfied by such party, under this Agreement has caused or resulted in the failure of the Effective Time to occur on or before the Outside Date;

(ii) if a Governmental Entity of competent jurisdiction shall have issued an order, decree or ruling or taken any other action (including the failure to have taken an action), in any case having the effect of permanently restraining, enjoining or otherwise prohibiting the Merger, which order, decree, ruling or other action is final and nonappealable;

(iii) if the Andrew Stockholder Approval shall not have been obtained at the Andrew Stockholders' Meeting, or at any adjournment or postponement thereof, at which the vote was taken; *provided, however*, that the right to terminate this Agreement under this Section 8.1(b)(iii) shall not be available to Andrew if the failure to obtain the Andrew Stockholder Approval shall have been caused by the action or failure to act of Andrew and such action or failure to act constitutes a breach by Andrew of this Agreement;

(c) by Parent (as authorized by its Board of Directors) upon (i) a breach of any representation or warranty on the part of Andrew set forth in this Agreement, or if any representation or warranty of Andrew shall have become untrue, in either case such that the conditions set forth in Section 7.2(a) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue and such inaccuracy in Andrew's representations and warranties has not been or is incapable of being cured by Andrew within 30 calendar days after its receipt of written notice thereof from Parent or (ii) a failure to perform, or comply with, in all material respects any covenant or agreement of Andrew set forth in this Agreement such that the conditions set forth in Section 7.2(b) would not be satisfied and such failure by Andrew has not been or is incapable of being cured by Andrew within 30 calendar days after its receipt of written notice thereof from Parent;

(d) by Andrew (as authorized by its Board of Directors) upon (i) a breach of any representation or warranty on the part of Parent set forth in this Agreement, or if any representation or warranty of Parent shall have become untrue, in either case such that the conditions set forth in Section 7.3(a) would not be satisfied as of the time of such breach or as of the time such representation or warranty shall have become untrue and such inaccuracy in Parent's representations and warranties has not been or is incapable of being cured by Parent within 30 calendar days after its receipt of written notice thereof from Andrew or (ii) a failure to perform, or comply with, in all material respects any covenant or agreement of Parent set forth in this Agreement such that the conditions set forth in Section 7.3(b) would not be satisfied and such breach by Parent has not been or is incapable of being cured by Parent within 30 calendar days after its receipt of written notice thereof from Andrew;

(e) by Parent (as authorized by its Board of Directors), at any time prior to the Andrew Stockholder Approval, if (i) Andrew shall have failed to hold the Andrew Stockholders' Meeting in accordance with Section 6.1(b) (A) on or before the date which is 75 calendar days after the date on which the SEC declared the Form S-4 effective or (B) in the event Andrew adjourns or postpones the Andrew Stockholder Meeting in accordance with the terms of Section 6.1(b), on or before the date that is five business days after the date that is 75 calendar days after the date on which the SEC declared the Form S-4 effective, (ii) Andrew shall have failed to include in the Proxy Statement distributed to the stockholders of Andrew its Board of Directors' recommendation that such stockholders approve and adopt this Agreement and approve the Merger, (iii) Andrew's Board of Directors shall have withdrawn, amended, modified or qualified such recommendation in a manner adverse to the interests of Parent, (iv) Andrew's Board of Directors shall have failed to reconfirm such recommendation within five business days of receipt of a written request from Parent to do so, (v) Andrew, Andrew's Board of Directors or any committee thereof shall have approved or recommended any Alternative Transaction, or (vi) Andrew or Andrew's Board of Directors shall have failed, within ten business days after any tender or exchange offer relating to Andrew Common Stock commenced by any third party shall have been first published, sent or given, to have sent to Andrew's security holders a statement disclosing that the Board of Directors of Andrew recommends rejection of such tender offer or exchange offer; or

(f) by Andrew, at any time prior to the Andrew Stockholder Approval, if the Board of Directors of Andrew approves a Superior Proposal in accordance with Section 5.3 and authorizes Andrew to enter into a binding written agreement with respect to that Superior Proposal and, in connection with the termination of this Agreement and entering into the agreement reflecting the Superior Proposal, pays to Parent in immediately available funds the Termination Fee required to be paid by Section 8.3(a)(v).

8.2 *Effect of Termination.* In the event of termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become void and there shall be no liability on the part of any of the parties, *except that*(i) Section 6.2(c), Section 6.5, Section 6.11(e), this Section 8.2, Section 8.3, the second sentence of Section 8.4 and Section 8.5, as well as Article IX (other than Section 9.1) shall survive termination of this Agreement and continue in full force and effect, and (ii) that nothing herein, including any payment of a Termination Fee pursuant to Section 8.3, shall relieve any party from liability for any willful breach of any representation or warranty of such party contained herein or any willful breach of any covenant or agreement of such party contained herein. No termination of this Agreement shall affect the obligations of the parties contained in the Confidentiality Agreements, all of which obligations shall survive termination of this Agreement in accordance with their terms.

8.3 *Payments.*

(a) *Payment by Andrew.*

(i) In the event that (A) this Agreement is terminated by Andrew or Parent pursuant to Section 8.1(b)(i) or 8.1(b)(iii), (B) following the date hereof and prior to such termination, any Person shall have made to Andrew or its stockholders, or publicly announced, a proposal, offer or indication of interest relating to any "***Acquisition***" ("Acquisition" shall have the same meaning as the defined term "Alternative Transaction" *except that* "50%" shall be substituted for "20%" in each instance where "20%" appears in such definition) with respect to Andrew, and (C) within 12 months following termination of this Agreement, an Acquisition of Andrew is consummated, then Andrew shall pay Parent a fee equal to $75,000,000.00 (the "***Termination Fee***") in immediately available funds; such fee payment to be made concurrently upon such consummation.

(ii) In the event that (A) this Agreement is terminated by Parent pursuant to Section 8.1(c)(ii), (B) following the date hereof and prior to such termination, any Person shall have made to Andrew or its stockholders, or publicly announced, a proposal, offer or indication of interest relating to an Alternative Transaction with respect to Andrew and (C) Andrew's breach is willful or intentional and intended to facilitate, assist or otherwise benefit, or such breach has the effect of facilitating or assisting or otherwise benefiting, an Alternative Transaction or the Person making such Alternative Transaction, then Andrew shall pay Parent the Termination Fee in immediately available funds, such payment to be made within two business days of such termination. Any breach of the covenants contained in Section 5.2 shall be considered willful, intentional and intended to facilitate, assist or otherwise benefit an Alternative Transaction.

(iii) In the event that (A) this Agreement is terminated by Parent pursuant to Section 8.1(e) and (B) the Board of Directors of Andrew has effected a Change of Recommendation as permitted by and in compliance with Section 5.3(a) or Section 5.3(c), then Andrew shall pay Parent the Termination Fee in immediately available funds; such fee payment to be made within one business day after such Change in Recommendation has been effected.

(iv) In the event that (A) this Agreement is terminated by Parent pursuant to Section 8.1(e) and the Board of Directors of Andrew has not effected a Change of Recommendation as permitted by and in compliance with Sections 5.3(a) or 5.3(c), (B) following the date hereof and prior to such termination, any Person shall have made to Andrew or its stockholders, or publicly announced, a proposal, offer or indication of interest relating to any Acquisition with respect to Andrew, and (C) within 12 months following termination of this Agreement, an Acquisition of Andrew is consummated, then Andrew shall pay Parent the Termination Fee in immediately available funds; such fee payment to be made concurrently upon such consummation.

(v) In the event that this Agreement is terminated by Andrew pursuant to Section 8.1(f) with respect to a Superior Proposal, then Andrew shall pay Parent the Termination Fee in immediately available funds and concurrently with such termination.

(b) *Interest and Costs; Other Remedies.* All payments under this Section 8.3 shall be made by wire transfer of immediately available funds to an account designated by Parent. Each of Andrew and Parent acknowledges that the agreements contained in this Section 8.3 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the other party hereto would not enter into this Agreement; accordingly, if Andrew fails to pay in a timely manner the amounts due pursuant to this Section 8.3 and, in order to obtain such payment, Parent makes a claim that results in a judgment against Andrew, Andrew shall pay to Parent its reasonable costs and expenses (including reasonable attorneys' fees and expenses) in connection with such suit, together with interest on the amounts set forth in this Section 8.3 at the rate of interest per annum publicly announced by Bank of America, N.A. as its prime rate at its principal office in New York, New York, as in effect on the date such payment was required to be made. This entire Section 8.3 shall survive any termination of this Agreement.

8.4 *Amendment.* Subject to compliance with Applicable Law, this Agreement may be amended by the parties in writing at any time before or after the Andrew Stockholder Approval; *provided, however*, that after the Andrew Stockholder Approval, there may not be, without further approval of the stockholders of Andrew, any amendment of this Agreement that changes the amount or the form of the consideration to be delivered to the holders of Andrew Common Stock hereunder, or which by law or NASDAQ rule otherwise expressly requires the further approval of such stockholders. This Agreement may not be amended *except* by an instrument in writing signed on behalf of each of the parties hereto and duly approved by the parties' respective Boards of Directors or a duly designated committee thereof.

8.5 *Extension; Waiver.* At any time prior to the Effective Time, a party may, subject to the proviso of Section 8.4 (and for this purpose treating any waiver referred to below as an amendment), (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties of the other parties contained in this Agreement or in any document delivered pursuant to this Agreement or (c) waive compliance by the other party with any of the agreements or conditions contained in this Agreement. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. Any extension or waiver given in compliance with this Section 8.5 or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

Article IX
General Provisions

9.1 *Nonsurvival of Representations and Warranties.* None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time. This Section 9.1 shall not limit the survival of any covenant or agreement of the parties in this Agreement which by its terms contemplates performance after the Effective Time.

9.2 *Notices.* All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed given if delivered personally, sent via facsimile (receipt confirmed) or sent by a nationally recognized overnight courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a)

if to Andrew to:

Andrew Corporation
3 Westbrook Corporate Center
Westchester, IL 60154
Fax No: (708) 492-3823
Attention: Justin Choi, Senior Vice President and General Counsel

with a copy to:

Mayer, Brown, Rowe & Maw LLP
71 S. Wacker Drive
Chicago, IL 60606
Fax No: (312) 706-8164
Attention: James T. Lidbury

(b) if to Parent or Merger Sub, to:

CommScope, Inc.
1100 CommScope Place SE
Hickory, North Carolina 28603
Fax No: (828) 431-2520
Attention: Frank B. Wyatt, II, Senior Vice President and General Counsel

with a copy to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
Fax No: (212) 859-8000
Attention: Lois Herzeca

9.3 *Interpretation.* When a reference is made in this Agreement to an Article, Section or Exhibit, such reference shall be to an Article or Section of, or an Exhibit to, this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. References to a "***Person***" shall include references to an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a Person are also to its permitted successors and assigns. All references to dollar amounts shall be to lawful currency of the United States.

9.4 *Knowledge.* References to the "***Knowledge***" of a party to this Agreement shall mean, (i) in the case of Andrew, the actual knowledge of the Persons listed in Section 9.4 of the Andrew Disclosure Letter, and (ii) in the case of Parent and Merger Sub, the actual knowledge of the Persons listed in Section 9.4 of the Parent Disclosure Letter after due inquiry.

9.5 *Disclosure Letters.* On or prior to the date of this Agreement, Parent has delivered to Andrew a disclosure letter (the "***Parent Disclosure Letter***") and Andrew has delivered to Parent a disclosure letter (the "***Andrew Disclosure Letter***"). Each Disclosure Letter sets forth items of disclosure with specific reference to the particular Section or subsection of this Agreement to which the information in such Disclosure Letter relates; *provided, however*, that any information set forth in one section of a Disclosure Letter will be deemed to apply to each other Section or subsection of this Agreement to which its relevance is reasonably apparent; *provided*, further, that, notwithstanding anything in this Agreement to the contrary, the inclusion of an item in such section of the Disclosure Letter as an exception to a representation or warranty will not be deemed an admission that such item represents a material exception or material fact, event or circumstance or that such item has had or would reasonably be expected to have a Material Adverse Effect on Parent or Andrew, as appropriate.

9.6 *Counterparts.* This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

9.7 *Entire Agreement; No Third-Party Beneficiaries.* This Agreement (including the Confidentiality Agreements and the documents and instruments referred to herein) (a) constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement and (b) *except for* the provisions of Article II (which are intended to benefit the holders of Andrew Common Stock) and Section 6.4 (which are intended to benefit the Indemnified Parties, including Indemnified Parties who or which are not parties hereto), is not intended to confer upon any Person *other than* the parties any rights or remedies.

9.8 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflict of laws thereof.

9.9 *Assignment.* Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise by either of the parties hereto without the prior written consent of the other party. Any assignment in violation of the preceding sentence shall be void. Subject to the preceding two sentences, this Agreement will be binding upon, inure to the benefit of, and be enforceable by, the parties and their respective successors and assigns.

9.10 *Consent to Jurisdiction.* Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of Delaware or any Delaware state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court *other than* a federal court sitting in the State of Delaware or a Delaware state court.

9.11 *Headings, etc.* The headings and table of contents contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

9.12 *Severability.* If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect, insofar as the foregoing can be accomplished without materially affecting the economic benefits anticipated by the parties to this Agreement. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by Applicable Law in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the extent possible.

9.13 *Failure or Indulgence Not a Waiver; Remedies Cumulative.* No failure or delay on the part of any party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

9.14 *Waiver of Jury Trial.* EACH OF PARENT, MERGER SUB AND ANDREW HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HERBY OR THE ACTIONS OF PARENT, MERGER SUB OR ANDREW IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

9.15 *Specific Performance.* The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any federal court located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity.

(Remainder of Page Intentionally Left Blank)

IN WITNESS WHEREOF, Parent, Merger Sub and Andrew have caused this Agreement and Plan of Merger to be executed by their respective officers thereunto duly authorized, all as of the date first written above.

COMMSCOPE, INC.

By: /s/ FRANK M. DRENDEL

Name: Frank M. Drendel
Title: Chairman and Chief Executive Officer

DJROSS, INC.

By: /s/ JEARLD L. LEONHARDT

Name: Jearld L. Leonhardt
Title: Executive Vice President

ANDREW CORPORATION

By: /s/ RALPH E. FAISON

Name: Ralph E. Faison
Title: President and Chief Executive Officer

EXHIBIT A

**CERTIFICATE OF INCORPORATION
OF
DJROSS, INC.**

1. *Name.* The name of the corporation is DJRoss, Inc.

2. *Registered Office and Registered Agent.* The address of the registered office of the corporation in Delaware is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

3. *Purpose.* The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

4. *Capital Stock.* The total number of shares that the corporation is authorized to issue is 1,000, par value $0.01 per share, all of which shares are designated as common stock.

5. *Incorporator.* The name the incorporator of the corporation is John Newsom and his mailing address is Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York, 10004.

6. *Bylaws.* The board of directors of the corporation is expressly authorized to adopt, amend or repeal bylaws of the corporation.

7. *Indemnification.*

Section 1 Elimination of Certain Liability of Directors. A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

Section 2 Indemnification and Insurance.

(a) *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or, if a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than said law permitted the corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (b) hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) *Right of Claimant to Bring Suit.* If a claim under paragraph (a) of this Section is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, stockholders or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, stockholders or independent legal counsel) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) *Non-Exclusivity of Rights.* The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

(d) *Insurance.* The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law. Neither the amendment, modification or repeal of this article nor the adoption of any provision in this certificate of incorporation inconsistent with this article shall adversely affect any right or protection of a director or officer of the corporation with respect to any act or omission that occurred prior to the time of such amendment, modification, repeal or adoption.

8. *Elections of Directors.* Elections of directors need not be by written ballot unless the bylaws of the corporation shall so provide.

EXHIBIT B

BYLAWS

OF

DJROSS, INC.

TABLE OF CONTENTS

AMENDED AND RESTATED

BY-LAWS

OF

DJROSS, INC.

Article I.
Stockholders' Meetings

1.1 *Place of Meetings.* Meetings of the stockholders shall be held at such place, either within or without the State of Delaware, as the board of directors shall determine.

1.2 *Annual Meeting.* The annual meeting of the stockholders for the election of the directors and the transaction of such other business as may properly be brought before the meeting shall be held on the date and at the time designated by the board of directors.

1.3 *Special Meetings.* Special meetings of the stockholders for any purpose or purposes may be called only by the board of directors. The business to be transacted at any special meeting shall be limited to the purposes stated in the notice.

1.4 *Notice of Meetings.* Notice of the place, if any, date and hour of any stockholders' meeting shall be given to each stockholder entitled to vote. Notice of a special meeting shall also state the purpose or purposes for which the meeting has been called. Unless otherwise provided in the General Corporation Law of the State of Delaware (the "*General Corporation Law*"), notice shall be given at least 10 days but not more than 60 days before the date of the meeting.

1.5 *Quorum.* The presence, in person or by proxy, of the holders of a majority of the voting power of the stock entitled to vote at a meeting shall constitute a quorum. In the absence of a quorum, either the president or the holders of a majority of the voting power of the stock present, in person or by proxy, and entitled to vote at the meeting may adjourn the meeting in the manner provided in Section 1.6 until a quorum shall be present. A quorum, once established at a meeting, shall not be broken by the withdrawal of the holders of enough voting power to leave less than a quorum. If a quorum is present at an original meeting, a quorum need not be present at an adjourned session of that meeting.

1.6 *Adjournment of Meetings.* Either the president or the holders of a majority of the voting power of the stock present, in person or by proxy, and entitled to vote at the meeting may adjourn any meeting of stockholders from time to time. At any adjourned meeting the stockholders may transact any business that they might have transacted at the original meeting. Notice of an adjourned meeting need not be given if the time and place, if any, are announced at the meeting so adjourned, except that notice of the adjourned meeting shall be required if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting.

1.7 *Voting List.* At least 10 days before every meeting of the stockholders, the secretary of the corporation shall prepare a complete alphabetical list of the stockholders entitled to vote at the meeting showing each stockholder's address and number of shares. For a period of at least 10 days before the meeting, the voting list shall be open to the examination of any stockholder for any purpose germane to the meeting during ordinary business hours at the corporation's principal place of business. The voting list shall be produced and kept at the place of meeting during the whole time of the meeting, and any stockholder may inspect the voting list at any time during the meeting.

1.8 *Vote Required.* Subject to the provisions of the General Corporation Law requiring a higher level of votes to take certain specified actions, the stockholders shall take action on all matters other than the election of directors by a majority of the voting power of the stock present, in person or by proxy, at the meeting and entitled to vote on the matter. The stockholders shall elect directors by a plurality of the voting power of the stock present, in person or by proxy, at the meeting and entitled to vote on the matter.

1.9 *President; Secretary.* The president shall preside over any meeting of the stockholders, and the secretary shall keep official records of all such meetings. In the absence of the secretary, the president may appoint any person to act as secretary of the meeting.

1.10 *Record Date.* If the corporation proposes to take any action for which the General Corporation Law would permit it to set a record date, the board of directors may set such a record date as provided under the General Corporation Law.

1.11 *Written Consent.* Any action required or permitted to be taken at a meeting of the stockholders may be taken without a meeting, without prior notice and without a vote by means of a stockholder written consent meeting the requirements of the General Corporation Law. Prompt notice of the taking of action without a meeting by less than a unanimous written consent shall be given to those stockholders who have not consented as required by the General Corporation Law.

Article II.
Directors

2.1 *Number and Qualifications.* The board of directors shall consist of such number as may be fixed from time to time by resolution of the board of directors. Directors need not be stockholders.

2.2 *Term of Office.* Each director shall hold office until his or her successor is elected or until his or her earlier death, resignation or removal.

2.3 *Resignation.* A director may resign at any time by giving notice in writing to the corporation addressed to the board of directors, the president or the secretary. A resignation will be effective upon its receipt by the corporation unless the resignation specifies that it is to be effective at some later time or upon the occurrence of some specified later event.

2.4 *Vacancies.* Any vacancy in the board of directors, including a vacancy resulting from an enlargement of the board of directors, may be filled by a vote of the majority of the remaining directors, although less than a quorum, or by a sole remaining director. A director appointed by the board of directors shall hold office for the remainder of the term of the director he or she is replacing.

2.5 *Regular Meetings.* The board of directors may hold regular meetings without notice at such times and places as it may from time to time determine.

2.6 *Special Meetings.* Special meetings of the board of directors may be called by the president or by any director. Notice of any special meeting shall be given to each director and shall state the time and place for the special meeting.

2.7 *Notice.* Any time it is necessary to give notice of a board of directors' meeting, notice shall be given (i) in person or by telephone to the director at least 24 hours in advance of the meeting or (ii) by personally delivering written notice to the director's last known business or home address at least 48 hours in advance of the meeting. Notice of a meeting need not be given to any director who attends a meeting without protesting prior to the meeting or at its commencement the lack of notice to that director. A notice of meeting need not specify the purposes of the meeting.

2.8 *Quorum.* A majority of the directors in office at the time shall constitute a quorum. Thereafter, a quorum shall be deemed present for purposes of conducting business and determining the vote required to take action for so long as at least a third of the total number of directors are present. In the absence of a quorum, the directors present may adjourn the meeting without notice until a quorum shall be present, at which point the meeting may be held.

2.9 *Vote Required.* The board of directors shall act by the vote of a majority of the directors present at a meeting at which a quorum is present.

2.10 *Action Without a Meeting.* Any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting if all of the directors consent to the action in writing. The writing or writings shall be filed with the minutes of the proceedings of the board of directors.

2.11 *Use of Communications Equipment.* Directors may participate in meetings of the board of directors by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting in this manner shall constitute presence in person at the meeting.

Article III.
Officers

3.1 *Offices Created; Qualifications; Election.* The corporation shall have a president, a secretary and such other officers, if any, as the board of directors from time to time may appoint. Any officer may be, but need not be, a director or stockholder. The same person may hold any two or more offices. The board of directors may elect officers at any time.

3.2 *Term of Office.* Each officer shall hold office until his or her successor has been elected, unless a different term is specified in the resolution electing the officer, or until his or her earlier death, resignation or removal.

3.3 *Removal of Officers.* Any officer may be removed from office at any time, with or without cause, by the board of directors.

3.4 *Resignation.* An officer may resign at any time by giving notice in writing to the corporation addressed to the board of directors, the chairperson of the board of directors, the president or the secretary. A resignation will be effective upon its receipt by the corporation unless the resignation specifies that it is to be effective at some later time or upon the occurrence of some specified later event.

3.5 *Vacancies.* A vacancy in any office may be filled by the board of directors.

3.6 *Powers.* Unless otherwise specified by the board of directors, each officer shall have those powers and shall perform those duties that are (i) set forth in these bylaws, (ii) set forth in the resolution of the board of directors electing that officer or any subsequent resolution of the board of directors with respect to that officer's duties or (iii) commonly incident to the office held.

3.7 *President.* The president shall be subject to the direction and control of the board of directors and shall have general active management of the business, affairs and policies of the corporation. The president shall preside at all meetings of the stockholders and directors. The president shall have the power to sign all certificates, contracts and other instruments on behalf of the corporation. If the board of directors has not elected a chief executive officer, the president shall be the chief executive officer.

3.8 *Secretary.* The secretary shall, to the extent practicable, attend all meetings of the stockholders and the board of directors. The secretary shall record the proceedings of the stockholders and the board of directors, including all actions by written consent, in a book or series of books to be kept for that purpose. The secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors. The secretary shall keep or cause to be kept the stock and transfer records of the corporation. The secretary shall have such other powers and duties as the board of directors or the president may determine.

Article IV.
Capital Stock

4.1 *Uncertificated Stock.* All shares of the corporation's common stock shall be uncertificated.

4.2 *Registration.* The name of each person owning a share of the corporation's capital stock shall be entered on the books of the corporation together with the number of shares owned and the dates of issue. The corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the corporation.

4.3 *Transfer of Shares.* Registration of transfer of shares of the corporation's stock shall be made only on the books of the corporation at the request of the registered holder. The board of directors may make further rules and regulations concerning the transfer and registration of shares of stock.

Article V.
General Provisions

5.1 *Fiscal Year.* The fiscal year of the corporation shall be fixed by resolution of the board of directors.

5.2 *Corporate Seal.* The corporation shall have no seal.

5.3 *Amendment of Bylaws.* These bylaws, including any bylaws adopted or amended by the stockholders, may be amended or repealed by the board of directors.

ANNEX B

Global Markets &
Investment
Banking Group

4 World Financial Center
North Tower 30th Floor
New York, New York
10080
212 449 1000

June 26, 2007

Board of Directors
Andrew Corporation
3 Westbrook Corporate Center, Suite 900
Westchester, IL 60154

Members of the Board of Directors:

Andrew Corporation (the "Company"), CommScope, Inc. ("Acquiror") and DJRoss, Inc., an indirect wholly owned subsidiary of Acquiror ("Acquisition Sub") have entered into an Agreement and Plan of Merger, dated June 26, 2007 (the "Agreement"), pursuant to which Acquisition Sub would be merged with and into the Company in a merger (the "Merger") in which each share of the Company's common stock, par value $0.01 per share, issued and outstanding immediately prior to the effective time of the Merger (the "Company Shares"), other than (1) any Company Shares held in treasury and (2) any Dissenting Shares (as defined in the Agreement), would be converted into the right to receive:

(i) at the election of Acquiror, in its sole discretion, either (x) $1.50 in cash, (y) a fraction of a share of Acquiror's common stock, par value $0.01 per share ("Acquiror Shares") equal to the Exchange Ratio (as defined below) or (z) a combination of cash and a fraction of a share of Acquiror Shares, determined as provided above, together equaling $1.50 (the form of consideration elected by Acquiror, the "Election Merger Consideration"); *plus*

(ii) $13.50 in cash (the "Cash Merger Consideration"). (The Election Merger Consideration and Cash Merger Consideration, together with any cash in lieu of fractional shares that is distributed pursuant to the Agreement, are referred to as the "Merger Consideration".)

The "Exchange Ratio" is the quotient obtained by dividing (A) $1.50 by (B) the volume weighted average of the closing sale prices for the Acquiror Shares on the NYSE Composite Transactions Tape over the ten (10) consecutive trading days ending two trading days prior to the effective time.

In addition, at the effective time, all issued and outstanding 3 1/4% Convertible Subordinated Notes Due 2013 will become convertible into the Merger Consideration in accordance with the terms of the Andrew Indenture (as defined therein).

You have asked us whether, in our opinion, the Merger Consideration is fair from a financial point of view to the holders of the Company Shares.

In arriving at the opinion set forth below, we have, among other things:

(1) Reviewed certain publicly available business and financial information relating to the Company and the Acquiror that we deemed to be relevant;

(2) Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of the Company and the Acquiror which were furnished to us by the Company or the Acquiror, as well as the amount and timing of the cost

savings and related expenses and synergies expected to result from the Merger (the "Expected Synergies") furnished to us by the Company;

(3) Conducted discussions with members of senior management and representatives of the Company and the Acquiror concerning the matters described in clauses 1 and 2 above, as well as their respective businesses and prospects before and after giving effect to the Merger and the Expected Synergies;

(4) Reviewed the market prices and valuation multiples for the Company Shares and the Acquiror Shares and compared them with those of certain publicly traded companies that we deemed to be relevant;

(5) Reviewed the results of operations of the Company and the Acquiror and compared them with those of certain publicly traded companies that we deemed to be relevant;

(6) Compared the proposed financial terms of the Merger with the financial terms of certain other transactions that we deemed to be relevant;

(7) Reviewed the potential pro forma impact of the Merger;

(8) Reviewed the Agreement;

(9) Reviewed the debt commitment financing letter, dated June 25, 2007, by and among the Acquiror, Bank of America, N.A., Wachovia Bank, N.A. and certain affiliates of such banks; and

(10) Reviewed such other financial studies and analyses and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to us, discussed with or reviewed by or for us, or publicly available, and we have not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of the Company or the Acquiror or been furnished with any such evaluation or appraisal, nor have we evaluated the solvency or fair value of the Company or the Acquiror under any state or federal laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of the Company or the Acquiror. With respect to the financial forecast information furnished to or discussed with us by the Company or the Acquiror, and the Expected Synergies furnished to or discussed with us by the Company, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of the Company's or the Acquiror's management as to the expected future financial performance of the Company or the Acquiror, as the case may be, and the Expected Synergies.

Our opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to us as of, the date hereof. We have assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the Merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the Merger.

In connection with the preparation of this opinion, we have not been authorized by the Company or the Board of Directors to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of the Company.

We will receive a fee from the Company for our services in rendering this opinion which fee is contingent upon our delivery of our opinion but not on the content of our opinion. In addition, the

Company has agreed to indemnify us for certain liabilities arising out of our engagement. We have, in the past, provided financial advisory and financing services to the Company and the Acquiror and may continue to do so and have received, and may receive, fees for the rendering of such services. In addition, in the ordinary course of our business, we may actively trade the Company Shares and other securities of the Company, as well as the Acquiror Shares and other securities of the Acquiror, for our own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is for the use and benefit of the Board of Directors of the Company. Our opinion does not address the merits of the underlying decision by the Company to engage in the Merger and does not constitute a recommendation to any shareholder as to how such shareholder should vote on the proposed Merger or any matter related thereto. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company, other than the holders of the Company Shares.

We are not expressing any opinion herein as to the prices at which the Company Shares or the Acquiror Shares will trade following the announcement or consummation of the Merger.

On the basis of and subject to the foregoing, we are of the opinion that, as of the date hereof, the Merger Consideration is fair from a financial point of view to the holders of the Company Shares.

Very truly yours,

/s/ MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

ANNEX C

SECTION 262 OF THE GENERAL CORPORATION LAW OF THE
STATE OF DELAWARE

§ 262. Appraisal Rights.

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a stock corporation and also a member of record of a nonstock corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words and also membership or membership interest of a member of a nonstock corporation; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in one or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title), § 252, § 254, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in subsection (f) of § 251 of this title.

(2) Notwithstanding paragraph (1) of this subsection, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a. and b. of this paragraph; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing subparagraphs a., b. and c. of this paragraph.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 253 of this title is not owned by the parent corporation immediately prior to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for such meeting with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) hereof that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228 or § 253 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if

such second notice is sent more than 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) hereof and who is otherwise entitled to appraisal rights, may file a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) hereof, whichever is later.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After determining the stockholders entitled to an appraisal, the Court shall appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. In determining the fair rate of interest, the Court may consider all relevant factors, including the rate of interest which the surviving or resulting corporation would have had to pay to borrow money during the pendency of the proceeding. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, permit discovery or other pretrial proceedings and may proceed to trial upon the appraisal prior to the final determination of the stockholder entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Interest may be simple or compound, as the Court may direct. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

(8 Del. C. 1953, § 262; 56 Del. Laws, c. 50; 56 Del. Laws, c. 186, § 24; 57 Del. Laws, c. 148, §§ 27-29; 59 Del. Laws, c. 106, § 12; 60 Del. Laws, c. 371, §§ 3-12; 63 Del. Laws, c. 25, § 14; 63 Del. Laws, c. 152, §§ 1, 2; 64 Del. Laws, c. 112, §§ 46-54; 66 Del. Laws, c. 136, §§ 30-32; 66 Del. Laws, c. 352, § 9; 67 Del. Laws, c. 376, §§ 19, 20; 68 Del. Laws, c. 337, §§ 3, 4; 69 Del. Laws, c. 61, § 10; 69 Del. Laws, c. 262, §§ 1-9; 70 Del. Laws, c. 79, § 16; 70 Del. Laws, c. 186, § 1; 70 Del. Laws, c. 299, §§ 2, 3; 70 Del. Laws, c. 349, § 22; 71 Del. Laws, c. 120, § 15; 71 Del. Laws, c. 339, §§ 49-52; 73 Del. Laws, c. 82, § 21.)

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. ***Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law (the "DGCL") provides that a corporation may indemnify its directors and officers, as well as other employees and individuals (each an "Indemnified Party"), against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement in connection with specified actions, suits, or proceedings, whether civil, criminal, administrative, or investigative, other than in connection with actions by or in the right of the corporation (a "derivative action"), if an Indemnified Party acted in good faith and in a manner such Indemnified Party reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that a corporation may only indemnify an Indemnified Party for expenses (including attorneys' fees) incurred in connection with the defense or settlement of such derivative action. Additionally, in the context of a derivative action, DGCL Section 145 requires court approval before there can be any indemnification where an Indemnified Party has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification arrangements that may be granted pursuant to a corporation's charter, by-laws, disinterested director vote, stockholder vote, agreement, or otherwise.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for (i) any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) any willful or negligent declaration of an unlawful dividend, stock purchase or redemption, or (iv) any transaction from which the director derived an improper personal benefit.

The Certificate of Incorporation of CommScope provides that, to the fullest extent permitted under Delaware law, a director of CommScope shall not be personally liable to CommScope or its stockholders for damages for any breach of a fiduciary duty as a director. The Certificate of Incorporation and By-laws of CommScope provide that CommScope shall indemnify its directors and officers to the fullest extent permitted by law.

CommScope has entered into agreements to indemnify its directors and officers in addition to the indemnification provided for in its Certificate of Incorporation and By-laws. These agreements, among other things, indemnify CommScope's directors and officers to the fullest extent permitted by Delaware or other applicable state law for certain expenses (including attorneys' fees), liabilities, judgments, fines and settlement amounts incurred by such person arising out of or in connection with such person's service as a director or officer of CommScope or an affiliate of CommScope.

CommScope maintains directors' and officers' liability insurance, under which its directors and officers are insured, within the limits and subject to the limitations of the policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits, or proceedings to which directors and officers are parties by reason of being or having been directors or officers of CommScope, as the case may be.

Item 21.

The exhibits listed below in the "Exhibit Index" are part of this Registration Statement and are numbered in accordance with Item 601 of Regulation S-K.

Item 22. ***Undertakings***

The undersigned registrant hereby undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

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

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

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

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

The undersigned registrant hereby undertakes to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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

The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

The registrant undertakes that every prospectus (i) that is filed pursuant to the immediately preceding paragraph, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933, and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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

The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of this form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Hickory, State of North Carolina, on October 11, 2007.

COMMSCOPE, INC.

By: /s/ Frank M. Drendel

Frank M. Drendel
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities indicated below on the 11th day of October, 2007.

Signature Name	Title
/s/ Frank M. Drendel Frank M. Drendel	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Jearld L. Leonhardt Jearld L. Leonhardt	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ William R. Gooden William R. Gooden	Senior Vice President and Controller (Principal Accounting Officer)

* Boyd L. George	Director
* George N. Hutton, Jr.	Director
* June E. Travis	Director
* James N. Whitson	Director
* Katsuhiko Okubo	Director
* Richard C. Smith	Director

*by /s/ FRANK B. WYATT, II

Frank B. Wyatt, II
Attorney-in-Fact

Exhibit Index

Exhibit Number	Description
2.1	Agreement and Plan of Merger, by and among CommScope, Inc., DJRoss, Inc. and Andrew Corporation dated as of June 26, 2007 (Incorporated herein by reference from CommScope, Inc.'s Current Report on Form 8-K filed on June 27, 2007 (File No. 1-12929))
3.1	Amended and Restated Certificate of Incorporation of CommScope, Inc. (Incorporated herein by reference from CommScope, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1997 (File No. 1-12929))
3.2	Amended and Restated By-Laws of CommScope, Inc. (Incorporated herein by reference from the CommScope, Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1997 (File No. 1-12929))
4.1	Form of CommScope share certificate (Incorporated herein by reference from CommScope, Inc.'s Registration Statement on Form S-4 filed June 13, 1997 (File No. 333-23935-01))
5.1	Opinion of Fried, Frank, Harris, Shriver & Jacobson LLP as to the validity of the securities being registered
23.1	Consent of Fried, Frank, Harris, Shriver & Jacobson LLP (included as part of its opinion filed as Exhibit 5.1)
23.2	Consent of Deloitte & Touche LLP
23.3	Consent of Ernst & Young LLP
24.1	Power of Attorney
99.1	Form of Andrew Proxy Card
99.2	Consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated

Previously filed

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and Change Clean Energy, Inc., Freedom Marine Holdings LLC ("Freedom Marine") and Yatesville Coal Holdings, Inc. ("Yatesville") were transferred to Energy Solutions to consolidate all of our energy holdings under one management team, strategically expanding Energy Solutions across several energy sectors.

On January 4, 2012, Energy Solutions sold its gas gathering and processing assets ("Gas Solutions") for a sale price of $199,805, adjusted for the final working capital settlement, including a potential earnout of $28,000 that will be paid based on the future performance of Gas Solutions. After expenses, including structuring fees of $9,966 paid to us, Energy Solutions received approximately $148,687 in cash and an additional $10,000 is being held in escrow. Currently, our loans to Energy Solutions remain outstanding and are collateralized by the cash held by Energy Solutions after the sale transaction. The sale of Gas Solutions by Energy Solutions has resulted in significant earnings and profits, as defined by the Internal Revenue Code, at Energy Solutions for calendar year 2012. As a result, distributions from Energy Solutions to us will be required to be recognized as dividend income, in accordance with ASC 946, *Financial Services Investment Companies*, as cash distributions are received from Energy Solutions to the extent there are current year earnings and profits sufficient to support such recognition.

During the year ended June 30, 2012, the valuation methodology for Energy Solutions changed from a combination of a discounted cash flow analysis and a public comparables analysis to a current value method for the undistributed sale proceeds held at Energy Solutions.

During the year ended June 30, 2012, the valuation methodology for New Meatco Provisions, LLC ("Meatco") changed from a discounted cash flow analysis to a liquidation value analysis. As a result, and combined with declining financial results, the fair market value of Meatco decreased from $13,106 to $6,571 as of June 30, 2011 and June 30, 2012, respectively.

At June 30, 2012, nine loan investments were on non-accrual status: Borga, Freedom Marine, a subsidiary of Energy Solutions, H&M Oil and Gas, LLC ("H&M"), ICS, Manx, Stryker Energy, LLC, Wind River Resources Corp. and Wind River II Corp. ("Wind River"), Wolf and Yatesville, a subsidiary of Energy Solutions. At June 30, 2011, nine loan investments were on non-accrual status: Borga, Deb Shops, Inc. ("Deb Shops"), Freedom Marine, H&M, ICS, Nupla, Manx, Wind River and Yatesville. The loan principal of these loans amounted to $171,149 and $154,752 as of June 30, 2012 and June 30, 2011, respectively. The fair value of these loans amounted to $43,641 and $54,020 as of June 30, 2012 and June 30, 2011, respectively. The fair values of these investments represent approximately 2.9% and 4.8% of our net assets as of June 30, 2012 and June 30, 2011, respectively. For the years ended June 30, 2012, June 30, 2011 and June 30, 2010, the income foregone as a result of not accruing interest on non-accrual debt investments amounted to $25,460, $18,535 and $19,764, respectively.

On December 3, 2010, we exercised our warrants in Miller Petroleum, Inc ("Miller") and received 2,013,814 shares of Miller common stock. On December 27, 2010, we sold 1,397,510 of these shares receiving $3.95 of net proceeds per share, realizing a gain of $5,415. On January 10, 2011, we sold the

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

remaining 616,304 shares of Miller common stock receiving $4.23 of net proceeds per share, realizing an additional gain of $2,561. The total gain was $7,976 on the sale of the Miller common stock.

On May 2, 2011, we sold our membership interests in Fischbein, LLC ("Fischbein") for $12,396 of gross proceeds, $1,479 of which is deferred revenue held in escrow, realizing a gain of $9,893, and received a repayment on the loan that was outstanding. We subsequently made a $3,334 senior secured second-lien term loan and invested $875 in the common equity of Fischbein with the new ownership group.

During the year ended June 30, 2012, Deb Shops filed for bankruptcy and a plan for reorganization was proposed. The plan was approved by the bankruptcy court and our debt position was eliminated with no payment to us. We determined that the impairment of Deb Shops was other-than-temporary on September 30, 2011 and recorded a realized loss of $14,607 for the full amount of the amortized cost. The asset was completely written off when the plan of reorganization was approved.

On December 28, 2011, we made a secured debt investment of $37,218 to support the recapitalization of NRG Manufacturing, Inc. ("NRG"). After the financing, we received repayment of the $13,080 loan that was previously outstanding and a dividend of $6,711 as a result of our equity holdings. In addition, we sold 392 shares of NRG common stock held by us back to NRG for $13,266, realizing a gain of $12,131.

On February 2, 2012, NRG was sold to an outside buyer for $123,258. In conjunction with the sale, the $37,218 loan that was outstanding was repaid. We also received a $26,936 make-whole fee for early repayment of the outstanding loan, which was recorded as interest income in the year ended June 30, 2012. Further, we received a $3,800 advisory fee for the transaction, which was recorded as other income in the quarter ending March 31, 2012. After expenses, including the make whole and advisory fees discussed above, $40,886 was available to be distributed to stockholders. While our 408 shares of NRG common stock represented 67.1% of the ownership, we received net proceeds of $25,991 as our contribution to the escrow amount was proportionately higher than the other shareholders. In connection with the sales, we recognized a realized gain of $24,810 during the quarter ended March 31, 2012. In total, we received proceeds of $93,977 at closing. In addition, there is $11,125 being held in escrow of which 80% is due to us upon release of the escrowed amounts. This will be recognized as additional gain if and when received.

Energy Solutions has indemnified us against any legal action arising from its investment in Gas Solutions, LP. We have incurred approximately $2,093 from the inception of the investment in Energy Solutions through June 30, 2012 for fees associated with a legal action, and Energy Solutions has reimbursed us for the entire amount. There were no such legal fees incurred or reimbursed for the year ended June 30, 2012 and June 30, 2011.

Additionally, certain other operating expenses incurred by us which are attributable to Energy Solutions have been reimbursed by Energy Solutions and are reflected as dividend income: control investments in the Consolidated Statements of Operations. For the years ended June 30, 2012, June 30, 2011 and June 30, 2010, such reimbursements totaled as $16,236, $5,704 and $6,944, respectively.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

On June 15, 2012, we acquired 80.1% of the businesses of First Tower LLC ("First Tower") for $110,200 in cash and 14,518,207 unregistered shares of our common stock. Based on our share price of $11.06 at the time of issuance, we acquired our 80.1% interest in First Tower for approximately $270,771. As consideration for our investment, First Tower Holdings of Delaware, which is 100% owned by us, recorded a secured revolving credit facility to us of $244,760 and equity of $43,193. First Tower Delaware owns 80.1% of First Tower Holdings LLC, the holding company of First Tower. The assets of First Tower acquired include, among other things, the subsidiaries owned by First Tower, which hold finance receivables, leaseholds, and tangible property associated with First Tower's businesses. We received $8,075 in structuring fee income as part of the acquisition.

The original cost basis of debt placements and equity securities acquired, including follow-on investments for existing portfolio companies, totaled $1,120,659, $953,337 and $364,788 during the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. The $364,788 for the year ended June 30, 2010 includes $207,126 of portfolio investments acquired from Patriot. Debt repayments and proceeds from sales of equity securities of $500,952, $285,862 and $136,221 were received during the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively.

During the year ended June 30, 2012, we recognized $6,613 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $6,613 is $3,083 of normal accretion and $3,530 of accelerated accretion resulting from the repayment of Mac & Massey Holdings, LLC, Nupla Corporation, ROM Acquisition Corp and Sport Helmets Holdings, LLC.

During the year ended June 30, 2011, we recognized $22,084 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $22,084 is $4,912 of normal accretion, $12,035 of accelerated accretion resulting from the repayment of Impact Products, LLC, Label Corp Holdings Inc. and Prince Mineral Company, Inc., and $4,968 of accelerated accretion resulting from the recapitalization of our debt investments in Arrowhead General Insurance Agency, Inc. ("Arrowhead"), The Copernicus Inc. ("Copernicus"), Fischbein and Northwestern Management Services, LLC ("Northwestern"). The restructured loans for Arrowhead, Copernicus, Fischbein and Northwestern were issued at market terms comparable other industry transactions. In accordance with ASC 320-20-35 the cost basis of the new loan was recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

As of June 30, 2012, $2,022 of purchase discount from the assets acquired from Patriot remains to be accreted as interest income, of which $284 is expected to be amortized during the three months ending September 30, 2012.

As of June 30, 2012, $1,373,124 of our loans bear interest at floating rates, $1,345,407 of which have Libor floors ranging from 1.00% to 5.89%.

Undrawn committed revolvers incur commitment fees ranging from 0.50% to 2.00%. As of June 30, 2012 and June 30, 2011, we have $180,646 and $35,822 of undrawn revolver commitments to our portfolio companies, respectively.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 5. Revolving Credit Agreements

On June 11, 2010, we closed an extension and expansion of our existing credit facility with a syndicate of lenders through PCF (the "2010 Facility"). The 2010 Facility, which had $325,000 total commitments as of June 30, 2011, included an accordion feature which allowed the Syndicated Facility to accept up to an aggregate total of $400,000 of commitments, a limit which was met on September 1, 2011. Interest on borrowings under the 2010 Facility was one-month Libor plus 325 basis points, subject to a minimum Libor floor of 100 basis points. Additionally, the lenders charged a fee on the unused portion of the 2010 Facility equal to either 75 basis points if at least half of the credit facility is used or 100 basis points otherwise.

On March 27, 2012, we renegotiated the Syndicated Facility and closed on an expanded five-year $650,000 revolving credit facility (the "2012 Facility"). The lenders have extended commitments of $492,500 under the 2012 Facility as of June 30, 2012. The 2012 Facility includes an accordion feature which allows commitments to be increased up to $650,000 in the aggregate. The revolving period of the 2012 Facility extends through March 2015, with an additional two year amortization period (with distributions allowed) after the completion of the revolving period. During such two year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the two year amortization period, the remaining balance will become due, if required by the lenders.

The 2012 Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The 2012 Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the 2012 Facility. The 2012 Facility also requires the maintenance of a minimum liquidity requirement. At June 30, 2012, we were in compliance with the applicable covenants.

Interest on borrowings under the 2012 Facility is one-month Libor plus 275 basis points with no minimum Libor floor. Additionally, the lenders charge a fee on the unused portion of the 2012 Facility equal to either 50 basis points if at least half of the credit facility is drawn or 100 basis points otherwise. The 2012 Facility requires us to pledge assets as collateral in order to borrow under the credit facility. As of June 30, 2012 and June 30, 2011, we had $451,252 and $255,673, respectively, available to us for borrowing under our 2012 Facility, of which the amount outstanding was $96,000 and $84,200, respectively. As additional investments that are eligible are transferred to PCF and pledged under the 2012 Facility, PCF will generate additional availability up to the commitment amount of $492,500. At June 30, 2012, the investments used as collateral for the 2012 Facility had an aggregate market value of $783,384, which represents 51.8% of our net assets. These assets have been transferred to PCF, a bankruptcy remote special purpose entity, which owns these investments and as such, these investments are not available to our general creditors. PCF, a bankruptcy remote special purpose entity and our wholly-owned subsidiary, holds all of these investments at market value as of June 30, 2012. The release of any assets from PCF requires the approval of the facility agent.

Concurrent with the extension of our 2012 Facility, in March 2012, we wrote off $304 of the unamortized debt issue costs associated with the previous credit facility, in accordance with ASC 470-50, *Debt Modifications and Extinguishments.* In connection with the origination and amendments of the 2012 Facility, we incurred $8,428 of fees, including $1,319 of fees carried over from

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 5. Revolving Credit Agreements (Continued)

the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, *Debt Modifications and Extinguishments*, of which $8,722 remains to be amortized.

During the years ended June 30, 2012, June 30, 2011 and June 30, 2010, we recorded $14,883, $8,507 and $8,382 of interest costs, unused fees and amortization of financing costs on our credit facility as interest expense, respectively.

Note 6. Senior Convertible Notes

On December 21, 2010, we issued $150,000 in aggregate principal amount of our 6.25% senior convertible notes due 2015 ("2015 Notes") for net proceeds (after deducting underwriting expenses) of approximately $145,200. Interest on the 2015 Notes is paid semi-annually in arrears on June 15 and December 15, at a rate of 6.25% per year, commencing June 15, 2011. The 2015 Notes mature on December 15, 2015 unless converted earlier. The 2015 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2012 of 88.0902 and 88.1030 shares, respectively, of common stock per $1 principal amount of 2015 Notes, which is equivalent to a conversion price of approximately $11.35 per share of common stock, subject to adjustment in certain circumstances. The conversion price in effect at June 30, 2012 was last calculated on the anniversary of the issuance (December 21, 2010) and will next be adjusted on the next anniversary, unless the exercise price shall have changed by more than 1% before the anniversary. The conversion rate for the 2015 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.101125 per share, subject to adjustment.

On February 18, 2011, we issued $172,500 in aggregate principal amount of our 5.50% senior convertible notes due 2016 ("2016 Notes") for net proceeds following underwriting expenses of approximately $167,325. Between January 30, 2012 and February 2, 2012, we repurchased $5,000 of our 2016 Notes at a price of 97.5, including commissions. The transactions resulted in our recognizing $10 of loss in the year ended June 30, 2012. Interest on the remaining $167,500 of 2016 Notes is paid semi-annually in arrears on February 15 and August 15, at a rate of 5.50% per year, commencing August 15, 2011. The 2016 Notes mature on August 15, 2016 unless converted earlier. The 2016 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2012 of 78.3699 and 78.3835 shares, respectively, of common stock per $1 principal amount of 2016 Notes, which is equivalent to a conversion price of approximately $12.76 per share of common stock, subject to adjustment in certain circumstances. The conversion price in effect at June 30, 2012 was last calculated on the anniversary of the issuance (February 14, 2011) and will next be adjusted on the next anniversary, unless the exercise price shall have changed by more than 1% before the anniversary. The conversion rate for the 2016 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.101150 per share.

On April 16, 2012, we issued $130,000 in aggregate principal amount of our 5.375% senior convertible notes due 2017 ("2017 Notes") for net proceeds following underwriting expenses of approximately $126,035. Interest on the 2017 Notes is paid semi-annually in arrears on October 15 and April 15, at a rate of 5.375% per year, commencing October 15, 2012. The 2017 Notes mature on October 15, 2017 unless converted earlier. The 2017 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2012 of 85.8442 shares of common stock per $1 principal amount of 2017 Notes, which is equivalent to a conversion price of approximately

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 6. Senior Convertible Notes (Continued)

$11.65 per share of common stock, subject to adjustment in certain circumstances. The conversion price has not been adjusted since the issuance (April 16, 2012) and will next be adjusted on the first anniversary, unless the exercise price shall have changed by more than 1% before the anniversary. The conversion rate for the 2017 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.10150 per share.

In no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per $1 principal amount of the 2015 Notes (the "conversion rate cap"), except that, to the extent we receive written guidance or a no-action letter from the staff of the Securities and Exchange Commission (the "Guidance") permitting us to adjust the conversion rate in certain instances without regard to the conversion rate cap and to make the 2015 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events by us without regard to the conversion rate cap, we will make such adjustments without regard to the conversion rate cap and will also, to the extent that we make any such adjustment without regard to the conversion rate cap pursuant to the Guidance, adjust the conversion rate cap accordingly. We will use our commercially reasonable efforts to obtain such Guidance as promptly as practicable.

Prior to obtaining the Guidance, we will not engage in certain transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless we have engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the Notes surrendered for conversion representing accrued and unpaid interest to, but not including the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the Senior Convertible Notes.

No holder of Senior Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Notes upon a fundamental change at a price equal to 100% of the principal amount of the Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Senior Convertible Notes through and including the maturity date.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 6. Senior Convertible Notes (Continued)

In connection with the issuance of the Senior Convertible Notes, we incurred $14,527 of fees which are being amortized over the terms of the notes in accordance with ASC 470-50, *Debt Modifications and Extinguishments,* of which $11,713 remains to be amortized and is included within deferred financing costs on the consolidated statements of assets and liabilities.

During the years ended June 30, 2012 and June 30, 2011, we recorded $22,197 and $9,090 of interest costs and amortization of financing costs on the Senior Convertible Notes as interest expense.

The fair value of our Senior Convertible Notes was approximately $456,671 at June 30, 2012.

Note 7. Senior Unsecured Notes

On May 1, 2012, we issued $100,000 in aggregate principal amount of 6.95% senior unsecured notes due 2022 for net proceeds net of offering expenses of $97,000 (the "2022 Notes"). Interest on the 2022 Notes is paid quarterly in arrears on August 15, November 15, February 15 and May 15, at a rate of 6.95% per year, commencing on August 15, 2012. The 2022 Notes mature on November 15, 2022. These notes will be our direct unsecured obligations and rank equally with all of our unsecured senior indebtedness from time to time outstanding.

In connection with the issuance of the 2022 Notes, we incurred $3,200 of fees which are being amortized over the term of the notes in accordance with ASC 470-50, *Debt Modifications and Extinguishments,* of which $3,180 remains to be amortized and is included within deferred financing costs on the consolidated statements of assets and liabilities.

During the year ended June 30, 2012, we recorded $1,178 of interest costs and amortization of financing costs on the 2022 Notes as interest expense.

The fair value of our Senior Unsecured Notes was approximately $99,560 at June 30, 2012.

Note 8. Prospect Capital InterNotes®

On February 16, 2012, we entered into a Selling Agent Agreement (the "Selling Agent Agreement") with Incapital LLC, as purchasing agent for our issuance and sale from time to time of up to $500,000 of Prospect Capital InterNotes® (the "InterNotes® Offering"). Additional agents appointed by us from time to time in connection with the InterNotes Offering may become parties to the Selling Agent Agreement.

These notes will be our direct unsecured senior obligations and will rank equally with all of our unsecured senior indebtedness from time to time outstanding. Each series of notes will be issued by a separate trust. These notes bear interest at fixed interest rates and offer a variety of maturities no less than twelve months from the original date of issuance.

During the year ended June 30, 2012, we issued $20,638 in aggregate principal amount of our Prospect Capital InterNotes® for net proceeds of approximately $20,202. These notes were issued with

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 8. Prospect Capital InterNotes® (Continued)

stated interest rates ranging from 6.50% to 7.00% with an average rate of 6.78%. These notes mature between June 15, 2019 and June 15, 2022.

Date of Issuance	Amount	Interest Rate	Maturity Date
March 1, 2012	$ 4,000	7.00%	March 15, 2022
March 8, 2012	$ 1,465	6.90%	March 15, 2022
April 5, 2012	$ 4,000	6.85%	April 15, 2022
April 12, 2012	$ 2,462	6.70%	April 15, 2022
April 26, 2012	$ 2,054	6.50%	April 15, 2022
June 14, 2012	$ 2,657	6.95%	June 15, 2022
June 28, 2012	$ 4,000	6.55%	June 15, 2019

In connection with the issuance of the Prospect Capital InterNotes®, we incurred $812 of fees which are being amortized over the term of the notes in accordance with ASC 470-50, *Debt Modifications and Extinguishments,* of which $800 remains to be amortized and is included within deferred financing costs on the consolidated statements of assets and liabilities.

The fair value of our Prospect Capital InterNotes® was approximately $20,280 at June 30, 2012.

Note 9. Equity Offerings, Offering Expenses, and Distributions

We issued 30,970,696 and 37,494,476 shares of our common stock during the year ended June 30, 2012 and June 30, 2011, respectively. The proceeds raised, the related underwriting fees, the offering expenses and the prices at which these shares were issued are as follows:

Issuances of Common Stock	Number of Shares Issued	Gross Proceeds Raised	Underwriting Fees	Offering Expenses	Average Offering Price
During the year ended June 30, 2012:					
June 12, 2012 - June 29, 2012(1)	2,952,489	$ 33,130	$ 331	$ 184	$ 11.220
June 15, 2012(2)	14,518,207	$ 160,571	$	$	$ 11.060
February 28, 2012	12,000,000	$ 131,400	$ 1,560	$ 360	$ 10.950
July 18, 2011	1,500,000	$ 15,225	$ 165	$ 165	$ 10.150
During the year ended June 30, 2011:					
June 24, 2011	10,000,000	$ 101,500	$ 1,100	$ 227	$ 10.150
April 7, 2011	9,000,000	$ 102,600	$	$ 436	$ 11.400
November 16, 2010 - December 15, 2010(3)	4,513,920	$ 45,147	$ 904	$ 459	$ 10.000
September 29, 2010 - November 3, 2010(4)	5,231,956	$ 51,597	$ 1,033	$ 163	$ 9.861
July 22, 2010 - September 28, 2010(5)	6,000,000	$ 58,403	$ 1,156	$ 103	$ 9.734
July 1, 2010 - July 21, 2010(6)	2,748,600	$ 26,799	$ 536	$	$ 9.749

(1) On June 1, 2012, we established a fifth at-the-market program through which we may sell, from time to time and at our sole discretion 9,500,000 shares of our common stock. Through this

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 9. Equity Offerings, Offering Expenses, and Distributions (Continued)

program we issued 2,952,489 shares of our common stock at an average price of $11.22 per share, raising $33,130 of gross proceeds, from June 12, 2012 through June 29, 2012.

(2) On June 15, 2012, we completed the acquisition of the businesses of First Tower. We acquired 80.1% of First Tower's businesses for $110,200 in cash and 14,518,207 unregistered shares of our common stock.

(3) On November 10, 2010, we established a fourth at-the-market program through which we may sell, from time to time and at our sole discretion 9,750,000 shares of our common stock. Through this program we issued 4,513,920 shares of our common stock at an average price of $10.00 per share, raising $45,147 of gross proceeds, from November 16, 2010 through December 15, 2010. This program was suspended at that time.

(4) On September 24, 2010, we established a third at-the-market program through which we sold 5,231,956 shares of our common stock at an average price of $9.86 per share, raising $51,597 of gross proceeds, from September 29, 2010 through November 3, 2010.

(5) On July 19, 2010, we established a second at-the-market program through which we sold 6,000,000 shares of our common stock at an average price of $9.73 per share, raising $58,403 of gross proceeds, from July 22, 2010 through September 28, 2010.

(6) On March 17, 2010, we established an at-the-market program through which we sold 8,000,000 shares of our common stock. Through this program we issued 811,500 shares of our common stock at an average price of $12.60 per share, raising $10,230 of gross proceeds, from March 23, 2010 through March 31, 2010. Through this program we also issued 2,748,600 shares of our common stock at an average price of $9.75 per share, raising $26,799 of gross proceeds, from July 1, 2010 through July 21, 2010.

Our shareholders' equity accounts at June 30, 2012 and June 30, 2011 reflect cumulative shares issued as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters and our dividend reinvestment plan. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

On August 24, 2011, our Board of Directors approved a share repurchase plan under which we may repurchase up to $100,000 of our common stock at prices below our net asset value. We have not made any purchases of our common stock during the period from August 24, 2011 to June 30, 2012 pursuant to this plan. Prior to any repurchase we are required to notify shareholders of our intention to purchase our common stock. This notice lasts for six months after notice is given. Our last notice was delivered with our annual proxy mailing and expired on March 16, 2012. In order to reactivate the share repurchase plan prior to any future purchases, a new notice would need to be mailed to shareholders.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 9. Equity Offerings, Offering Expenses, and Distributions (Continued)

On May 7, 2012, we announced the declaration of monthly dividends in the following amounts and with the following dates:

$0.101525 per share for May 2012 to holders of record on May 31, 2012 with a payment date of June 22, 2012;

$0.101550 per share for June 2012 to holders of record on June 29, 2012 with a payment date of July 24, 2012; and

$0.101575 per share for July 2012 to holders of record on July 31, 2012 with a payment date of August 24, 2012; and

$0.101600 per share for August 2012 to holders of record on August 31, 2012 with a payment date of September 21, 2012.

On October 21, 2011, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to $465,163 of additional debt and equity securities in the public market.

During the years ended June 30, 2012 and June 30, 2011, we issued 1,056,484 and 1,025,352 shares, respectively, of our common stock in connection with the dividend reinvestment plan.

At June 30, 2012, we have reserved 37,896,349 shares of our common stock for issuance upon conversion of the Senior Convertible Notes (See Note 6).

Note 10. Other Investment Income

Other investment income consists of structuring fees, overriding royalty interests, settlement of net profit interests, deal deposits, administrative agent fee, and other miscellaneous and sundry cash receipts. Income from such sources was $36,493, $19,930 and $12,675 for the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively.

	For The Year Ended		
Income Source	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**
Gain on Patriot acquisition (Note 3)	$	$	$ 8,632
Structuring, advisory and amendment fees (Note 4)	35,976	19,589	3,749
Overriding royalty interests	224	154	194
Administrative agent fee	293	187	100
Other Investment Income	$ 36,493	$ 19,930	$ 12,675

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 11. Net Increase in Net Assets per Common Share

The following information sets forth the computation of net increase in net assets resulting from operations per common share for the years ended June 30, 2012, 2011 and 2010, respectively.

	For The Year Ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Net increase in net assets resulting from operations	$ 190,904	$ 118,238	$ 19,625
Weighted average common shares outstanding	114,394,554	85,978,757	59,429,222
Net increase in net assets resulting from operations per common share	$ 1.67	$ 1.38	$ 0.33

Note 12. Related Party Agreements and Transactions

Investment Advisory Agreement

We have entered into an investment advisory and management agreement with Prospect Capital Management (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, our Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and (iii) closes and monitors investments we make.

Prospect Capital Management's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our gross assets (including amounts borrowed). For services currently rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The total base management fees earned by and paid to Prospect Capital Management for the years ended June 30, 2012, June 30, 2011 and June 30, 2010 were $35,836, $22,496 and $13,929, respectively.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 12. Related Party Agreements and Transactions (Continued)

income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and

- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in its portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which maybe asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 12. Related Party Agreements and Transactions (Continued)

aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

Income incentive fees totaling $46,671, $23,555 and $16,798 were earned for the years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively. No capital gains incentive fees were earned for years ended June 30, 2012, June 30, 2011 and June 30, 2010, respectively.

Administration Agreement

We have also entered into an Administration Agreement with Prospect Administration, LLC ("Prospect Administration") under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our chief compliance officer and chief financial officer and his staff. For the years ended June 30, 2012, 2011 and 2010, the reimbursement was approximately $6,848, $4,979 and $3,361, respectively. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly owned subsidiary of our Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us.

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. As of June 30, 2012 and June 30, 2011, $165 and $84 of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 12. Related Party Agreements and Transactions (Continued)

managerial assistance fees remain on the consolidated statements of assets and liabilities as a payable to the Administrator.

Note 13. Merger Proposal to Allied Capital Corporation

In January 2010, we delivered a proposal letter to Allied Capital Corporation ("Allied") noting our opposition to Allied's proposed merger with Ares Capital Corporation ("Ares") and containing an offer to acquire each outstanding Allied share in exchange for 0.385 of a share of our common stock. Allied expressed that our offer did not constitute a "Superior Proposal" as defined in their Merger Agreement with Ares and declined our January 2010 offer. In February 2010, we increased our offer to 0.4416 of a share of our common stock. This final offer was also declined by Allied. On March 5, 2010, following Allied's announcement of a special dividend to shareholders, we terminated our solicitation in opposition of the proposed merger with Ares. We incurred $852 of administrative and legal expense for advice relating to this potential acquisition for the year ended June 30, 2010.

Note 14. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any such material litigation as of June 30, 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 15. Financial Highlights

	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008
Per Share Data(1):					
Net asset value at beginning of period	$ 10.36	$ 10.30	$ 12.40	$ 14.55	$ 15.04
Costs related to the secondary public offering					(0.07)
Net investment income	1.63	1.10	1.13	1.87	1.91
Realized gain (loss)	0.32	0.19	(0.87)	(1.24)	(0.69)
Net unrealized (depreciation) appreciation	(0.28)	0.09	0.07	0.48	(0.05)
Net (decrease) increase in net assets as a result of public offering	0.04	(0.08)	(0.85)	(2.11)	
Net increase in net assets as a result of shares issued for Patriot acquisition			0.12		
Dividends to shareholders	(1.24)	(1.24)	(1.70)	(1.15)	(1.59)
Net asset value at end of period	$ 10.83	$ 10.36	$ 10.30	$ 12.40	$ 14.55
Per share market value at end of period	$ 11.39	$ 10.11	$ 9.65	$ 9.20	$ 13.18
Total return based on market value(2)	27.21%	17.22%	17.66%	(18.60)%	(15.90)%
Total return based on net asset value(2)	18.03%	12.54%	(6.82)%	(0.61)%	7.84%
Shares outstanding at end of period	139,633,870	107,606,690	69,086,862	42,943,084	29,520,379
Average weighted shares outstanding for period	114,394,554	85,978,757	59,429,222	31,559,905	23,626,642
Ratio / Supplemental Data:					
Net assets at end of period (in thousands)	$ 1,511,974	$ 1,114,357	$ 711,424	$ 532,596	$ 429,623
Portfolio turnover rate	29.06%	27.63%	21.61%	4.99%	31.07%
Annualized ratio of operating expenses to average net assets	10.73%	8.47%	7.54%	9.03%	9.62%
Annualized ratio of net investment income to average net assets	14.92%	10.60%	10.69%	13.14%	12.66%

(1) Financial highlights are based on weighted average shares.

(2) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 16. Selected Quarterly Financial Data (Unaudited)

	Investment Income		Net Investment Income		Net Realized and Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets from Operations	
Quarter Ended	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**	**Total**	**Per Share(1)**
September 30, 2009	$ 21,517	$ 0.43	$ 12,318	$ 0.25	$ (18,696)	$ (0.38)	$ (6,378)	$ (0.13)
December 31, 2009(2)	31,801	0.55	19,258	0.33	(33,778)	(0.59)	(14,520)	(0.25)
March 31, 2010	32,005	0.50	18,974	0.30	6,966	0.11	25,940	0.41
June 30, 2010	29,236	0.44	16,640	0.25	(2,057)	(0.03)	14,583	0.22
September 30, 2010	35,212	0.47	20,995	0.28	4,585	0.06	25,580	0.34
December 31, 2010	33,300	0.40	19,080	0.23	12,860	0.16	31,940	0.38
March 31, 2011	44,573	0.51	23,956	0.27	9,803	0.11	33,759	0.38
June 30, 2011	56,391	0.58	30,190	0.31	(3,232)	(0.03)	26,959	0.28
September 30, 2011	55,342	0.51	27,877	0.26	12,023	0.11	39,900	0.37
December 31, 2011	67,263	0.61	36,508	0.33	27,984	0.26	64,492	0.59
March 31, 2012	95,623	0.84	58,072	0.51	(7,863)	(0.07)	50,209	0.44
June 30, 2012	102,682	0.82	64,227	0.52	(27,924)	(0.22)	36,303	0.29

(1) Per share amounts are calculated using weighted average shares during period.

(2) As adjusted for increase in earnings from Patriot.

Note 17. Subsequent Events

On July 5, 2012, we made a senior secured debt investment of $28,000 to support the acquisition of Material Handling Services, LLC, d/b/a/ Total Fleet Solutions, a provider of forklift and other material handling equipment fleet management and procurement services, by funds managed by CI Capital Partners, LLC.

During the period from July 6, 2012 to August 23, 2012, we issued approximately $38,473 in aggregate principal amount of Prospect Capital InterNotes® for net proceeds of $37,800, as follows:

Date of Issuance	**Gross Proceeds**	**Interest Rate**	**Maturity Date**
July 6, 2012	$ 2,778	6.45%	June 15, 2019
July 12, 2012	5,673	6.35%	June 15, 2019
July 19, 2012	6,810	6.30%	June 15, 2019
July 26, 2012	5,667	6.20%	June 15, 2019
August 2, 2012	3,633	6.15%	August 15, 2019
August 9, 2012	2,830	6.15%	August 15, 2019
August 16, 2012	2,681	6.10%	August 15, 2019
August 23, 2012	8,401	6.05%	August 15, 2019

On July 16, 2012, we issued 21,000,000 shares of our common stock at $11.15 per share (or $11.05 per share net proceeds excluding expenses), raising $234,150 of gross proceeds.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 17. Subsequent Events (Continued)

On July 16, 2012 we provided $15,000 of secured second lien financing to Pelican Products, Inc., a leading provider of unbreakable, watertight protective cases and technically advanced professional lighting equipment.

On July 20, 2012, we provided $12,000 of senior secured financing to EIG Investors Corp., a provider of an array of online services such as web presence, domain hosting, e-commerce, e-mail and other related services to small- and medium-sized businesses.

On July 20, 2012, we provided $10,000 of senior secured financing to FPG, LCC a supplier of branded consumer and commercial products sold to the retail, foodservice, and hospitality sectors.

On July 24, 2012 and August 24, 2012, we issued 205,834 shares and 75,543 shares, respectively, of our common stock in connection with the dividend reinvestment plan.

On July 24, 2012, we sold our 3,821 shares of Iron Horse common stock in connection with the exercise of an equity buyout option, receiving $2,040 of net proceeds and realizing a gain of approximately $1,772 on the sale.

On July 27, 2012, we issued 3,150,000 shares in connection with the exercise of an option granted with the July 12, 2012 offering of 21,000,000 shares which were delivered July 16, 2012, raising an additional $35,123 of gross proceeds and $34,808 of net proceeds.

On July 27, 2012 we closed an increase of $15,000 to our commitments to our credit facility. The commitments to the credit facility now stand at $507,500.

On July 27, 2012, we provided $85,000 of senior subordinated financing to support the acquisition of substantially all the assets of Arctic Glacier Income Funds by funds affiliated with H.I.G. Capital, LLC ("H.I.G."). The new company, Arctic Glacier Holdings, Inc., will continue to conduct business under the "Arctic Glacier" name and be a leading producer, marketer, and distributor of high-quality packaged ice to consumers in Canada and the United States.

On July 30, 2012, we amended our charter to increase the shares of common stock authorized for issuance by us from 200,000,000 to 500,000,000 in the aggregate.

On August 2, 2012, we provided a $27,000 secured loan to support the acquisition of New Star Metals, Inc., a provider of specialized processing services to the steel industry, by funds managed by Insight Equity Management Company.

On August 3, 2012, we provided $110,000 senior secured financing to support the acquisition of InterDent, Inc., a leading provider of dental practice management services to dental professional corporations and associations in the United States, by funds managed by H.I.G.

On August 3, 2012, we provided $44,000 of secured subordinated financing to support the refinancing of New Century Transportation, Inc., a leading transportation and logistics company.

On August 3, 2012, we provided $10,000 of senior secured financing to Paradigm Geophysical, Ltd., the largest multi-national software company focused on the delivery of analytical and information management solutions for the discovery and extraction of subsurface natural resources.

On August 3, 2012, Pinnacle Treatment Centers, Inc. repaid the $17,450 loan receivable to us.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(In thousands, except share and per share data)

Note 17. Subsequent Events (Continued)

On August 6, 2012, we made an investment of $22,210 to purchase 62.9% of the subordinated notes in Halcyon Loan Advisors Funding 2012-I.

On August 7, 2012, we made an investment of $36,798 to purchase 95.0% of the subordinated notes in ING IM CLO 2012-II.

On August 10, 2012, U.S. HealthWorks Holding Company, Inc. repaid the $25,000 loan receivable to us.

On August 14, 2012, we issued $200,000 in aggregate principal amount of our 5.75% senior convertible notes due 2018 ("2018 Notes") for net proceeds following underwriting expenses of approximately $193,600. Interest on the 2018 Notes is paid semi-annually in arrears on March 15 and September 15, at a rate of 5.75% per year, commencing March 15, 2013. The 2018 Notes mature on March 15, 2018 unless converted earlier. The 2018 Notes are convertible into shares of common stock at an initial conversion rate of 82.3451 shares of common stock per $1 principal amount of 2018 Notes, which is equivalent to a conversion price of approximately $12.14 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2018 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.1016 per share.

On August 17, 2012, we made a secured second lien investment of $38,500 to support the recapitalization of American Gilsonite Company. After the financing we expect to receive a repayment of the loans currently outstanding.

On August 21, 2012, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.101625 per share for September 2012 to holders of record on September 28, 2012 with a payment date of October 24, 2012; and

- $0.101650 per share for October 2012 to holders of record on October 31, 2012 with a payment date of November 22, 2012.

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$750,000,000

PROSPECT CAPITAL CORPORATION

Common Stock
Preferred Stock
Debt Securities
Warrants

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, 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 17, 2011, the last reported sales price for our common stock was $8.86.

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 October 21, 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, 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 (and, accordingly, includes the value of assets acquired with proceeds from borrowings), 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, 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 $1,072.5 million. 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)	3.98%
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	6.09%
Interest payments on the credit facility	2.86%
Interest payments on the 2010 Notes(7)	0.84%
Interest payments on the 2011 Notes(8)	0.85%
Total interest expense	4.55%
Acquired Fund Fees and Expenses(9)	0.01%
Other expenses(10)	1.52%
Total annual expenses(6)(10)	12.18%

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 $1,072.5 million, 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	$ 150.09	$ 326.06	$ 484.67	$ 816.06

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 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

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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 we have no intent to borrow more than $1,072.5 million in the coming year, however, assuming that we borrowed $1,072.5 million, the 2% management fee of gross assets equals approximately 3.98% of net assets. Based on our total borrowings as of October 18, 2011 of $553 million, the 2% management fee of gross assets equals approximately 3.01% 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."

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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 32 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	86,307	84,212	119,857	44,248	48,280
Total assets	1,549,317	832,695	667,025	541,778	376,502
Amount drawn on credit facility	84,200	100,300	124,800	91,167	
2010 Notes	150,000				
2011 Notes	172,500				
Amount owed to related parties	7,918	9,300	6,713	6,641	4,838
Other liabilities	20,342	11,671	2,916	14,347	71,616
Total liabilities	434,960	121,271	134,429	112,155	76,454
Net assets	$ 1,114,357	$ 711,424	$ 532,596	$ 429,623	$ 300,048
Investment Activity Data:					
	72	58	30	29(2)	24(2)

No. of portfolio companies at period end										
Acquisitions	$	953,337	$	364,788(3)	$	98,305	$	311,947	$	167,255
Sales, repayments, and other disposals	$	285,562	$	136,221	$	27,007	$	127,212	$	38,407
Weighted-Average Yield at end of period(4)		12.8%		14.2%		13.7%		15.5%		17.1%

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

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

(3) Includes $207,126 of acquired portfolio investments from Patriot Acquisition.

(4) Includes dividends from certain equity investments.

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RISK FACTORS

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

Risks Relating To Our Business

We may suffer credit losses.

Investment in small and middle-market companies is highly speculative and involves a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, such as the US and many other economies have recently been experiencing. See "Risks Related to Our Investments."

Our financial condition and results of operations will depend on our ability to manage our future growth effectively.

Prospect Capital Management has been registered as an investment adviser since March 31, 2004, and we have been organized as a closed-end investment company since April 13, 2004. Our ability to achieve our investment objective depends on our ability to grow, which depends, in turn, on our Investment Adviser's ability to continue to identify, analyze, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of our Investment Adviser's structuring of investments, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. As we continue to grow, Prospect Capital Management will need to continue to hire, train, supervise and manage new employees. Failure to manage our future growth effectively could have a materially adverse effect on our business, financial condition and results of operations.

We are dependent upon Prospect Capital Management's key management personnel for our future success.

We depend on the diligence, skill and network of business contacts of the senior management of our Investment Adviser. We also depend, to a significant extent, on our Investment Adviser's access to the investment professionals and the information and deal flow generated by these investment professionals in the course of their investment and portfolio management activities. The senior management team of the Investment Adviser evaluates, negotiates, structures, closes, monitors and services our investments. Our success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior management team could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain our investment adviser or that we will continue to have access to its investment professionals or its information and deal flow.

We operate in a highly competitive market for investment opportunities.

A large number of entities compete with us to make the types of investments that we make in target companies. We compete with other business development companies, public and private funds, commercial and investment banks and commercial financing companies. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including investments in middle-market companies. As a result of these new entrants, competition for investment opportunities at middle-market companies has intensified, a trend we expect to continue.

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Many of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more or fuller relationships with borrowers and sponsors than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. We cannot assure you that the competitive pressures we face will not have a materially adverse effect on our business, financial condition and results of operations. Also, as a result of existing and increasing competition and our competitors ability to provide a total package solution, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates that we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

Most of our portfolio investments are recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments consist of securities of privately held companies. Hence, market quotations are generally not readily available for determining the fair values of such investments. The determination of fair value, and thus the amount of unrealized losses we may incur in any year, is to a degree subjective, and the Investment Adviser has a conflict of interest in making the determination. We value these securities quarterly at fair value as determined in good faith by our Board of Directors based on input from our Investment Adviser, a third party independent valuation firm and our audit committee. Our Board of Directors utilizes the services of an independent valuation firm to aid it in determining the fair value of any securities. The types of factors that may be considered in determining the fair values of our investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow, current market interest rates and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, the valuations may fluctuate significantly over short periods of time due to changes in current market conditions. The determinations of fair value by our Board of Directors may differ materially from the values that would have been used if an active market and market quotations existed for these investments. Our net asset value could be adversely affected if the determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

In addition, decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets experienced during the recent financial crises resulted in significant net unrealized depreciation in our portfolio in the past. The effect of all of these factors on our portfolio reduced our NAV by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may continue to suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations. We have no policy regarding holding a minimum level of liquid assets. As such, a high percentage of our portfolio generally is not liquid at any given point in time. See " The lack of liquidity may adversely affect our business."

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Senior securities, including debt, expose us to additional risks, including the typical risks associated with leverage and could adversely affect our business, financial condition and results of operations.

We currently use our revolving credit facility to leverage our portfolio and we expect in the future to borrow from and issue senior debt securities to banks and other lenders and may securitize certain of our portfolio investments. We also have the Notes outstanding, which are a form of leverage and are senior in payment to our common stock.

With certain limited exceptions, as a business development company, or BDC, we are only allowed to borrow amounts such that our asset coverage, as defined in the 1940 Act, is at least 200% after such borrowing. The amount of leverage that we employ will depend on our Investment Adviser's and our Board of Directors' assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, including the following, any of which could adversely affect our business, financial condition and result of operations:

- A likelihood of greater volatility in the net asset value and market price of our common stock;

- Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements required by lenders or investors that are more stringent than those imposed by the 1940 Act;

- The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage;

- Increased operating expenses due to the cost of leverage, including issuance and servicing costs;

- Convertible or exchangeable securities issued in the future may have rights, preferences and privileges more favorable than those of our common stock;

- Subordination to lenders' superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds will be distributed to our stockholders;

- Making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;

- The occurrence of an event of default if we fail to comply with the financial and/or other restrictive covenants contained in our debt agreements, including the credit agreement and each indenture governing the Notes, which event of default could result in all or some of our debt becoming immediately due and payable;

- Reduced availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;

- The risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our amended senior credit facility; and

- Reduced flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

For example, the amount we may borrow under our revolving credit facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits.

Other debt facilities we may enter into in the future may contain similar provisions. Any such forced sales would reduce our NAV and also make it difficult for the net asset value to recover. Our Investment Adviser and our Board of Directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

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In addition, our ability to meet our payment and other obligations of the Notes and our credit facility depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our existing credit facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt.

Illustration. The following table illustrates the effect of leverage on returns from an investment in our common stock assuming various annual returns, net of interest expense. The calculations in the table below are hypothetical and actual returns may be higher or lower than those appearing below. The calculation assumes (i) $1.5 billion in total assets, (ii) an average cost of funds of 4.73%, (iii) $1,072.5 million in debt outstanding and (iv) $1.1 billion of stockholders' equity.

Assumed Return on Our Portfolio (net of expenses)	**(10)%**	**(5)%**	**0%**	**5%**	**10%**
Corresponding Return to Stockholder	(24.73)%	(14.64)%	(4.55)%	5.54%	15.63%

The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance. Actual returns may be greater or less than those appearing in the table.

The Notes present other risks to holders of our common stock, including the possibility that the Notes could discourage an acquisition of the Company by a third party and accounting uncertainty.

Certain provisions of the Notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the Notes will have the right, at their option, to require us to repurchase all of their Notes or any portion of the principal amount of such Notes in integral multiples of $1,000. We may also be required to increase the conversion rate or provide for conversion into the acquirer's capital stock in the event of certain fundamental changes. These provisions could discourage an acquisition of us by a third party.

The accounting for convertible debt securities is subject to frequent scrutiny by the accounting regulatory bodies and is subject to change. We cannot predict if or when any such change could be made and any such change could have an adverse impact on our reported or future financial results. Any such impacts could adversely affect the market price of our common stock.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect

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our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

In addition to regulatory restrictions that restrict our ability to raise capital, our credit facility contains various covenants which, if not complied with, could accelerate repayment under the facility, thereby materially and adversely affecting our liquidity, financial condition and results of operations.

The agreement governing our credit facility requires us to comply with certain financial and operational covenants. These covenants include:

- restrictions on the level of indebtedness that we are permitted to incur in relation to the value of our assets;
- restrictions on our ability to incur liens; and
- maintenance of a minimum level of stockholders' equity.

As of June 30, 2011, we were in compliance with these covenants. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. Accordingly, there are no assurances that we will continue to comply with the covenants in our credit facility. Failure to comply with these covenants would result in a default under this facility which, if we were unable to obtain a waiver from the lenders thereunder, could result in an acceleration of repayments under the facility and thereby have a material adverse impact on our business, financial condition and results of operations.

Failure to extend our existing credit facility, the revolving period of which is currently scheduled to expire on June 13, 2012, could have a material adverse effect on our results of operations and financial position and our ability to pay expenses and make distributions.

The revolving period for our credit facility with a syndicate of lenders is currently scheduled to terminate on June 13, 2012. If the credit facility is not renewed or extended by the participant banks by June 13, 2012, we will not be able to make further borrowings under the facility after such date and the outstanding principal balance on that date will be due and payable on June 13, 2013. At June 30, 2011 we had outstanding borrowings of $84.2 million under our credit facility. Interest on borrowings under the credit facility is one-month LIBOR plus 325 basis points, subject to a minimum LIBOR floor of 100 basis points. Additionally, the lenders charge a fee on the unused portion of the credit facility equal to either 75 basis points if at least half of the credit facility is used or 100 basis points otherwise. If we are unable to extend our facility or find a new source of borrowing on acceptable terms, we will be required to pay down the amounts outstanding under the facility during the one-year term-out period through one or more of the following: (1) principal collections on our securities pledged under the facility, (2) at our option, interest collections on our securities pledged under the facility and cash collections on our securities not pledged under the facility, or (3) possible liquidation of some or all of our loans and other assets, any of which could have a material adverse effect on our results of operations and financial position and may force us to decrease or stop paying certain expenses and making distributions until the facility is repaid. In addition, our stock price could decline significantly,

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we would be restricted in our ability to acquire new investments and, in connection with our year-end audit, our independent registered accounting firm could raise an issue as to our ability to continue as a going concern.

Changes in interest rates may affect our cost of capital and net investment income.

A significant portion of the debt investments we make bears interest at fixed rates and the value of these investments could be negatively affected by increases in market interest rates. In addition, as the interest rate on our revolving credit facility is at a variable rate based on an index, an increase in interest rates would make it more expensive to use debt to finance our investments. As a result, a significant increase in market interest rates could both reduce the value of our portfolio investments and increase our cost of capital, which would reduce our net investment income.

We need to raise additional capital to grow because we must distribute most of our income.

We need additional capital to fund growth in our investments. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our shareholders to maintain our RIC status. As a result, such earnings are not available to fund investment originations. We have sought additional capital by borrowing from financial institutions and may issue debt securities or additional equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, we could be limited in our ability to grow, which may have an adverse effect on the value of our common stock. In addition, as a business development company, we are generally required to maintain a ratio of total assets to total borrowings and other senior securities of at least 200%, which may restrict our ability to borrow in certain circumstances.

The lack of liquidity in our investments may adversely affect our business.

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or our Investment Adviser has material non-public information regarding such portfolio company.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest or dividend rates payable on the debt or equity securities we hold, the default rate on debt securities, the level of our expenses, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets, the seasonality of the energy industry, weather patterns, changes in energy prices and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

Our most recent NAV was calculated as of June 30, 2011 and our NAV when calculated as of September 30, 2011 may be higher or lower.

Our most recently estimated NAV per share is $10.04 on an as adjusted basis solely to give effect to distributions with record dates of July 29, 2011, August 31, 2011 and September 30, 2011, our issuance of common stock on July 22, 2011, August 26, 2011 and September 23, 2011 in connection with our dividend reinvestment plan, and our issuance of 1,500,000 shares of common stock on July 18, 2011 in connection with the option granted with the June 21, 2011 offering of 10,000,000 shares which were delivered June 24, 2011, versus $10.36 determined by us as of June 30, 2011. NAV per share as of September 30, 2011, may be higher or lower than $10.04 based on potential changes in valuations and earnings for the quarter then ended. Our Board of Directors has not yet determined the fair value of portfolio investments at any date subsequent to June 30, 2011. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis in connection with the preparation of quarterly financial statements and based on input from an independent valuation firm, our Investment Adviser and the audit committee of our Board of Directors.

Potential conflicts of interest could impact our investment returns.

Our executive officers and directors, and the executive officers of our Investment Adviser, Prospect Capital Management, may serve as officers, directors or principals of entities that operate in the same or related lines of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in our best interests or those of our stockholders. Nevertheless, it is possible that new investment opportunities that meet our investment objective may come to the attention of one of these entities in connection with another investment advisory client or program, and, if so, such opportunity might not be offered, or otherwise made available, to us. However, as an investment adviser, Prospect Capital Management has a fiduciary obligation to act in the best interests of its clients, including us. To that end, if Prospect Capital Management or its affiliates manage any additional investment vehicles or client accounts in the future, Prospect Capital Management will endeavor to allocate investment opportunities in a fair and equitable manner over time so as not to discriminate unfairly against any client. If Prospect Capital Management chooses to establish another investment fund in the future, when the investment professionals of Prospect Capital Management identify an investment, they will have to choose which investment fund should make the investment.

In the course of our investing activities, under the Investment Advisory Agreement we pay base management and incentive fees to Prospect Capital Management, and reimburse Prospect Capital Management for certain expenses it incurs. As a result of the Investment Advisory Agreement, there may be times when the senior management team of Prospect Capital Management has interests that differ from those of our stockholders, giving rise to a conflict.

Prospect Capital Management receives a quarterly income incentive fee based, in part, on our pre-incentive fee net investment income, if any, for the immediately preceding calendar quarter. This income incentive fee is subject to a fixed quarterly hurdle rate before providing an income incentive fee return to the Investment Adviser. This fixed hurdle rate was determined when then current interest rates were relatively low on a historical basis. Thus, if interest rates rise, it would become easier for our investment income to exceed the hurdle rate and, as a result, more likely that our Investment Adviser will receive an income incentive fee than if interest rates on our investments remained constant or decreased. Subject to the receipt of any requisite stockholder approval under the 1940 Act, our Board of Directors may adjust the hurdle rate by amending the Investment Advisory Agreement.

The income incentive fee payable by us is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that has a deferred interest feature, it is possible that interest accrued under such loan that has previously been included in the calculation of the income incentive fee will become uncollectible. If this happens, our Investment Adviser is not required to reimburse us for any such income incentive fee payments. If we do not have sufficient liquid assets to pay this incentive fee or distributions to stockholders on such accrued income, we may be required to liquidate assets in order to do so. This fee structure could give rise to a conflict of interest for our Investment Adviser to the extent that it may encourage the Investment Adviser to favor debt financings that provide for deferred interest, rather than current cash payments of interest.

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We have entered into a royalty-free license agreement with Prospect Capital Management. Under this agreement, Prospect Capital Management agrees to grant us a non-exclusive license to use the name "Prospect Capital." Under the license agreement, we have the right to use the "Prospect Capital" name for so long as Prospect Capital Management or one of its affiliates remains our Investment Adviser. In addition, we rent office space from Prospect Administration, an affiliate of Prospect Capital Management, and pay Prospect Administration our allocable portion of overhead and other expenses incurred by Prospect Administration in performing its obligations as Administrator under the Administration Agreement, including rent and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. This may create conflicts of interest that our Board of Directors monitors.

Our incentive fee could induce Prospect Capital Management to make speculative investments.

The incentive fee payable by us to Prospect Capital Management may create an incentive for our Investment Adviser to make investments on our behalf that are more speculative or involve more risk than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable is determined (calculated as a percentage of the return on invested capital) may encourage the Investment Adviser to use leverage to increase the return on our investments. Increased use of leverage and this increased risk of replacement of that leverage at maturity, would increase the likelihood of default, which would disfavor holders of our common stock. Similarly, because the Investment Adviser will receive an incentive fee based, in part, upon net capital gains realized on our investments, the Investment Adviser may invest more than would otherwise be appropriate in companies whose securities are likely to yield capital gains, as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to Prospect Capital Management could create an incentive for our Investment Adviser to invest on our behalf in instruments, such as zero coupon bonds, that have a deferred interest feature. Under these investments, we would accrue interest income over the life of the investment but would not receive payments in cash on the investment until the end of the term. Our net investment income used to calculate the income incentive fee, however, includes accrued interest. For example, accrued interest, if any, on our investments in zero coupon bonds will be included in the calculation of our incentive fee, even though we will not receive any cash interest payments in respect of payment on the bond until its maturity date. Thus, a portion of this incentive fee would be based on income that we may not have yet received in cash in the event of default may never receive.

We may be obligated to pay our investment adviser incentive compensation even if we incur a loss.

Our investment adviser is entitled to incentive compensation for each fiscal quarter based, in part, on our pre-incentive fee net investment income if any, for the immediately preceeding calendar quarter above a performance threshold for that quarter. Accordingly, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay Prospect Capital Management incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

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Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and U.S. Federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, changes in these laws or regulations could have a material adverse effect on our business. For additional information regarding the regulations we are subject to, see "Regulation."

Foreign and domestic political risk may adversely affect our business.

We are exposed to political risk to the extent that Prospect Capital Management, on its behalf and subject to its investment guidelines, transacts in securities in the U.S. and foreign markets. The governments in any of these jurisdictions could impose restrictions, regulations or other measures, which may have a material adverse impact on our strategy.

Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States and abroad, which have had, and may in the future have, a negative impact on our business and operations.

The U.S. and foreign capital markets have recently been in a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions appear to be improving, they could continue for a prolonged period of time or worsen in the future. In addition, while these conditions persist, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital in order to grow. Equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value without first obtaining approval for such issuance from our stockholders and our independent directors. At our annual meeting of stockholders held on December 10, 2010, subject to certain determinations required to be made by our Board of Directors, our stockholders approved our ability to sell or otherwise issue shares of our common stock at a price below its then current net asset value per share for a twelve month period expiring on the anniversary of the date of stockholder approval. 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. In addition, our ability to incur indebtedness or issue other senior securities (including by issuing preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness or issue other senior securities. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the recent extreme volatility and dislocation in the capital markets, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. Recent significant changes in the capital markets affecting our ability to raise capital have affected the pace of our investment activity. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, has had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

Risks Relating To Our Operation As A Business Development Company

A failure on our part to maintain our status as a business development company would significantly reduce our operating flexibility.

If we do not continue to qualify as a business development company, we might be regulated as a registered closed-end investment company under the 1940 Act; our failure to qualify as a BDC would make us subject to additional regulatory requirements, which may significantly decrease our operating flexibility by limiting our ability to employ leverage and issue common stock.

If we fail to qualify as a RIC, we will have to pay corporate-level taxes on our income, and our income available for distribution would be reduced.

To maintain our qualification for federal income tax purposes as a RIC under Subchapter M of the Code, and obtain RIC tax treatment, we must meet certain source of income, asset diversification and annual distribution requirements.

The source of income requirement is satisfied if we derive at least 90% of our annual gross income from interest, dividends, payments with respect to certain securities loans, gains from the sale or other disposition of securities or options thereon or foreign currencies, or other income derived with respect to our business of investing in such securities or currencies, and net income from interests in "qualified publicly traded partnerships," as defined in the Code.

The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis. Because we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants that could, under certain circumstances, restrict us from making distributions necessary to qualify for RIC tax treatment. If we are unable to obtain cash from other sources, we may fail to qualify for RIC tax treatment and, thus, may be subject to corporate-level income tax.

To maintain our qualification as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses.

If we fail to qualify as a RIC for any reason or become subject to corporate income tax, the resulting corporate taxes would substantially reduce our net assets, the amount of income available for distribution, and the actual amount of our distributions. Such a failure would have a materially adverse effect on us and our stockholders. For additional information regarding asset coverage ratio and RIC requirements, see "Regulation Senior Securities" and "Material U.S. Federal Income Tax Considerations".

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For U.S. federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue

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discount, which could be significant relative to our overall investment activities, or increases in loan balances as a result of payment-in-kind arrangements, are included in our taxable income before we receive any corresponding cash payments. We also may be required to include in taxable income certain other amounts that we do not receive in cash. While we focus primarily on investments that will generate a current cash return, our investment portfolio currently includes, and we may continue to invest in, securities that do not pay some or all of their return in periodic current cash distributions.

The income incentive fee payable by us is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the income incentive fee will become uncollectible.

Since in some cases we may recognize taxable income before or without receiving cash representing such income, we may have difficulty distributing 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, as required to maintain RIC tax treatment. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC treatment and thus become subject to corporate-level income tax. See "Regulation Senior Securities" and "Material U.S. Federal Income Tax Considerations".

Regulations governing our operation as a business development company affect our ability to raise, and the way in which we raise, additional capital.

We have incurred indebtedness under our revolving credit facility and through the issuance of the Notes and, in the future, may issue preferred stock and/or borrow additional money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to incur indebtedness or issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test, which would prohibit us from paying dividends and could prohibit us from qualifying as a RIC. If we cannot satisfy this test, we may be required to sell a portion of our investments or sell additional shares of common stock at a time when such sales may be disadvantageous in order to repay a portion of our indebtedness. In addition, issuance of additional common stock could dilute the percentage ownership of our current stockholders in us.

As a BDC regulated under provisions of the 1940 Act, we are not generally able to issue and sell our common stock at a price below the current net asset value per share. If our common stock trades at a discount to net asset value, this restriction could adversely affect our ability to raise capital. We may, however, 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 in certain circumstances, including if (i)(1) the holders of a majority of our shares (or, if less, at least 67% of a quorum consisting of a majority of our shares) and a similar majority of the holders of our shares who are not affiliated persons of us approve the sale of our common stock at a price that is less than the current net asset value, and (2) a majority of our Directors who have no financial interest in the transaction and a majority of our independent Directors (a) determine that such sale is in our and our stockholders' best interests and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount or if (ii) a majority of the number of the beneficial holders of our common stock entitled to vote at our annual meeting, without regard to whether a majority of such shares are voted in favor of the proposal, approve the sale of our

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common stock at a price that is less than the current net asset value per share. At our 2010 annual meeting of stockholders held on December 10, 2010, we obtained the first method of approval from our shareholders to sell an unlimited number of shares of common stock at any discount to 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. We will not sell shares of common stock under a prospectus supplement to the registration statement (the "current registration statement") if the cumulative dilution to our NAV per share from offerings under the current registration statement exceeds 15%. See "If we sell common stock at a discount to our net asset value per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material" discussed below.

To generate cash for funding new investments, we pledged a substantial portion of our portfolio investments under our revolving credit facility. These assets are not available to secure other sources of funding or for securitization. Our ability to obtain additional secured or unsecured financing on attractive terms in the future is uncertain.

Alternatively, we may securitize our future loans to generate cash for funding new investments. See " Securitization of our assets subjects us to various risks."

Securitization of our assets subjects us to various risks.

We may securitize assets to generate cash for funding new investments. We refer to the term securitize to describe a form of leverage under which a company (sometimes referred to as an "originator" or "sponsor") transfers income producing assets to a single-purpose, bankruptcy-remote subsidiary (also referred to as a "special purpose entity" or SPE), which is established solely for the purpose of holding such assets and entering into a structured finance transaction. The SPE then issues notes secured by such assets. The special purpose entity may issue the notes in the capital markets either publicly or privately to a variety of investors, including banks, non-bank financial institutions and other investors. There may be a single class of notes or multiple classes of notes, the most senior of which carries less credit risk and the most junior of which may carry substantially the same credit risk as the equity of the SPE.

An important aspect of most debt securitization transactions is that the sale and/or contribution of assets into the SPE be considered a true sale and/or contribution for accounting purposes and that a reviewing court would not consolidate the SPE with the operations of the originator in the event of the originator's bankruptcy based on equitable principles. Viewed as a whole, a debt securitization seeks to lower risk to the note purchasers by isolating the assets collateralizing the securitization in an SPE that is not subject to the credit and bankruptcy risks of the originator. As a result of this perceived reduction of risk, debt securitization transactions frequently achieve lower overall leverage costs for originators as compared to traditional secured lending transactions.

In accordance with the above description, to securitize loans, we may create a wholly owned subsidiary and contribute a pool of our assets to such subsidiary. The SPE may be funded with, among other things, whole loans or interests from other pools and such loans may or may not be rated. The SPE would then sell its notes to purchasers who we would expect to be willing to accept a lower interest rate and the absence of any recourse against us to invest in a pool of income producing assets to which none of our creditors would have access. We would retain all or a portion of the equity in the SPE. An inability to successfully securitize portions of our portfolio or otherwise leverage our portfolio through secured and unsecured borrowings could limit our ability to grow our business and fully execute our business strategy, and could decrease our earnings, if any. However, the successful

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securitization of portions of our portfolio exposes us to a risk of loss for the equity we retain in the SPE and might expose us to greater risk on our remaining portfolio because the assets we retain may tend to be those that are riskier and more likely to generate losses. A successful securitization may also impose financial and operating covenants that restrict our business activities and may include limitations that could hinder our ability to finance additional loans and investments or to make the distributions required to maintain our status as a RIC under Subchapter M of the Code. The 1940 Act may also impose restrictions on the structure of any securitizations.

Interests we hold in the SPE, if any, will be subordinated to the other interests issued by the SPE. As such, we will only receive cash distributions on such interests if the SPE has made all cash interest and other required payments on all other interests it has issued. In addition, our subordinated interests will likely be unsecured and rank behind all of the secured creditors, known or unknown, of the SPE, including the holders of the senior interests it has issued. Consequently, to the extent that the value of the SPE's portfolio of assets has been reduced as a result of conditions in the credit markets, or as a result of defaults, the value of the subordinated interests we retain would be reduced. Securitization imposes on us the same risks as borrowing except that our risk in a securitization is limited to the amount of subordinated interests we retain, whereas in a borrowing or debt issuance by us directly we would be at risk for the entire amount of the borrowing or debt issuance.

Generally, we would expect the SPE not to be consolidated with us and in that event our only interest will be the value of our retained subordinated interest and the income allocated to us, which may be more or less than the cash we receive from the SPE, and none of the SPE's liabilities will be reflected as our liabilities. If the assets of the SPE are not consolidated with our assets and liabilities, then our interest in the SPE may be deemed not to be a qualifying asset for purposes of determining whether 70% of our assets are qualifying assets and the leverage incurred by such SPE may or may not be treated as borrowings by us for purposes of the requirement that we not issue senior securities in an amount in excess of our net assets.

We may also engage in transactions utilizing SPEs and securitization techniques where the assets sold or contributed to the SPE remain on our balance sheet for accounting purposes. If, for example, we sell the assets to the SPE with recourse or provide a guarantee or other credit support to the SPE, its assets will remain on our balance sheet. Consolidation would also generally result if we, in consultation with the SEC, determine that consolidation would result in a more accurate reflection of our assets, liabilities and results of operations. In these structures, the risks will be essentially the same as in other securitization transactions but the assets will remain our assets for purposes of the limitations described above on investing in assets that are not qualifying assets and the leverage incurred by the SPE will be treated as borrowings incurred by us for purposes of our limitation on the issuance of senior securities.

Our Investment Adviser may have conflicts of interest with respect to potential securitizations in as much as securitizations that are not consolidated may reduce our assets for purposes of determining its investment advisory fee although in some circumstances our investment adviser may be paid certain fees for managing the assets of the SPE so as to reduce or eliminate any potential bias against securitizations.

Our ability to invest in public companies may be limited in certain circumstances.

As a BDC, we must not acquire any assets other than "qualifying assets" specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than $250 million at the time of such investment.

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Price declines and illiquidity in the corporate debt markets have adversely affected, and may in the future adversely affect, the fair value of our portfolio investments, reducing our net asset value through increased net unrealized depreciation.

As a BDC, we are required to carry our investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by or under the direction of our Board of Directors. As part of the valuation process, the types of factors that we may take into account in determining the fair value of our investments include, as relevant and among other factors: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, merger and acquisition comparables, our principal market (as the reporting entity) and enterprise values. Decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets resulted in significant net unrealized depreciation in our portfolio in the past. The effect of all of these factors on our portfolio has reduced our net asset value by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

Our common stock may trade at a discount to our net asset value per share.

Common stock of BDCs, like that of closed-end investment companies, frequently trades at a discount to current net asset value, which could adversely affect the ability to raise capital. In the past, our common stock has traded at a discount to our net asset value. The risk that our common stock may continue to trade at a discount to our net asset value is separate and distinct from the risk that our net asset value per share may decline.

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

At our 2010 annual meeting of stockholders held on December 10, 2010, our stockholders approved our ability to sell an unlimited number of shares of our common stock at any level of discount from net asset value per share during the 12 month period following the December 10, 2010 approval in accordance with the exception described above in " Regulations governing our operation as a business development company affect our ability to raise, and the way in which we raise, additional capital." 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. The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares at or below the discounted price in proportion to their current ownership will experience an immediate decrease in net asset value per share (as well as in the aggregate net asset value of their shares if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades. For additional information and hypothetical examples of these risks, see "Sales of Common Stock Below Net Asset Value" and the prospectus supplement pursuant to which such sale is made. We have sold shares of our common stock

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at prices below net asset value per share and may continue to do so to the future. For additional information, see "Recent Sales of Common Stock Below Net Asset Value" in the prospectus supplement pursuant to which such sale is made, if applicable.

Our ability to enter into transactions with our affiliates is restricted.

We are prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our independent directors. Any person that owns, directly or indirectly, 5% or more of our outstanding voting securities is our affiliate for purposes of the 1940 Act and we are generally prohibited from buying or selling any security or other property from or to such affiliate, absent the prior approval of our independent directors. The 1940 Act also prohibits "joint" transactions with an affiliate, which could include investments in the same portfolio company (whether at the same or different times), without prior approval of our independent directors. We are prohibited from buying or selling any security or other property from or to our Investment Adviser and its affiliates and persons with whom we are in a control relationship, or entering into joint transactions with any such person, absent the prior approval of the SEC.

Risks Relating To Our Investments

We may not realize gains or income from our investments.

We seek to generate both current income and capital appreciation. However, the securities we invest in may not appreciate and, in fact, may decline in value, and the issuers of debt securities we invest in may default on interest and/or principal payments. Accordingly, we may not be able to realize gains from our investments, and any gains that we do realize may not be sufficient to offset any losses we experience. See "Business Our Investment Objective and Policies."

Our investments in prospective portfolio companies may be risky and we could lose all or part of our investment.

Some of our portfolio companies have relatively short or no operating histories. These companies are and will be subject to all of the business risk and uncertainties associated with any new business enterprise, including the risk that these companies may not reach their investment objective and the value of our investment in them may decline substantially or fall to zero.

In addition, investment in the middle market companies that we are targeting involves a number of other significant risks, including:

- these companies may have limited financial resources and may be unable to meet their obligations under their securities that we hold, which may be accompanied by a deterioration in the value of their securities or of any collateral with respect to any securities and a reduction in the likelihood of our realizing on any guarantees we may have obtained in connection with our investment;

- they may have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;

- because many of these companies are privately held companies, public information is generally not available about these companies. As a result, we will depend on the ability of our Investment Adviser to obtain adequate information to evaluate these companies in making investment decisions. If our Investment Adviser is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and we may lose money on our investments;

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- they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a materially adverse impact on our portfolio company and, in turn, on us;

- they may have less predictable operating results, may from time to time be parties to litigation, may be engaged in changing businesses with products subject to a risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;

- they may have difficulty accessing the capital markets to meet future capital needs;

- increased taxes, regulatory expense or the costs of changes to the way they conduct business due to the effects of climate change may adversely affect their business, financial structure or prospects.

In addition, our executive officers, directors and our Investment Adviser could, in the ordinary course of business, be named as defendants in litigation arising from proposed investments or from our investments in the portfolio companies.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

The U.S. and foreign financial markets have been experiencing a high level of volatility, disruption and distress, which was exacerbated by the failure of several major financial institutions in the last few months of 2008. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. While these conditions appear to be improving, they could continue for a prolonged period of time or worsen in the future both in the U.S. and globally. Our portfolio companies will generally be affected by the conditions and overall strength of the national, regional and local economies, including interest rate fluctuations, changes in the capital markets and changes in the prices of their primary commodities and products. These factors also impact the amount of residential, industrial and commercial growth in the energy industry. Additionally, these factors could adversely impact the customer base and customer collections of our portfolio companies.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans or meet other obligations during these periods. Therefore, our non-performing assets are likely to increase, and the value of our portfolio is likely to decrease, during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize a portfolio company's ability to meet its obligations under the debt or equity securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms, which may include the waiver of certain financial covenants, with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we may have structured our interest as senior debt or preferred equity, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might

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re-characterize our debt or equity holding and subordinate all or a portion of our claim to those of other creditors.

Our portfolio contains a limited number of portfolio companies, which subjects us to a greater risk of significant loss if any of these companies defaults on its obligations under any of its debt securities.

A consequence of the limited number of investments in our portfolio is that the aggregate returns we realize may be significantly adversely affected if one or more of our significant portfolio company investments perform poorly or if we need to write down the value of any one significant investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our portfolio could contain relatively few portfolio companies.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as "follow-on" investments, in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments, may be constrained in our ability to employ available funds, or otherwise may lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

We may be unable to invest the net proceeds raised from offerings on acceptable terms, which would harm our financial condition and operating results.

Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings in interest-bearing deposits or other short-term instruments or use the net proceeds from such offerings to reduce then-outstanding obligations under our credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return.

We may have limited access to information about privately held companies in which we invest.

We invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of our Investment Adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. These companies and their financial information are not subject to the Sarbanes-Oxley Act and other rules that govern public companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investment.

We may not be in a position to control a portfolio investment when we are a debt or minority equity investor and its management may make decisions that could decrease the value of our investment.

We make both debt and minority equity investments in portfolio companies. As a result, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and

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the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests. As a result, a portfolio company may make decisions that could decrease the value of our portfolio holdings.

Our portfolio companies may incur debt or issue equity securities that rank equally with, or senior to, our investments in such companies.

We may invest in mezzanine debt and dividend-paying equity securities issued by our portfolio companies. Our portfolio companies usually have, or may be permitted to incur, other debt, or issue other equity securities, that rank equally with, or senior to, the securities in which we invest. By their terms, such instruments may provide that the holders are entitled to receive payment of dividends, interest or principal on or before the dates on which we are entitled to receive payments in respect of the securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of securities ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying the senior security holders, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of securities ranking equally with securities in which we invest, we would have to share on an equal basis any distributions with other security holders in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

We may not be able to fully realize the value of the collateral securing our debt investments.

Although a substantial amount of our debt investments are protected by holding security interests in the assets of the portfolio companies, we may not be able to fully realize the value of the collateral securing our investments due to one or more of the following factors:

- our debt investments may be made in the form of mezzanine loans, therefore our liens on the collateral, if any, may be subordinated to those of the senior secured debt of the portfolio companies, if any. As a result, we may not be able to control remedies with respect to the collateral;

- the collateral may not be valuable enough to satisfy all of the obligations under our secured loan, particularly after giving effect to the repayment of secured debt of the portfolio company that ranks senior to our loan;

- bankruptcy laws may limit our ability to realize value from the collateral and may delay the realization process;

- our rights in the collateral may be adversely affected by the failure to perfect security interests in the collateral;

- the need to obtain regulatory and contractual consents could impair or impede how effectively the collateral would be liquidated and could affect the value received; and

- some or all of the collateral may be illiquid and may have no readily ascertainable market value. The liquidity and value of the collateral could be impaired as a result of changing economic conditions, competition, and other factors, including the availability of suitable buyers.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates potential investments in securities of foreign companies including those located in emerging market countries. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in

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exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. Such risks are more pronounced in emerging market countries.

Although currently most of our investments are, and we expect that most of our investments will be, U.S. dollar-denominated, investments that are denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments.

We may expose ourselves to risks if we engage in hedging transactions.

We may employ hedging techniques to minimize certain investment risks, such as fluctuations in interest and currency exchange rates, but we can offer no assurance that such strategies will be effective. If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

The success of our hedging transactions depends on our ability to correctly predict movements, currencies and interest rates. Therefore, while we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies. The Company has no current intention of engaging in any of the hedging transaction described above, although it reserves the right to do so in the future.

Our Board of Directors may change our operating policies and strategies without prior notice or stockholder approval, the effects of which may be adverse to us and could impair the value of our stockholders' investment.

Our Board of Directors has the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, financial condition, and value of our common stock. However, the effects might be adverse, which could negatively impact our ability to pay dividends and cause stockholders to lose all or part of their investment.

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Risks Relating To Our Securities

Investing in our securities may involve a high degree of risk and is highly speculative.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be speculative and aggressive, and therefore, an investment in our shares may not be suitable for someone with low risk tolerance.

The market price of our securities may fluctuate significantly.

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- significant volatility in the market price and trading volume of securities of business development companies or other companies in the energy industry, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC qualification;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of one or more of Prospect Capital Management's key personnel;
- operating performance of companies comparable to us;
- changes in prevailing interest rates;
- litigation matters;
- general economic trends and other external factors; and
- loss of a major funding source.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has, from time to time, been brought against that company.

If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

Sales of substantial amounts of our securities in the public market may have an adverse effect on the market price of our securities.

Sales of substantial amounts of our securities or the availability of such securities for sale could adversely affect the prevailing market price for our securities. If this occurs and continues it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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There is a risk that you may not receive distributions or that our distributions may not grow over time.

We have made and intend to continue to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results or maintain a tax status that will allow or require any specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

Our charter and bylaws and the Maryland General Corporation Law contain provisions that may have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our stockholders or otherwise be in their best interest. These provisions may prevent stockholders from being able to sell shares of our common stock at a premium over the current of prevailing market prices.

Our charter provides for the classification of our Board of Directors into three classes of directors, serving staggered three-year terms, which may render a change of control or removal of our incumbent management more difficult. Furthermore, any and all vacancies on our Board of Directors will be filled generally only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term until a successor is elected and qualifies.

Our Board of Directors is authorized to create and issue new series of shares, to classify or reclassify any unissued shares of stock into one or more classes or series, including preferred stock and, without stockholder approval, to amend our charter to increase or decrease the number of shares of common stock that we have authority to issue, which could have the effect of diluting a stockholder's ownership interest. Prior to the issuance of shares of common stock of each class or series, including any reclassified series, our Board of Directors is required by our governing documents to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series of shares of stock.

Our charter and bylaws also provide that our Board of Directors has the exclusive power to adopt, alter or repeal any provision of our bylaws, and to make new bylaws. The Maryland General Corporation Law also contains certain provisions that may limit the ability of a third party to acquire control of us, such as:

- The Maryland Business Combination Act, which, subject to certain limitations, prohibits certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of the common stock or an affiliate thereof) for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, imposes special minimum price provisions and special stockholder voting requirements on these combinations; and

- The Maryland Control Share Acquisition Act, which provides that "control shares" of a Maryland corporation (defined as shares of common stock which, when aggregated with other shares of common stock controlled by the stockholder, entitles the stockholder to exercise one of three increasing ranges of voting power in electing directors, as described more fully below) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of "control shares") have no voting rights except to the extent approved by

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stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares of common stock.

The provisions of the Maryland Business Combination Act will not apply, however, if our Board of Directors adopts a resolution that any business combination between us and any other person will be exempt from the provisions of the Maryland Business Combination Act. Our Board of Directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, *provided* that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. There can be no assurance that this resolution will not be altered or repealed in whole or in part at any time. If the resolution is altered or repealed, the provisions of the Maryland Business Combination Act may discourage others from trying to acquire control of us.

As permitted by Maryland law, our bylaws contain a provision exempting from the Maryland Control Share Acquisition Act any and all acquisitions by any person of our common stock. Although our bylaws include such a provision, such a provision may also be amended or eliminated by our Board of Directors at any time in the future, provided that we will notify the Division of Investment Management at the SEC prior to amending or eliminating this provision. It is the view of the staff of the SEC that opting into the Maryland Control Share Acquisition Act would be acting in a manner inconsistent with section 18(i) of the 1940 Act.

We may in the future choose to pay dividends in our own stock, in which case our stockholders may be required to pay tax in excess of the cash they receive.

We may distribute taxable dividends that are payable in part in our stock. Under IRS Revenue Procedure 2010-12, up to 90% of any such taxable dividend could be payable in our stock for dividends paid on or before December 31, 2012 with respect to any taxable year ending on or before December 31, 2011. The IRS has also issued private letter rulings on cash/stock dividends paid by regulated investment companies and real estate investment trusts if certain requirements are satisfied. Taxable stockholders receiving such dividends would be required to include the full amount of the dividend as ordinary income (or as long-term capital gain to the extent such distribution is properly designated as a capital gain dividend) to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of any cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, it may be subject to transaction fees (e.g. broker fees or transfer agent fees) and the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock. It is unclear whether and to what extent we will be able to pay dividends in cash and our stock (whether pursuant to Revenue Procedure 2010-12, a private letter ruling, or otherwise).

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

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

The following discussion should be read in conjunction with our consolidated financial statements and related notes and other financial information appearing elsewhere in this prospectus or incorporated by reference into this prospectus. In addition to historical information, the following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under "Risk Factors" and "Forward-Looking Statements" appearing elsewhere herein.

Note on Forward Looking Statements

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

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

We generally use words such as "anticipates", "believes", "expects", "intends" and similar expressions to identify forward-looking statements. Our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in "Risk Factors" and elsewhere in this prospectus. These forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act.

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

Overview

We are a financial services company that primarily lends to and invests in middle market privately-held companies. We are a closed-end investment company that has filed an election to be treated as a business development company under the Investment Company Act of 1940, or the 1940 Act. We invest primarily in senior and subordinated debt and equity of companies in need of capital for

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acquisitions, divestitures, growth, development and recapitalization. We work with the management teams or financial sponsors to seek investments with historical cash flows, asset collateral or contracted pro-forma cash flows.

We seek to be a long-term investor with our portfolio companies. From our July 27, 2004 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 in other sectors of the economy and continue to reduce our exposure to the energy industry, and our holdings in the energy and energy related industries now represent less than 20% of our investment portfolio.

The aggregate value of our portfolio investments was $1,463,010 and $748,483 as of June 30, 2011 and June 30, 2010, respectively. During the fiscal year ended June 30, 2011, our net cost of investments increased by $706,975, or 97.0%, as a result of twenty-eight new investments, twelve follow-on investments and revolver advances of $943,703, accrued of payment-in-kind interest of $9,634 and accretion of purchase discount of $23,035, while we received full repayment on fourteen investments, sold three investments and received several partial prepayments and revolver repayments totaling of $269,397.

Compared to the end of the fiscal year ended June 30, 2010, our net assets increased by $402,933 or 56.6% during the year ended June 30, 2011, from $711,424 to $1,114,357. This increase resulted from the issuance of new shares of our common stock (less offering costs) in the amount of $379,929, dividend reinvestments of $10,934, and another $118,238 from operations. These increases, in turn, were offset by $106,167 in dividend distributions to our stockholders. The $118,238 increase in net assets resulting from operations is net of the following: net investment income of $94,221, net realized gain on investments of $16,465, and an increase in net assets due to changes in net unrealized appreciation of investments of $7,552.

Market Opportunity

We believe that current market conditions present attractive opportunities for us to invest in middle-market companies; specifically:

- We believe that the dislocation in the credit markets that began in 2007 resulted in reduced competition, a widening of interest spreads, increased fees and generally more conservative capital structures and deal terms. These previous market conditions may continue to create favorable opportunities to invest at attractive risk-adjusted returns.

- We believe that many senior lenders have, in recent years, de-emphasized their service and product offerings to middle-market businesses in favor of lending to large corporate clients and managing capital markets transactions. In addition, commercial and investment banks are limited in their ability to underwrite and syndicate bank loans and high yield securities for middle-market issuers as they seek to build capital and reduce leverage, resulting in opportunities for alternative funding sources and therefore higher new-issue market opportunities.

- We believe there is a large pool of un-invested private equity capital for middle-market businesses. We expect private equity firms will seek to leverage their investments by combining equity capital with senior secured loans and mezzanine debt from other sources.

- A high volume of senior secured and high yield debt was originated in the calendar years 2004 through 2007 and will come due in the near term and, accordingly, we believe that new financing opportunities will increase as many companies seek to refinance this indebtedness.

To capitalize on these opportunities, expansion of the capital base has been and may continue to be necessary. We have demonstrated our continuing access to capital markets in several equity and debt transactions during the year ended June 30, 2011, From July 1, 2010 to December 15, 2010, we raised

$181,946 of equity capital through our at the market program. On December 21, 2010 and February 18, 2011, we issued $150,000 and $172,500, respectively, of senior convertible notes. On April 7, 2011, we completed a public stock offering for 9,000,000 shares of our common stock raising $102,600 of gross proceeds. On June 24, 2011, we completed a public stock offering for 10,000,000 shares of our common stock at $10.15 per share, raising $101,500 of gross proceeds. On July 18, 2011, the underwriter exercised its option to purchase an additional 1,500,000 shares of our common stock.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

Fourth Quarter Highlights

Investment Transactions

On April 18, 2011, we made a $13,000 secured debt investment to support the acquisition of New Meatco Provisions, LLC ("Meatco"), a leading food distributor, by Annex Capital Management. The second lien note bears interest in cash at the greater of 12.0% or Libor plus 9.0% and interest in kind of 4.0% and has a final maturity on April 18, 2016.

On April 18, 2011, Unitek Acquisition, Inc. ("Unitek") repaid the $11,500 loan receivable to us.

On April 26, 2011, we made a senior secured follow-on investment of $11,000 in ICON Health & Fitness, Inc ("ICON"). The first lien note bears interest in cash at 11.875% and has a final maturity on October 15, 2016.

On May 2, 2011, we sold our membership interests in Fischbein, LLC ("Fischbein") realizing a gain of $9,893 on the sale and received a repayment of the loan that was outstanding. We subsequently made a $3,334 senior secured second-lien term loan and invested $875 in the common equity of Fischbein with the new ownership group. The second lien note bears interest in cash at 12.0% and interest in kind of 2.0% and has a final maturity on October 31, 2016.

On May 3, 2011, we made a debt investment of $25,000 to support the acquisition of Byrider Systems Acquisition Corp. ("Byrider"), a leading used car sales and finance business, by Altamont Capital Partners. The second lien note bears interest in cash at 12.0% and interest in kind of 2.0% and has a final maturity on November 3, 2016.

On May 6, 2011, we made a $34,450 investment in NMMB Holdings, Inc. ("NMMB"), an advertising media buying business, of which $31,750 was funded at closing. $24,250 is structured as senior secured debt, $2,800 as subordinated debt and $4,400 as controlling equity. The loans bear interest in cash at 14.0% and 15.0%, respectively, and have a final maturity on May 6, 2016. The $3,000 revolver, of which $300 was drawn at closing, bears interest in cash at the greater of 10.50% or Libor plus 8.50% and has a final maturity on May 6, 2016.

On May 6, 2011, we provided $15,000 in secured second-lien acquisition financing for Mood Media Corporation ("Mood Media"), a company in the in-store media industry. The second lien note bears interest in cash at the greater of 10.25% or Libor plus 8.75% and has a final maturity on November 6, 2018.

On May 6, 2011, we provided $15,000 in secured second-lien financing for the recapitalization of Potters Holdings II, L.P. ("Potters"), a leading company in the engineered glass materials industry. The second lien note bears interest in cash at the greater of 10.25% or Libor plus 8.50% and has a final maturity on November 6, 2017.

On May 25, 2011, we provided $24,000 in secured first-lien financing to Targus Group International, Inc. ("Targus"), the leading global supplier of notebook carrying cases and accessories. The first lien note bears interest in cash at the greater of 11.0% or Libor plus 9.50% and has a final maturity on May 25, 2016.

On May 31, 2011, we provided $35,000 in secured second-lien financing to Springs Window Fashions, LLC ("Springs Window"), a leading designer and manufacturer of high-quality window treatments. The second lien note bears interest in cash at the greater of 11.25% or Libor plus 9.25% and has a final maturity on November 30, 2017.

On May 31, 2011, Label Corp Holdings Inc ("Label Corp") repaid the $5,749 loan receivable to us.

On June 3, 2011, Prince Mineral Company, Inc. ("Prince") repaid the $23,540 loan receivable to us and we recognized $10,463 of accelerated purchase discount accretion.

On June 16, 2011, we made a senior secured debt investment of $26,500 to support the acquisition of ST Products, LLC ("STP"), a leading North American producer of precision redrawn, small diameter, thin wall copper, and specialty alloy tubes. The first lien note bears interest in cash at the greater of 12.0% or Libor plus 9.00% and has a final maturity date on June 16, 2016.

On June 21, 2011, we provided $25,000 in secured second lien financing for the recapitalization of U.S. HealthWorks Holding Company, Inc. ("U.S.H."), a leading company in the occupational medical services industry. The second lien note bears interest in cash at the greater of 10.50% or Libor plus 9.00% and has a final maturity on June 15, 2017.

On June 30, 2011, we made a senior secured debt investment of $82,500 in CRT MIDCO, LLC ("CRT"), a market-leading specialty media buying business, of which $75,000 was funded at closing. The first lien notes bear interest in cash at the greater of 10.50% or Libor plus 7.50% and have a final maturity on June 30, 2017. The revolver, which was undrawn at closing of $7,500, bears interest in cash at the greater of 10.50% or Libor plus 7.50% and has a final maturity on June 30, 2012.

On June 30, 2011 we provided $5,000 in secured second lien financing for the acquisition of Pre-Paid Legal Services, Inc. ("Pre-Paid Legal"), a top company in the professional services subscription market. The second lien notes bear interest in cash at the greater of 11.00% or Libor plus 9.50% and has a final maturity on December 31, 2016.

Equity Issuance

On April 7, 2011, we completed a public stock offering for 9,000,000 shares of our common stock raising $102,600 of gross proceeds and $102,164 of net proceeds.

On June 24, 2011, we completed a public stock offering for 10,000,000 shares of our common stock at $10.15 per share, raising $101,500 of gross proceeds and $100,173 of net proceeds. On July 18, 2011, the underwriter exercised its option to purchase an additional 1,500,000 shares of our common stock, raising an additional $15,225 of gross proceeds and $15,060 of net proceeds.

On April 29, 2011, May 31, 2011 and June 24, 2011, we issued 76,377, 78,689 and 92,813 shares of our common stock in connection with the dividend reinvestment plan, respectively.

Dividend

On May 9, 2011, we announced the declaration of monthly dividends in the following amounts and with the following dates:

$0.101225 per share for May 2011 to holders of record on May 31, 2011 with a payment date of June 24, 2011;

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$0.101250 per share for June 2011 to holders of record on June 30, 2011 with a payment date of July 22, 2011;

$0.101275 per share for July 2011 to holders of record on July 29, 2011 with a payment date of August 26, 2011;

$0.101300 per share for August 2011 to holders of record on August 31, 2011 with a payment date of September 23, 2011.

Credit Facility

On April 21, 2011, we announced an increase in commitments to our credit facility of $40,000. The commitments to the credit facility stood at $325,000 at June 30, 2011.

Patriot Acquisition

On December 2, 2009, we acquired the outstanding shares of Patriot Capital Funding, Inc. ("Patriot") common stock for $201,083. Under the terms of the merger agreement, Patriot common shareholders received 0.363992 shares of our common stock for each share of Patriot common stock, resulting in 8,444,068 shares of common stock being issued by us. In connection with the transaction, we repaid all the outstanding borrowings of Patriot, in compliance with the merger agreement.

On December 2, 2009, Patriot made a final dividend equal to its undistributed net ordinary income and capital gains of $0.38 per share. In accordance with a recent IRS revenue procedure, the dividend was paid 10% in cash and 90% in newly issued shares of Patriot's common stock. The exchange ratio was adjusted to give effect to the final income distribution. The merger has been accounted for as an acquisition of Patriot by Prospect Capital Corporation ("Prospect") in accordance with acquisition method of accounting as detailed in Accounting Standards Codification ("ASC" or "Codification") 805, *Business Combinations* ("ASC 805"). The fair value of the consideration paid was allocated to the assets acquired and liabilities assumed based on their fair values as the date of acquisition. As described in more detail in ASC 805, goodwill, if any, would have been recognized as of the acquisition date, if the consideration transferred exceeded the fair value of identifiable net assets acquired. As of the acquisition date, the fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, and we recognized the excess as a gain. A preliminary gain of $5,714 was recorded by Prospect in the quarter ended December 31, 2009 related to the acquisition of Patriot, which was revised in the fourth quarter of the fiscal year ended June 30, 2010, to $7,708, when we settled severance accruals related to certain members of Patriot's top management, and finalized during the first quarter of the fiscal year ended June 30, 2011, to $8,632, when we settled the remaining severance accruals related to the last two members of Patriot's top management. Under ASC 805, the adjustments to our preliminary estimates were reflected in the three months ended December 31, 2009 (See Note 14 to our consolidated financial statements.). The acquisition of Patriot was negotiated in July 2009 with the purchase agreement being signed on August 3, 2009. Between July 2009 and December 2, 2009, our valuation of certain of the investments acquired from Patriot increased due to market improvement, which resulted in the recognition of the gain at closing.

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The purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values as summarized in the following table:

Cash (to repay Patriot debt)	$ 107,313
Cash (to fund purchase of restricted stock from former Patriot employees)	970
Common stock issued(1)	92,800
Total purchase price	201,083
Assets acquired:	
Investments(2)	207,126
Cash and cash equivalents	1,697
Other assets	3,859
Assets acquired	212,682
Other liabilities assumed	(2,967)
Net assets acquired	209,715
Gain on Patriot acquisition(3)	$ 8,632

(1) The value of the shares of common stock exchanged with the Patriot common shareholders was based upon the closing price of our common stock on December 2, 2009, the price immediately prior to the closing of the transaction.

(2) The fair value of Patriot's investments was determined by the Board of Directors in conjunction with an independent valuation agent. This valuation resulted in a purchase price which was $98,150 below the amortized cost of such investments. For those assets which are performing, Prospect will record the accretion to par value in interest income over the remaining term of the investment.

(3) The gain has been determined after the final payments of certain liabilities were settled.

During the year ended June 30, 2011, we recognized $22,084 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $22,084 is $4,912 of normal accretion, $12,035 of accelerated accretion resulting from the repayment of Impact Products, LLC ("Impact Products"), Label Corp and Prince and $4,968 of accelerated accretion resulting from the recapitalization of our debt investments in Arrowhead General Insurance Agency, Inc. ("Arrowhead"), The Copernicus Group, Inc. ("Copernicus"), Fischbein and Northwestern Management Services, LLC ("Northwestern"). The restructured loans for Arrowhead, Copernicus, Fischbein and Northwestern were issued at market terms comparable to other industry transactions. In accordance with ASC 320-20-35 the cost basis of the new loan was recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

During the period from the acquisition of Patriot on December 2, 2009 to June 30, 2010, we recognized $18,795 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in this amount $4,579 of normal accretion and $14,216 of accelerated accretion resulting from the early repayments of four loans, three revolving lines of credit, sale of one investment position and restructuring of our loans to Aircraft Fasteners International, LLC ("AFI"), EXL Acquisition Corp. ("EXL"), LHC Holdings Corp. ("LHC"), Prince, ROM Acquisition Corporation ("ROM"). The revised terms were more favorable than the original terms and increased the present value of the future cash flows. In accordance with ASC 320-20-35 the cost basis of the new loans were recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

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Investment Holdings

As of June 30, 2011, we continue to pursue our investment strategy. In May 2007, we changed our name to "Prospect Capital Corporation" and the terminated of our policy to invest at least 80% of our net assets in energy companies. Since that time, we have reduced our exposure to the energy industry, and our holdings in the energy and energy related industries now represent less than 20% of our investment portfolio.

At June 30 2011, approximately $1,463,010 or 131.3% of our net assets are invested in 72 long-term portfolio investments and 5.4% of our net assets invested in money market funds.

During the year ended June 30, 2011, we originated $953,337 of new investments. Our origination efforts recently have focused primarily on secured lending and reducing the risk in the portfolio, including a higher percentage of first lien loans than in prior periods, though we also continue to close selected junior debt and equity investments. In addition to targeting investments senior in corporate capital structures with our new originations, we have also increased our origination business mix of third party private equity sponsor owned companies, which tend to have more third party equity capital supporting our debt investments than non sponsor transactions. Our portfolio's annualized current yield decreased from 14.2% as of June 30, 2010 to 12.8% as of June 30, 2011 across all long-term debt and certain equity investments. We expect Prospect's current asset yield may decline modestly over the next few quarters as we increase the size of the portfolio while reducing credit risk. Monetization of other equity positions that we hold is not included in this yield calculation. In many of our portfolio companies, we hold equity positions, ranging from minority interests to majority stakes, which we expect over time to contribute to our investment returns. Some of these equity positions include features such as contractual minimum internal rates of returns, preferred distributions, flip structures and other features expected to generate additional investment returns, as well as contractual protections and preferences over junior equity, in addition to the yield and security offered by our cash flow and collateral debt protections.

We classify our investments by level of control. As defined in the 1940 Act, control investments are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of 25% or more of the voting securities of an investee company. Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person.

As of June 30, 2011, we own controlling interests in AIRMALL USA, Inc. ("AIRMALL"), Ajax Rolled Ring & Machine, Inc. ("Ajax"), AWCNC, LLC, Borga, Inc. ("Borga"), C&J Cladding LLC, Change Clean Energy Holdings, Inc. ("CCEHI"), Freedom Marine Services LLC ("Freedom Marine"), Gas Solutions Holdings, Inc. ("GSHI"), Integrated Contract Services, Inc. ("ICS"), Iron Horse Coiled Tubing, Inc. ("Iron Horse"), Manx Energy, Inc. ("Manx"), NMMB, NRG Manufacturing, Inc. ("NRG"), Nupla Corporation ("Nupla"), R-V Industries, Inc. ("R-V") and Yatesville Coal Holdings, Inc. ("Yatesville"). We also own an affiliated interest in BNN Holdings Corp. f/k/a Biotronic NeuroNetwork ("Biotronic"), Boxercraft Incorporated ("Boxercraft"), Smart, LLC, and Sport Helmets Holdings, LLC ("Sport Helmets").

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The following is a summary of our investment portfolio by level of control at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011				June 30, 2010			
Level of Control	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**
Control	$ 262,301	18.0%	$ 310,072	20.4%	$ 185,720	23.3%	$ 195,958	24.0%
Affiliate	56,833	3.9%	72,337	4.7%	65,082	8.2%	73,740	9.0%
Non-control/Non-affiliate	1,116,600	74.1%	1,080,601	71.0%	477,957	59.9%	478,785	58.6%
Money Market Funds	59,903	4.0%	59,903	3.9%	68,871	8.6%	68,871	8.4%
Total Portfolio	$ 1,495,637	100.0%	$ 1,522,913	100.0%	$ 797,630	100.0%	$ 817,354	100.0%

The following is our investment portfolio presented by type of investment at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011				June 30, 2010			
Type of Investment	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**
Money Market Funds	$ 59,903	4.0%	$ 59,903	3.9%	$ 68,871	8.6%	$ 68,871	8.4%
Revolving Line of Credit	7,144	0.5%	7,278	0.5%	4,754	0.6%	5,017	0.6%
Senior Secured Debt	822,582	55.0%	789,981	51.9%	313,755	39.4%	287,470	35.2%
Subordinated Secured Debt	491,188	32.9%	448,675	29.5%	333,453	41.8%	313,511	38.4%
Subordinated Unsecured Debt	54,687	3.7%	55,336	3.6%	30,209	3.8%	30,895	3.8%
Preferred Stock	31,979	2.1%	25,454	1.7%	16,969	2.1%	5,872	0.7%
Common Stock	19,865	1.3%	116,076	7.6%	20,243	2.5%	77,131	9.4%
Membership Interests	6,128	0.4%	15,392	1.0%	6,964	0.9%	17,730	2.2%
Overriding Royalty Interests		%	2,168	0.1%		%	2,768	0.3%
Net Profit Interests		%		%		%	1,020	0.1%
Warrants	2,161	0.1%	2,650	0.2%	2,412	0.3%	7,069	0.9%
Total Portfolio	$ 1,495,637	100.0%	$ 1,522,913	100.0%	$ 797,630	100.0%	$ 817,354	100.0%

The following is our investment portfolio presented by geographic location of the investment at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011				June 30, 2010			
Geographic Location	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**
Canada	$ 74,239	5.0%	$ 75,207	4.9%	$ 21,002	2.6%	$ 12,054	1.5%
Ireland	14,908	1.0%	15,000	1.0%	14,903	1.9%	15,000	1.8%
Netherlands		%		%	1,397	0.2%	1,233	0.2%
Midwest US	358,540	24.0%	340,251	22.3%	170,869	21.5%	167,571	20.5%
Northeast US	242,039	16.1%	234,628	15.4%	61,813	7.7%	62,727	7.7%
Southeast US	234,528	15.7%	208,226	13.7%	193,420	24.2%	171,144	20.9%
Southwest US	189,436	12.7%	266,004	17.5%	179,641	22.6%	235,945	28.9%
Western US	322,044	21.5%	323,694	21.3%	85,714	10.7%	82,809	10.1%
Money Market Funds	59,903	4.0%	59,903	3.9%	68,871	8.6%	68,871	8.4%
Total Portfolio	$ 1,495,637	100.0%	$ 1,522,913	100.0%	$ 797,630	100.0%	$ 817,354	100.0%

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The following is our investment portfolio presented by industry sector of the investment at June 30, 2011 and June 30, 2010, respectively:

	June 30, 2011				June 30, 2010			
Industry	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**	**Cost**	**Percent of Portfolio**	**Fair Value**	**Percent of Portfolio**
Aerospace and Defense	$ 56	%	$ 35	%	$ 56	%	$ 38	%
Automobile / Auto Finance	41,924	2.8%	42,444	2.8%	19,017	2.4%	18,615	2.3%
Biomass Power	2,540	0.2%		%	2,383	0.3%		%
Business Services	6,604	0.4%	6,787	0.4%	12,060	1.5%	12,132	1.5%
Chemicals	25,277	1.7%	25,277	1.7%	1,397	0.2%	1,233	0.2%
Commercial Services	34,625	2.3%	34,625	2.3%		%		%
Consumer Services	68,286	4.6%	68,286	4.5%		%		%
Contracting	18,220	1.2%	1,767	0.1%	16,652	2.1%	4,542	0.6%
Durable Consumer Products	141,779	9.5%	144,362	9.5%	20,000	2.5%	20,000	2.4%
Ecological	141	%	194	%	141	%	340	%
Electronics	588	%	1,374	0.1%	25,777	3.2%	25,629	3.1%
Financial Services		%		%	25,814	3.2%	25,592	3.1%
Food Products	144,503	9.7%	146,498	9.6%	53,681	6.7%	60,882	7.4%
Gas Gathering and Processing	42,003	2.8%	105,406	6.9%	37,503	4.7%	93,096	11.4%
Healthcare	156,396	10.5%	163,657	10.7%	89,026	11.2%	93,593	11.5%
Home and Office Furnishings, Housewares and Durable	1,916	0.1%	6,109	0.4%	14,112	1.8%	17,232	2.1%
Insurance	86,850	5.8%	87,448	5.7%	5,811	0.7%	5,952	0.7%
Machinery	13,179	0.9%	13,171	0.9%	15,625	2.0%	17,776	2.2%
Manufacturing	114,113	7.6%	136,039	8.9%	74,961	9.4%	64,784	7.9%
Media	121,302	8.1%	121,300	8.0%		%		%
Metal Services and Minerals	580	%	4,699	0.3%	19,252	2.4%	33,620	4.1%
Mining, Steel, Iron and Non-Precious Metals and Coal Production	1,448	0.1%		%	1,130	0.1%	808	0.1%
Oil and Gas Production	124,662	8.3%	70,923	4.7%	122,034	15.3%	96,988	11.9%
Oilfield Fabrication	23,076	1.5%	23,076	1.5%	30,429	3.8%	30,429	3.7%
Personal and Nondurable Consumer Products	15,147	1.0%	23,403	1.5%	14,387	1.8%	20,049	2.5%
Pharmaceuticals		%		%	11,955	1.5%	12,000	1.5%
Printing and Publishing		%		%	5,222	0.7%	5,284	0.6%
Production Services	14,387	1.0%	15,357	1.0%	21,002	2.6%	12,054	1.5%
Property Management	52,420	3.5%	51,726	3.4%		%		%
Retail	14,669	1.0%	145	0.0%	14,669	1.8%	2,148	0.3%
Shipping Vessels	11,303	0.8%	3,079	0.2%	10,040	1.3%	3,583	0.4%
Software & Computer Services	37,890	2.5%	38,000	2.5%	14,903	1.9%	15,000	1.8%
Specialty Minerals	30,169	2.0%	34,327	2.3%	15,814	2.1%	18,463	2.3%
Technical Services		%		%	11,387	1.4%	11,615	1.4%
Textiles and Leather	12,931	0.9%	15,632	1.0%	22,519	2.8%	25,006	3.1%
Transportation	76,750	5.2%	77,864	5.2%		%		%
Money Market Funds	59,903	4.0%	59,903	3.9%	68,871	8.6%	68,871	8.4%
Total Portfolio	$ 1,495,637	100.0%	$ 1,522,913	100.0%	$ 797,630	100.0%	$ 817,354	100.0%

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Portfolio Investment Activity

During the year ended June 30, 2011, we acquired $863,784 of new investments, completed follow-on investments in existing portfolio companies, totaling approximately $71,935, funded $7,984 of revolver advances, and recorded PIK interest of $9,634, resulting in gross investment originations of $953,337. The more significant of these investments are described briefly in the following:

On July 14, 2010, we made a senior secured investment of $38,000 in Progrexion Holdings, Inc. ("Progrexion"), a leading consumer credit enhancement services company. The $36,000 first lien note bears interest in cash at the greater of 11.0% or Libor plus 9.0% and has a final maturity on December 31, 2014. The $2,000 revolver, of which $1,400 was funded at closing, bears interest in cash at the greater of 11.0% or Libor plus 9.0% and has a final maturity on June 30, 2011.

On July 23, 2010, we made a secured debt investment of $21,000 in SonicWALL, Inc. ("SonicWALL"), a global leader in network security and data protection for small, mid-sized, and large enterprise organizations. On September 30, 2010, we made a follow-on secured debt investment of $2,000 in SonicWALL. The second lien notes bear interest in cash at the greater of 12.0% or Libor plus 2.0% and have a final maturity on January 23, 2017.

On July 30, 2010, we invested $42,500 of debt and $9,920 of equity in AIRMALL, a leading developer and manager of airport retail operations. The $30,000 first lien note bears interest in cash at the greater of 12.0% or Libor plus 9.0% and has a final maturity on June 30, 2015. The $12,500 subordinate note bears interest in cash at 12.0% and interest in kind of 6.0% and has a final maturity on December 31, 2015.

On July 30, 2010, we invested $20,000 in Northwestern, a leading dental practice management company in the Southeast Florida market. The first lien note bears interest in cash at the greater of 10.50% or Libor plus 7.50% and has a final maturity on July 30, 2015.

On September 30, 2010, we made a follow-on secured debt investment of $4,500 in GSHI to support the acquisition of a gathering pipeline system in Texas. The follow-on junior secured note bears interest in cash at 18.0% and has a final maturity on December 12, 2016.

On October 12, 2010, we made a senior secured debt investment of $32,500 in ICON, a leading manufacturer and marketer of branded health and fitness equipment. The first lien note bears interest in cash at 11.875% and has a final maturity on October 15, 2016.

On November 12, 2010, we made a senior subordinated debt investment of $15,000 in American Importing Company, Inc and Ann's House of Nuts Inc, collectively Snacks Holding Corporation, a leading manufacturer and marketer of dried fruits and trail mixes. The note bears interest in cash at 12.0% and interest in kind of 1.0% and has a final maturity on November 12, 2017.

On November 29, 2010, we made a senior subordinated debt investment of $14,000 in Royal Adhesives & Sealants, LLC ("Royal"), a leading producer of proprietary, high-performance adhesives and sealants. On December 13, 2010, we made a follow-on senior subordinated debt investment of $11,000 in Royal, an Arsenal Capital Partners portfolio company, in connection with Arsenal's acquisition of Para-Chem Southern and the creation of a leading adhesives, sealants, and coatings platform. The note bears interest in cash at 12.0% and interest in kind of 2.0% and has a final maturity on November 29, 2016.

On December 10, 2010, we made a $30,000 secured second-lien financing to American Gilsonite Company ("American Gilsonite") for a dividend recapitalization. After the financing, we received a $2,098 dividend as a result of our equity holdings in American Gilsonite and repayment of the loan that was outstanding. The second lien note bears interest in cash at the greater of

12.0% or Libor plus 10.0% and interest in kind of 2.50% and has a final maturity on March 10, 2016.

On December 23, 2010, we made a second lien secured debt investment of $15,300 in JHH Holdings, Inc., a leading provider of home healthcare services in Texas. The second lien note bears interest in cash at the greater of 12.0% or Libor plus 10.0% and interest in kind of 2.50% and has a final maturity on June 23, 2016.

On December 23, 2010, we made a senior secured investment of $18,333 in VPSI, Inc., a leading market share transportation services company. The first lien note bears interest in cash at the greater of 12.0% or Libor plus 10.0% and has a final maturity on December 23, 2015.

On January 6, 2011, we made a senior secured term loan investment of $30,000 to support the acquisition of Progressive Logistics Services, LLC ("Progressive") by a middle market private equity firm. The first lien notes bear interest in cash at the greater of 8.50% or Libor plus 6.50% and the greater of 14.50% or Libor plus 12.50%, respectively, and have a final maturity on January 6, 2016.

On January 10, 2011, we made a senior secured debt investment of $20,000 to support the acquisition of Endeavor House by Pinnacle Treatment Centers, Inc. ("Pinnacle"). The $19,000 first lien note bears interest in cash at the greater of 11.0% or Libor plus 8.0% and has a final maturity on January 10, 2016. The $1,000 revolver, which was unfunded at closing, bears interest in cash at the greater of 8.0% or Libor plus 5.0% and has a final maturity on January 10, 2016.

On January 21, 2011, we provided senior secured credit facilities of $28,200 to support the acquisition of Stauber Performance Ingredients, Inc. ("Stauber"), by ICV Partners. The $25,700 first lien note bears interest in cash at the greater of 10.50% or Libor plus 7.50% and has a final maturity on January 21, 2016. The $2,500 revolver, of which $750 was funded at closing, bears interest in cash at the greater of 10.50% or Libor plus 7.50% and has a final maturity on January 21, 2016.

On January 31, 2011, we made a senior secured term investment of $7,500 to support the recapitalization of Empire Today, LLC, which is the second largest independent provider of carpet and hard surface flooring to consumers in the residential replacement flooring industry. The first lien note bears interest in cash at 11.375% and has a final maturity on February 1, 2017.

On February 3, 2011, we made a senior secured debt investment of $22,000 to support the recapitalization of Medical Security Card Company, LLC, a pharmacy services company. The $20,500 first lien note bears interest in cash at the greater of 11.25% or Libor plus 8.75% and has a final maturity on February 1, 2016. The $1,500 revolver, which was unfunded at closing, bears interest in cash at the greater of 9.50% or Libor plus 7.0% and has a final maturity on February 1, 2016.

On February 4, 2011, we made a secured second-lien debt investment of $45,000 to support the refinancing of Clearwater Seafoods LP, a leading premium seafood company based in Nova Scotia, Canada. The second lien note bears interest in cash at 12.0% and has a final maturity on February 4, 2016.

On February 9, 2011, we made a senior secured debt investment of $23,500 to support the recapitalization of Copernicus. After the financing we received a repayment of the loan that was previously outstanding. $11,250 of the first lien notes bear interest in cash at the greater of 8.0% or Libor plus 5.0% and $11,250 of the first lien notes bear interest in cash at the greater of 14.0% or Libor plus 11.0%, respectively, and both have a final maturity on February 6, 2016. The $1,000 revolver, which was unfunded at closing, bears interest in cash at the greater of 8.0% or Libor plus 5.0% and has a final maturity on February 9, 2016.

On March 2, 2011, we made a senior secured first-lien debt investment of $14,000 to support the acquisition of Out Rage, LLC, a market leader in the bowhunting equipment industry. The $12,500 first lien note bears interest in cash at the greater of 11.0% or Libor plus 8.0% and has a final maturity on March 2, 2015. The $1,500 revolver, which was unfunded at closing, bears interest in cash at the greater of 11.0% or Libor plus 8.0% and has a final maturity on March 2, 2015.

On March 4, 2011, we made a $27,000 secured second-lien term loan to Arrowhead. After the financing we received a repayment of the loan that was previously outstanding. The second lien note bears interest in cash at the greater of 11.25% or Libor plus 9.50% and has a final maturity on September 30, 2017.

On March 18, 2011, we closed a $60,000 first-lien senior secured facility for SG Acquisition, Inc. ("Safe-Guard"), the leading third-party administrator of ancillary finance and insurance products and services for new, used, and leased motor vehicles. $30,000 of the first lien notes bear interest in cash at the greater of 8.50% or Libor plus 6.50% and $30,000 of the first lien notes bear interest in cash at the greater of 14.50% or Libor plus 12.50%, respectively, and both have a final maturity on March 18, 2016.

On March 31, 2011, we funded a $53,000 first-lien senior secured credit facility, funded $1,435 of a $5,000 commitment on a revolving line of credit and invested $1,500 in common equity to support the acquisition of Cargo Airport Services USA, LLC ("CAS") by ICV Partners. The $53,000 first lien note bears interest in cash at the greater of 11.50% or Libor plus 8.50% and has a final maturity on March 31, 2016. The $5,000 revolver, of which $1,435 was funded at closing, bears interest in cash at the greater of 11.50% or Libor plus 8.50% and has a final maturity on March 31, 2012.

On March 31, 2011, we provided a net $32,770 in first-lien senior secured financing for the recapitalization of Progrexion focused on the consumer credit information sector. The first lien note bears interest in cash at the greater of 10.75% or Libor plus 8.75% and has a final maturity on December 31, 2014.

On April 18, 2011, we made a $13,000 secured debt investment to support the acquisition of Meatco, a leading food distributor, by Annex Capital Management. The second lien note bears interest in cash at the greater of 12.0% or Libor plus 9.0% and interest in kind of 4.0% and has a final maturity on April 18, 2016.

On April 26, 2011, we made a senior secured follow-on investment of $11,000 in ICON. The first lien note bears interest in cash at 11.875% and has a final maturity on October 15, 2016.

On May 2, 2011, we sold our membership interests in Fischbein realizing a gain of $9,893 on the sale and received a repayment of the loan that was outstanding. We subsequently made a $3,334 senior secured second-lien term loan and invested $875 in the common equity of Fischbein with the new ownership group. The second lien note bears interest in cash at 12.0% and interest in kind of 2.0% and has a final maturity on October 31, 2016.

On May 3, 2011, we made a debt investment of $25,000 to support the acquisition of Byrider, a leading used car sales and finance business, by Altamont Capital Partners. The second lien note bears interest in cash at 12.0% and interest in kind of 2.0% and has a final maturity on November 3, 2016.

On May 6, 2011, we made a $34,450 investment in NMMB, an advertising media buying business, of which $31,750 was funded at closing. $24,250 is structured as senior secured debt, $2,800 as subordinated debt and $4,400 as controlling equity. The loans bear interest in cash at 14.0% and 15.0%, respectively, and have a final maturity on May 6, 2016. The $3,000 revolver, of which $300 was drawn at closing, bears interest in cash at the greater of 10.50% or Libor plus 8.50% and has a final maturity on May 6, 2016.

On May 6, 2011, we provided $15,000 in secured second-lien acquisition financing to Mood Media, a company in the in-store media industry. The second lien note bears interest in cash at the greater of 10.25% or Libor plus 8.75% and has a final maturity on November 6, 2018.

On May 6, 2011, we provided $15,000 in secured second-lien financing for the recapitalization of Potters, a leading company in the engineered glass materials industry. The second lien note bears interest in cash at the greater of 10.25% or Libor plus 8.50% and has a final maturity on November 6, 2017.

On May 25, 2011, we provided $24,000 in secured first-lien financing to Targus, the leading global supplier of notebook carrying cases and accessories. The first lien note bears interest in cash at the greater of 11.0% or Libor plus 9.50% and has a final maturity on May 25, 2016.

On May 31, 2011, we provide $35,000 in secured second-lien financing to Springs Window, a leading designer and manufacturer of high-quality window treatments. The second lien note bears interest in cash at the greater of 11.25% or Libor plus 9.25% and has a final maturity on November 30, 2017.

On June 16, 2011, we made a senior secured debt investment of $26,500 to support the acquisition of STP, a leading North American producer of precision redrawn, small diameter, thin wall copper, and specialty alloy tubes. The first lien note bears interest in cash at the greater of 12.0% or Libor plus 9.00% and has a final maturity date on June 16, 2016.

On June 21, 2011, we provided $25,000 in secured second lien financing for the recapitalization of U.S.H., a leading company in the occupational medical services industry. The second lien note bears interest in cash at the greater of 10.50% or Libor plus 9.00% and has a final maturity on June 15, 2017.

On June 30, 2011, we made a senior secured debt investment of $82,500 in CRT, a market-leading specialty media buying business, of which $75,000 was funded at closing. The $75,000 first lien notes bear interest in cash at the greater of 10.50% or Libor plus 7.50% and have a final maturity on June 30, 2017. The $7,500 revolver, which was unfunded at closing, bears interest in cash at the greater of 10.50% or Libor plus 7.50% and has a final maturity on June 30, 2012.

On June 30, 2011 we also provided $5,000 in secured second lien financing for the acquisition of Pre-Paid Legal, a top company in the professional services subscription market. The second lien notes bear interest in cash at the greater of 11.00% or Libor plus 9.50% and have a final maturity on December 31, 2016.

During the year ended June 30, 2011, we closed-out seventeen positions which are briefly described below.

On July 30, 2010, Northwestern repaid the $8,500 loan receivable to us.

On August 26, 2010, Regional Management Corporation ("RMC") repaid the $25,814 loan receivable to us.

On September 1, 2010, Impact Products repaid the $12,848 loan receivable to us.

On September 23, 2010, Roll Coater Acquisition Corp. repaid the $6,268 loan receivable to us.

On September 29, 2010, we sold our common stock in LyondellBasell Industries N.V. for $1,803, realizing a gain of $527.

On October 29, 2010, Castro Cheese Company, Inc. repaid the $7,732 loan receivable to us.

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On November 3, 2010, TriZetto Group repaid the $15,492 loan receivable to us.

On December 1, 2010, Qualitest Pharmaceuticals, Inc. repaid the $12,000 loan receivable to us.

On December 10, 2010, American Gilsonite repaid the $14,783 loan receivable to us.

On December 15, 2010, we sold Sidump'r Trailer Company, Inc. and received $430 net proceeds.

In December 2010, we exercised our warrants in Miller Petroleum, Inc. ("Miller") and received 2,013,814 shares of Miller common stock and sold 1,397,510 of these shares at $3.95 net proceeds per share, realizing a gain of $5,415. We sold the remaining 616,304 shares of Miller common stock on January 10, 2011, realizing $4.23 of net proceeds per share and an additional gain of $2,561 on this sale and a total gain of $7,976 on settlement of the investment.

On January 24, 2011, Maverick Healthcare LLC repaid the $13,122 loan receivable to us.

On March 11, 2011, EXL repaid the $22,988 loan receivable to us and we sold our 2,500 shares of EXL common stock.

On March 31, 2011, KTPS Holdings, LLC repaid the $8,414 loan receivable to us. A portion of the loan receivable was repaid at a discount, for which we realized a loss of $549.

On April 18, 2011, Unitek repaid the $11,500 loan receivable to us.

On May 31, 2011, Label Corp repaid the $5,749 loan receivable to us.

On June 3, 2011, Prince repaid the $23,540 loan receivable to us and we recognized $10,463 of accelerated purchase discount accretion.

During the year ended June 30, 2011, we also received principal amortization payments of $16,996 on several loans, and $24,450 of partial prepayments related to AIRMALL, AFI, Ajax, EXL, Fischbein, Iron Horse, LHC, Nupla, Northwestern, Progrexion, ROM, Seaton Corp and Stauber.

During the year ended June 30, 2011, we recognized $22,084 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $22,084 is $4,912 of normal accretion, $12,035 of accelerated accretion resulting from the repayment of Impact Products, Label Corp and Prince, and $4,968 of accelerated accretion resulting from the recapitalization of our debt investments in Arrowhead, Copernicus, Fischbein and Northwestern. The restructured loans for Arrowhead, Copernicus, Fischbein and Northwestern were issued at market terms comparable to other industry transactions. In accordance with ASC 320-20-35 the cost basis of the new loan was recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income. We expect to recognize $836 of normal accretion during the three months ended September 30, 2011.

During the period from the acquisition of Patriot on December 2, 2009 to June 30, 2010, we recognized $18,795 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in this amount $4,579 of normal accretion and $14,216 of accelerated accretion resulting from the early repayments of four loans, three revolving lines of credit, sale of one investment position and restructuring of our loans to AFI, EXL, LHC, Prince and ROM. The revised terms were more favorable than the original terms and increased the present value of the future cash flows. In accordance with ASC 320-20-35 the cost basis of the new loans were recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

On September 30, 2008, we settled our net profits interests ("NPIs") in IEC-Systems, LP ("IEC") and Advanced Rig Services, LLC ("ARS") with the companies for a combined $12,576. IEC and ARS

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originally issued the NPIs to us when we loaned a combined $25,600 to IEC and ARS on November 20, 2007. In conjunction with the NPI realization, we recognized other income of $12,576 and simultaneously reinvested the $12,576 as incremental senior secured debt in IEC and ARS. The incremental debt amortized over the period ending November 20, 2010.

The following is a quarter-by-quarter summary of our investment activity:

Quarter-End	**Acquisitions(1)**	**Dispositions(2)**
June 30, 2011	$ 312,301	$ 62,367
March 31, 2011	359,152	76,494
December 31, 2010	140,933	62,915
September 30, 2010	140,951	67,621
June 30, 2010	88,973	39,883
March 31, 2010	59,311	26,603
December 31, 2009(3)	210,438	45,494
September 30, 2009	6,066	24,241
June 30, 2009	7,929	3,148
March 31, 2009	6,356	10,782
December 31, 2008	13,564	2,128
September 30, 2008	70,456	10,949
June 30, 2008	118,913	61,148
March 31, 2008	31,794	28,891
December 31, 2007	120,846	19,223
September 30, 2007	40,394	17,949
June 30, 2007	130,345	9,857
March 31, 2007	19,701	7,731
December 31, 2006	62,679	17,796
September 30, 2006	24,677	2,781
June 30, 2006	42,783	5,752
March 31, 2006	15,732	901
December 31, 2005		3,523
September 30, 2005	25,342	
June 30, 2005	17,544	
March 31, 2005	7,332	
December 31, 2004	23,771	32,083
September 30, 2004	30,371	
Since inception	$ 2,128,654	$ 640,260

(1) Includes new deals, additional fundings, refinancings and PIK interest.

(2) Includes scheduled principal payments, prepayments and refinancings.

(3) The $210,438 of acquisitions for the quarter ended December 31, 2009 includes $207,126 of portfolio investments acquired from Patriot.

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Investment Valuation

In determining the fair value of our portfolio investments at June 30, 2011 the Audit Committee considered valuations from the independent valuation firm and from management having an aggregate range of $1,435,916 to $1,548,301, excluding money market investments.

In determining the range of value for debt instruments, management and the independent valuation firm generally shadow rated the investment and then based upon the range of ratings, determined appropriate yields to maturity for a loan rated as such. A discounted cash flow analysis was then prepared using the appropriate yield to maturity as the discount rate, yielding the ranges. For equity investments, the enterprise value was determined by applying EBITDA multiples for similar recent investment sales. For stressed equity investments, a liquidation analysis was prepared.

The Board of Directors looked at several factors in determining where within the range to value the asset including: recent operating and financial trends for the asset, independent ratings obtained from third parties and comparable multiples for recent sales of companies within the industry. The composite of all these analysis, applied to each investment, was a total valuation of $1,463,010, excluding money market investments.

Our portfolio companies are generally lower middle market companies, outside of the financial sector, with less than $50,000 of annual EBITDA. We believe our market has experienced less volatility than others because we believe there are more buy and hold investors who own these less liquid investments.

During the year ended June 30, 2011, there has been a general improvement in the markets in which we operate, and market rates of interest negotiated for middle market loans have decreased.

Control investments offer increased risk and reward over straight debt investments. Operating results and changes in market multiples can result in dramatic changes in values from quarter to quarter. Significant downturns in operations can further result in our looking to recoveries on sales of assets rather than the enterprise value of the investment. Several control investments in our portfolio are under enhanced scrutiny by our senior management and our Board of Directors and are discussed below.

Ajax Rolled Ring & Machine, Inc.

We acquired a controlling equity interest in Ajax in a recapitalization of Ajax that was closed on April 4, 2008. We funded $22,000 of senior secured term debt, $11,500 of subordinated term debt and $6,300 of equity as of that closing. During the fiscal year ended June 30, 2010, we funded an additional $3,530 of secured subordinated debt to refinance a third-party revolver provider and provide working capital. Ajax repaid $3,461 of this secured subordinated debt during the quarter ended September 30, 2010. As of June 30, 2011, we control 77.68% of the fully-diluted common and preferred equity. The principal balance of our senior debt to Ajax was $20,607 and new debt was $15,035 as of June 30, 2011.

Ajax forges seamless steel rings sold to various customers. The rings are used in a range of industrial applications, including in construction equipment and wind power turbines. Ajax's business is cyclical, and the business experienced a significant decline in 2009 in light of the global macroeconomic crisis. Ajax has seen significant improvement in operating results in 2010 with EBITDA increasing over 100% from that generated in 2009.

The Board of Directors increased the fair value of our investment in Ajax to $33,877 as of June 30, 2011, a reduction of $7,822 from its amortized cost, compared to the $13,006 unrealized depreciation recorded at June 30, 2010.

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Change Clean Energy Holdings Inc. and Change Clean Energy, Inc., f/k/a Worcester Energy Partners, Inc.

Change Clean Energy, Inc. ("CCEI") is an investment that we originated in September 2005, which owns and operated a biomass energy plant. In March 2009, CCEI ceased operations, as the business became uneconomic based on the cost of materials and the price being received for the electricity generated. During that quarter, we instituted foreclosure proceedings against the co-borrowers of our debt. In anticipation of such proceedings, CCEHI was established. On March 11, 2009, the foreclosure was completed and the assets were assigned to a wholly owned subsidiary of CCEHI. During the year ended June 30, 2010, we provided additional funding of $296 to CCEHI to fund ongoing operations. CCEI currently has no material operations. At June 30, 2009 we determined that the impairment at both CCEI and CCEHI was other than temporary and recognized a realized loss of $41,134, which was the amount by which the amortized cost exceeded the fair value. During the years ended June 30, 2011 and June 30, 2010, we made follow-on investments of $316 and $554, respectively, in CCEHI for professional services related to ongoing litigations and plant security. At June 30, 2011, our Board of Directors, under recommendation from senior management, has set the value of the CCEHI investment with no value, a reduction of $2,540 from its amortized cost after the recognized loss recorded in 2009.

Freedom Marine Services, LLC

Freedom Marine is an investment that we initially funded in October 2006. We acquired a controlling interest in the company on October 1, 2009 as part of a broader restructuring of the company and subsequently provided additional funding to support ongoing operations. During the year ended June 30, 2011, we provided additional funding of $944 to Freedom Marine in order to provide needed liquidity and pay dry docking expenses. As of June 30, 2011, we control 86.78% of the fully-diluted equity.

Freedom Marine is an owner-operator of three offshore supply vessels operating out of Houma, Louisiana. The three vessels are leased out to various oil and gas industry participants operating in the Gulf of Mexico. Freedom Marine's business were significantly impacted by the 2010 Gulf of Mexico oil spill. Offshore activity levels remain depressed and the company has been EBITDA negative since October 2010.

Based upon an analysis of the liquidation value of the vessels and the enterprise value of Freedom Marine, our Board of Directors determined the fair value of our investment in Freedom Marine to be $3,079 at June 30, 2011, a reduction of $8,224 from its amortized cost, compared to the $6,457 unrealized loss recorded at June 30, 2010.

Gas Solutions Holdings, Inc.

GSHI is an investment that we completed in September 2004 in which we own 100% of the equity. GSHI is a midstream gathering and processing business located in east Texas. GSHI has improved its operations and experienced an increase in revenue, gross margin, and EBITDA over the past year given the increase in plant volumes and natural gas liquids prices.

GSHI continues to focus on plant projects and seeking new opportunities to help the company grow beyond its existing footprint. On September 30, 2010, we made a follow-on secured debt investment of $4,500 to GSHI to support the acquisition of an additional gathering pipeline system in Texas.

In April 2010, GSHI purchased a series of propane puts with strike prices of $1.00 per gallon and $0.95 per gallon covering the periods May 1, 2010, through April 30, 2011, and May 1, 2011, through April 30, 2012, respectively. GSHI hedged approximately 85% of its exposure to natural

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gas liquids based on plant volumes at the time of entering into the puts. In March 2011, GSHI purchased propane puts with strike prices of $0.95 per gallon covering the period May 1, 2012, through April 30, 2013, hedging approximately 100% of its exposure to natural gas liquids based on projected plant volumes. These hedges will reduce the volatility on earnings associated with lower prices of natural gas liquids without limiting the upside from higher prices, helping GSHI to continue to generate sufficient cash flow to make interest and dividend payments. GSHI has experienced a growth of approximately 34% in revenue and 40% in EBITDA when comparing 2010 results to 2009 results. GSHI has experienced a growth of approximately 36% in revenue and 60% in EBITDA when comparing results for the six months ended June 30, 2011 to June 30, 2010. As GSHI continues to fill the excess capacity at the plant, operating results will continue to improve.

In determining the value of GSHI, we have utilized two valuation techniques to determine the value of the investment. Our Board of Directors has determined the value to be $105,406 for our debt and equity positions at June 30, 2011 based upon a combination of a discounted cash flow analysis and a public comparables analysis. At June 30, 2011 and June 30, 2010, GSHI was valued $63,403 and $55,593 above its amortized cost, respectively.

Integrated Contract Services, Inc.

ICS is an investment that we entered into in April 2007. Prior to January 2009, ICS owned the assets of ESA Environmental Specialists, Inc. ("ESA") and 100% of the stock of The Healing Staff ("THS"). ESA originally defaulted under our contract governing our investment in ESA, prompting us to commence foreclosure actions with respect to certain ESA assets in respect of which we have a priority lien. In response to our actions, ESA filed voluntarily for reorganization under the bankruptcy code on August 1, 2007. On September 20, 2007, the U.S. Bankruptcy Court approved a Section 363 Asset Sale from ESA to us. To complete this transaction, we contributed our ESA debt to a newly-formed entity, ICS, and provided funds for working capital on October 9, 2007. In return for the ESA debt, we received senior secured debt in ICS of equal amount to our ESA debt, preferred stock of ICS, and 49% of the ICS common stock. ICS subsequently ceased operations and assigned the collateral back to us. ICS is in default of both payment and financial covenants. During September and October 2007, we provided $1,170 to THS for working capital.

In January 2009, we foreclosed on the real and personal property of ICS. Through this foreclosure process, we gained 100% ownership of THS and certain ESA assets. THS provides outsourced medical staffing and security staffing services to governmental and commercial enterprises. In November 2009, THS was informed that the U.S. Air Force would not exercise its option to renew its contract. THS continues to solicit new contracts to replace the revenue lost when the Air Force contract ended. As part of its strategy to recovery from the loss of the Air Force contract, in 2010 THS started a new business, Vets Securing America, Inc. ("VSA"), to provide out-sourced security guards staffed primarily using retired military veterans. During the year ended June 30, 2011, we made follow-on secured debt investments of $1,708 to support the ongoing operations of THS and VSA.

Based upon an analysis of the liquidation value of the ESA assets and the enterprise value of THS/VSA, our Board of Directors determined the fair value of our investment in ICS to be $1,767 at June 30, 2011, a reduction of $16,453 from its amortized cost, compared to the $12,110 unrealized loss recorded at June 30, 2010.

Iron Horse Coiled Tubing, Inc.

Iron Horse is an investment that we completed in April 2006. Iron Horse had been a provider of coiled tubing subcontractor services prior to making a strategic decision in late 2007 to directly

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service natural gas and oil producers in the Western Canadian Sedimentary Basin ("WCSB") as a fracturing services provider. As a result of the business transition, the Company's 2008 financial performance declined significantly from 2007 levels. Iron Horse completed its transition from a subcontractor to a direct service provider in 2009, but natural gas prices declined to trough levels due to the recession and heightened natural gas inventory levels. Since November 2009, Iron Horse has experienced increased activity in the WCSB and is now completing wells for a diversified base of large and small producers in the WCSB.

Prior to December 31, 2007, we owned 8.5% of the common stock in Iron Horse. On December 31, 2007, we received an additional 50.3% of the common stock in Iron Horse, which increased our total ownership to 58.8%. Through a series of subsequent loans that were used to construct equipment and facilitate the transition from a subcontractor to a direct service provider, we secured an additional 21.0% of the common stock in Iron Horse in September 2008, which increased our total ownership to 79.8% of the common stock in Iron Horse.

Effective January 1, 2010, we restructured our senior secured and bridge loans to Iron Horse and we reorganized Iron Horse's management structure. Our loans were replaced with three new tranches of senior secured debt and our total ownership of Iron Horse decreased to 70.4% on a fully-diluted basis. Our fully-diluted equity ownership will incrementally decrease as debt tranches are repaid. There was no change to fair value at the time of restructuring. In 2010, Iron Horse returned to profitability reporting EBITDA of over $12,000 for the year ended December 31, 2010. Revenues were up almost 500% from 2009 to 2010 and Iron Horse repaid $6,615 of this senior secured debt during the year ended June 30, 2011. These repayments decreased our ownership to 57.8% on a fully-diluted basis. As Iron Horse has shown an ability to continue to service the interest and principal payments as they come due, we returned Iron Horse to accrual status in December 2010.

The Board of Directors increased the fair value of our investment in Iron Horse to $15,357 as of June 30, 2011, a premium of $970 above its amortized cost, compared to the $8,948 unrealized depreciation recorded at June 30, 2010.

Manx Energy, Inc.

On January 19, 2010, we modified the terms of our senior secured debt in Appalachian Energy Holdings LLC ("AEH") and Coalbed LLC ("Coalbed") in conjunction with the formation of Manx, a new entity consisting of the assets of AEH, Coalbed and Kinley Exploration. The assets of the three companies were combined under new common management. We funded $2,800 at closing to Manx to provide for working capital. A portion of our loans to AEH and Coalbed was exchanged for Manx preferred equity, while our AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring, and we continue to fully reserve any income accrued for Manx. During the year ended June 30, 2011, we made a follow-on secured debt investments of $750 in Manx to support ongoing operations.

The Board of Directors wrote-down the fair value of our investment in Manx to $1,312 as of June 30, 2011, a reduction of $17,707 from its amortized cost, compared to the $13,584 unrealized loss recorded at June 30, 2010.

Yatesville Coal Holdings, Inc.

All of our coal holdings have been consolidated under the Yatesville entity. Yatesville delivered improved operating results after the consolidation of the coal holdings, but the company mined through all of its permitted reserves by December 2008 and has not produced meaningful revenues since then. We continue to evaluate strategies for Yatesville, such as soliciting indications of interest regarding a transaction involving part or all of recoverable reserves. During the quarter ended December 31, 2009, we discontinued operations at Yatesville. At December 31, 2009, our Board of Directors determined that, consistent with the decision to discontinue operations, the impairment of Yatesville was other than temporary, and we recorded a realized loss of $51,228, which was the amount that the amortized cost exceeded the fair value at December 31, 2009. During the years ended June 30, 2011 and June 30, 2010, we made follow-on investments of $555 and $3,471, respectively, in Yatesville for professional services related to ongoing litigations. At June 30, 2011, our Board of Directors, under recommendation from senior management, has set the value of the Yatesville investment with no value, a reduction of $1,448 from its amortized cost after the recognized depreciation.

Equity positions in the portfolio are susceptible to potentially significant changes in value, both increases as well as decreases, due to changes in operating results. Four of our portfolio companies have experienced such volatility due to improved operating results GSHI, Iron Horse, NRG and R-V. NRG and GSHI experienced meaningful increases in valuation during the year ended June 30, 2011, NRG due to overall industry stabilization and increased backlog resulting from a new product line, and GSHI due to improved operating results. The value of our equity position in NRG has increased to $32,403 as of June 30, 2011, a premium of $30,086 to its amortized cost, compared to the $4,714 unrealized gain recorded at June 30, 2010. The value of our equity position in GSHI has increased to $68,406 as of June 30, 2011, a premium of $63,403 to its amortized cost, compared to the $55,593 unrealized gain recorded at June 30, 2010. Eight of the other controlled investments have been valued at discounts to the original investment. Six of the control investments are valued at premiums to the original investment amounts, including Iron Horse for which our unrealized gain increased by $9,918 during the year ended June 30, 2011 due to improved operating results. Overall, at June 30, 2011, the control investments are valued at $47,771 above their amortized cost.

We hold four affiliate investments at June 30, 2011. The affiliate investments reported strong operating results with valuations increasing for three investments Biotronic, Boxercraft and Sport Helmets. Biotronic experienced the most meaningful increase in valuation. Biotronic completed a significant acquisition in November 2010, which is driving the operating results and the increase in the value of the investment. All affiliate investments are valued at amortized cost or higher. Overall, at June 30, 2011, affiliate investments are valued $15,504 above their amortized cost.

With the Non-control/Non-affiliate investments, generally, there is less volatility related to our total investments because our equity positions tend to be smaller than with our control/affiliate investments, and debt investments are generally not as susceptible to large swings in value as equity investments. For debt investments, the fair value is limited on the high side to each loan's par value, plus any prepayment premia that could be imposed. Many of the debt investments in this category have not experienced a significant change in value, as they were previously valued at or near par value. The exception to this categorization relates to investments which were acquired in the Patriot Acquisition, many of which were acquired at significant discounts to par value, and any changes in operating results or interest rates can have a significant effect on the value of such investments. H&M Oil & Gas, LLC ("H&M"), Shearer's Food's, Inc. ("Shearer's") and Stryker Energy, LLC ("Stryker"), experienced decreases in valuations due to declines in their operating results. At June 30, 2011, H&M was placed on non-accrual status due to the inability of the company to service its debt. The remaining investments did not experience significant changes in operations or valuation. During the year ended June 30, 2011, we recognized $22,084 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $22,084 is $4,912 of normal accretion, $12,035 of accelerated accretion resulting from the repayment of Impact Products, Label Corp and Prince, and $4,968 of accelerated accretion resulting from the recapitalization of our debt investments in Arrowhead, Copernicus, Fischbein and Northwestern. The restructured loans for Arrowhead, Copernicus, Fischbein and Northwestern were issued at market terms comparable to other industry transactions. In accordance with ASC 320-20-35 the cost basis of the new loan was recorded at par value, which precipitated the

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acceleration of original purchase discount from the loan repayment which was recognized as interest income.

Capitalization

Our investment activities are capital intensive and the availability and cost of capital is a critical component of our business. We capitalize our business with a combination of debt and equity. Our debt currently consists of a revolving credit facility availing us of the ability to borrow debt subject to borrowing base determinations and Senior Convertible Notes which we issued in December 2010 and February 2011 and our equity capital is currently comprised entirely of common equity. The following table shows the Revolving Credit Facility and Senior Convertible Notes amounts and outstanding borrowings at June 30, 2011 and June 30, 2010:

	As of June 30, 2011		As of June 30, 2010	
	Facility Amount	Amount Outstanding	Facility Amount	Amount Outstanding
Revolving Credit Facility	$ 325,000	$ 84,200	$ 210,000	$ 100,300
Senior Convertible Notes	$ 322,500	$ 322,500	$	$

The following table shows the contractual maturity of our Revolving Credit Facility and Senior Convertible Notes at June 30, 2011:

	Payments Due By Period		
	Less Than 1 Year	1 - 3 Years	More Than 3 Years
Revolving Credit Facility	$	$ 84,200	$
Senior Convertible Notes	$	$	$ 322,500

We have and expect to continue to fund a portion of our cash needs through borrowings from banks, issuances of senior securities, including secured, unsecured and convertible debt securities and preferred stock, or issuances of common equity. For flexibility, we maintain a universal shelf registration statement that allows for the public offering and sale of our debt securities, common stock, preferred stock and warrants to purchase such securities in an amount up to $750,000 less issuances to date. We may from time to time issue securities pursuant to the shelf registration statement or otherwise pursuant to private offerings. The issuance of debt or equity securities will depend on future market conditions, funding needs and other factors and there can be no assurance that any such issuance will occur or be successful.

Revolving Credit Facility

On June 25, 2009, we completed a first closing on an expanded $250,000 syndicated revolving credit facility (the "Facility"). The Facility included an accordion feature which allowed the Facility to accept up to an aggregate total of $250,000 of commitments for which we had $210,000 of commitments from six lenders when the Facility was renegotiated. The revolving period of the Facility extended through June 2010, with an additional one year amortization period after the completion of the revolving period.

On June 11, 2010, we closed an extension and expansion of our revolving credit facility with a syndicate of lenders ("Syndicated Facility"). The lenders have extended current commitments of $400,000 under the Syndicated Facility as detailed in the *Recent Developments*. As we make additional investments which are eligible to be pledged under the Syndicated Facility, we will generate additional availability to the extent such investments are eligible to be placed into the borrowing base. The revolving period of the Syndicated Facility extends through June 2012, with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due if required by the lenders.

As of June 30, 2011 and June 30, 2010, we had the ability to borrow up to $255,673 and $180,678, respectively, under our Syndicated Facility based on the assets pledged as collateral at that time, of which $84,200 and $100,300 was drawn, respectively. The Syndicated Facility requires us to pledge assets as collateral in order to borrow under the credit facility. At June 30, 2011, the investments used as collateral for the Syndicated Facility had an aggregate market value of $700,321, which represents 62.8% of net assets. Prospect Capital Funding, LLC, our wholly-owned subsidiary, holds $631,915 of these investments at market value as of June 30, 2011. The release of any assets from Prospect Capital Funding, LLC requires the approval of Rabobank as facility agent.

The borrowings under the Syndicated Facility bore interest at a rate of one-month Libor plus 250 basis points prior to June 25, 2009, which increased to one-month Libor plus 400 basis points, subject to a minimum Libor floor of 200 basis points for the period from June 26, 2009 to June 10, 2010. Beginning June 11, 2010, interest on borrowings decreased under the Syndicated Facility is one-month Libor plus 325 basis points, subject to a minimum Libor floor of 100 basis points. The maintenance of this facility requires us to pay a fee for the amount not drawn upon. Prior to June 25, 2009, this fee was assessed at the rate of 37.5 basis points per annum of the amount of that unused portion. For the period from June 26, 2010 to June 10, 2010, this rate increased to 100 basis points per annum. After June 11, 2010, the lenders charge a fee on the unused portion of the credit facility equal to either 75 basis points if at least half of the credit facility is used or 100 basis points otherwise.

Concurrent with the extension of our Syndicated Facility, in June 2010, we wrote off $759 of the unamortized debt issue costs associated with the original credit facility, in accordance with ASC 470-50, *Debt Modifications and Extinguishments.*

Senior Convertible Notes

On December 21, 2010, we issued $150,000 in aggregate principal amount of our 6.25% senior convertible notes due 2015 ("2010 Notes") for net proceeds following underwriting expenses of approximately $145,200. Interest on the 2010 Notes is paid semi-annually in arrears on June 15 and December 15, at a rate of 6.25% per year, commencing June 15, 2011. The 2010 Notes mature on December 15, 2015 unless converted earlier. The 2010 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2011 of 88.0902 and 88.0932 shares of common stock, respectively, per $1,000 principal amount of 2010 Notes, which is equivalent to a conversion price of approximately $11.35 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2010 Notes will be increased if monthly cash dividends paid to common shares exceed the rate of $0.101125 cents per share, subject to adjustment.

On February 18, 2011, we issued $172,500 in aggregate principal amount of our 5.50% senior convertible notes due 2016 ("2011 Notes") for net proceeds following underwriting expenses of approximately $167,325. Interest on the 2011 Notes is paid semi-annually in arrears on February 15 and August 15, at a rate of 5.50% per year, commencing August 15, 2011. The 2011 Notes mature on August 15, 2016 unless converted earlier. The 2011 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2011 of 78.3699 and 78.3717 shares, respectively, of common stock per $1,000 principal amount of 2011 Notes, which is equivalent to a conversion price of approximately $12.76 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2011 Notes will be increased when monthly cash dividends paid to common shares exceed the rate of $0.101150 per share.

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In no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per $1,000 principal amount of the 2010 Notes (the "conversion rate cap"), except that, to the extent we receive written guidance or a no-action letter from the staff of the Securities and Exchange Commission (the "Guidance") permitting us to adjust the conversion rate in certain instances without regard to the conversion rate cap and to make the 2010 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events by us without regard to the conversion rate cap, we will make such adjustments without regard to the conversion rate cap and will also, to the extent that we make any such adjustment without regard to the conversion rate cap pursuant to the Guidance, adjust the conversion rate cap accordingly. We will use our commercially reasonable efforts to obtain such Guidance as promptly as practicable.

Prior to obtaining the Guidance, we will not engage in certain transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless we have engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction.

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the Notes surrendered for conversion representing accrued and unpaid interest to, but not including the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the 2010 Notes and 2011 Notes (collectively, "Senior Convertible Notes").

No holder of Senior Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Notes upon a fundamental change at a price equal to 100% of the principal amount of the Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Senior Convertible Notes through and including the maturity date.

In connection with the issuance of the Senior Convertible Notes, we incurred $10,562 of fees which are being amortized over the term of the facility in accordance with ASC 470-50, *Debt Modifications and Extinguishments,* of which $9,845 remains to be amortized.

During the year ended June 30, 2011, we recorded $17,598 of interest costs and amortization of financing costs as interest expense.

During the year ended June 30, 2011, we raised $277,766 of additional equity, net of offering costs, by issuing 28,494,476 shares of our common stock below net asset value diluting shareholder value by

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$0.16 per share. The following table shows the calculation of net asset value per share as of June 30, 2011 and June 30, 2010:

	As of June 30, 2011	As of June 30, 2010
Net Assets	$ 1,114,357	$ 711,424
Shares of common stock outstanding	107,606,690	69,086,862
Net asset value per share	$ 10.36	$ 10.30

At June 30, 2011, we had 107,606,690 of our common stock issued and outstanding.

Results of Operations

Net increase in net assets resulting from operations for the years ended June 30, 2011, 2010 and 2009 was $118,238, $19,625 and $35,104, respectively, representing $1.38, $0.33 and $1.11 per weighted average share, respectively. The primary driver of the variability in the results is the recognition of realized gains and losses and changes in unrealized gains and losses in the investment portfolio. During the year ended June 30, 2011, we experienced net unrealized and realized gains of $24,017, or approximately $0.28 per weighted average share, primarily from significant write-ups of our investments in Ajax, Biotronic GSHI, Iron Horse, NRG and Sport Helmets, and our sale of our common equity in Fischbein and Miller, for which we realized gains of $9,893 and $7,977, respectively. These instances of realized and unrealized appreciation were partially offset by unrealized depreciation in H&M, Shearer's and Stryker. During the year ended June 30, 2010, we experienced net unrealized and realized losses of $47,565 or approximately $0.80 per weighted average share due primarily due to the impairment of Yatesville (See Investment Valuations for further discussion.). The $51,228 realized loss for Yatesville was partially offset by write-ups of our investments in Ajax, Freedom Marine, H&M, Manx, NRG, and R-V. During the year ended June 30, 2009, we experienced net unrealized and realized losses of $24,059 or approximately $0.76 per weighted average share. The $41,134 realized loss for CCEHI and $21,099 unrealized write-down of our investment in Yatesville was partially offset by write-ups of our investments in GSHI and NRG.

While we seek to maximize gains and minimize losses, our investments in portfolio companies can expose our capital to risks greater than those we may anticipate. These companies are typically not issuing securities rated investment grade, have limited resources, have limited operating history, have concentrated product lines or customers, are generally private companies with limited operating information available and are likely to depend on a small core of management talents. Changes in any of these factors can have a significant impact on the value of the portfolio company.

Investment Income

We generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own, fees generated from the structuring of new deals. Our investments, if in the form of debt securities, will typically have a term of one to ten years and bear interest at a fixed or floating rate. To the extent achievable, we will seek to collateralize our investments by obtaining security interests in our portfolio companies' assets. We also may acquire minority or majority equity interests in our portfolio companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including prepayment penalties and possibly consulting fees. Any such fees generated in connection with our investments are recognized as earned.

Investment income, which consists of interest income, including accretion of loan origination fees and prepayment penalty fees, dividend income and other income, including settlement of net profits interests, overriding royalty interests and structuring fees, was $169,476, $114,559, and $100,481 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. During the year ended

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June 30, 2011, the primary driver of the increase in investment income is the deployment of additional capital in revenue-producing assets through increased origination, for which we recognized an increase of $16,107 in structuring fee income, and $44,685 in cash and payment-in-kind interest income. This $44,685 of interest income excludes purchase discount accretion from the assets acquired from Patriot and is the result of a larger income producing investment portfolio. These increases were partially offset by a $4,650 decline in dividend income from GSHI as well as a decline, year over year, related to the one-time gain of $8,632 in the fiscal year ended June 30, 2010, recorded upon acquiring Patriot. The primary driver of the increase from the fiscal year ended June 30, 2009 to the fiscal year ended June 30, 2010 is the acquisition of additional assets from Patriot and other new investments which increased interest income for the second half of the year. This increase is partially offset by a decline in dividend income from GSHI.

The following table describes the various components of investment income and the related levels of debt investments:

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009
Interest income	$ 134,454	$ 86,518	$ 62,926
Dividend income	15,092	15,366	22,793
Other income	19,930	12,675	14,762
Total investment income	$ 169,476	$ 114,559	$ 100,481
Average debt principal of investments	$ 980,557	$ 615,638	$ 523,189
Weighted-average interest rate earned	13.7%	14.1%	12.0%

Average interest income producing assets have increased from $523,189 for the year ended June 30, 2009 to $615,638 for the year ended June 30, 2010 and $980,557 for the year ended June 30, 2011. The average yield on interest bearing assets increased from 12.0% for the year ended June 30, 2009 to 14.1% for the year ended June 30, 2010 and 13.7% for the year ended June 30, 2011. This increase in annual returns is primarily the accelerated accretion on the assets acquired from Patriot on which we recognized $17,172 and $14,216 during the years ended June 30, 2011 and June 30, 2010, respectively. Without these adjustments, the weighted average interest rates earned on debt investments would have been 12.0% and 11.7% for the years ended June 30, 2011 and 2010, respectively. Generally, interest returns have remained relatively stable over the three year period, but we have seen a decrease in interest rates on loans issued during our fourth fiscal quarter ended June 30, 2011.

Investment income is also generated from dividends and other income. Dividend income decreased from $15,366 for the year ended June 30, 2010 to $15,092 for the year ended June 30, 2011. The decrease in dividend income is primarily attributable to a decrease in the level of dividends received from our investment in GSHI. We received dividends from GSHI of $9,850 and $14,500 during the years ended June 30, 2011 and June 30, 2010, respectively. The decrease in dividends from GSHI is primarily the a consequence of GSHI distributing dividends in excess of their current earnings in 2009, as GSHI had accumulated excess earnings and profits available for distribution. GSHI remains profitable and has increased its EBITDA in 2010 in comparison with 2009. We anticipate that GSHI may be able to increase its dividends in the future as the result of organic growth and add-on acquisitions. This decrease was offset by a $4,178 increase in dividends received from American Gilsonite and NRG during the year ended June 30, 2011.

Other income has come primarily from structuring fees, overriding royalty interests, and settlement of net profits interests. Comparing the year ended June 30, 2010 to the year ended June 30, 2011, income from other sources, excluding the $8,632 gain on the Patriot acquisition, increased from $4,043 to $19,930. This $15,887 increase is primarily due to $18,494 of structuring fees recognized during the year ended June 30, 2011 primarily from the AIRMALL, CAS, CRT, Progrexion, Safe-Guard, Springs

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Window and NMMB originations, in comparison to $2,388 of structuring fees recognized during the year ended June 30, 2010.

Comparing the year ended June 30, 2009 to the year ended June 30, 2010, income from other sources, excluding the $8,632 gain on the Patriot acquisition, decreased from $14,762 to $4,043. This decrease in other income is largely due to the settlement of our net profit interests in IEC/ARS for $12,576 during the year ended June 30, 2009. During the year ended June 30, 2009, structuring fees of $1,274 were received primarily related to Biotronic and GSHI, in comparison to $2,388 of structuring fees recognized during the year ended June 30, 2010.

Operating Expenses

Our primary operating expenses consist of investment advisory fees (base and incentive fees), credit facility costs, legal and professional fees and other operating and overhead-related expenses. These expenses include our allocable portion of overhead under the Administration Agreement with Prospect Administration under which Prospect Administration provides administrative services and facilities for us. Our investment advisory fees compensate our Investment Adviser for its work in identifying, evaluating, negotiating, closing and monitoring our investments. We bear all other costs and expenses of our operations and transactions in accordance with our Administration Agreement with Prospect Administration. Operating expenses were $75,255, $47,369 and $41,318 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

The base investment advisory expenses were $22,496, $13,929 and $11,915 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. These increases are directly related to our growth in total assets. $23,555, $16,798 and $14,790 in income incentive fees were earned for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. The increases have occurred as net interest income has increased due primarily to an increase in the asset base. No capital gains incentive fee has yet been incurred pursuant to the Investment Advisory Agreement.

During the years ended June 30, 2011, June 30, 2010 and June 30, 2009, we incurred $17,598, $8,382 and $6,161, respectively, of expenses related to our Syndicated Facility and Senior Convertible Notes. These expenses are related directly to the leveraging capacity put into place for each of those years and the levels of indebtedness actually undertaken in those years. The table below describes the various expenses of our Syndicated Facility and Senior Convertible Notes and the related indicators of leveraging capacity and indebtedness during these years.

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009
Interest expense	$ 9,861	$ 1,338	$ 5,075
Amortization of deferred financing costs	5,366	5,297	759
Commitment and other fees	2,371	1,747	327
Total	$ 17,598	$ 8,382	$ 6,161
Weighted average debt outstanding	$ 176,277	$ 23,147	$ 132,013
Weighted average interest rate	5.59%	5.78%	3.84%
Facility amount at beginning of year	$ 210,000	$ 175,000	$ 200,000

The increase in interest expense for the year ended June 30, 2011 is due to the issuance of Senior Convertible Notes on December 21, 2010 and February 18, 2011 for which we incurred $8,374 of interest expense. The increase in our interest rate incurred for the year ended June 30, 2010 is primarily due to an increase of 150 basis points in our borrowing rate effective June 25, 2009 and the concurrent introduction of a Libor floor at 200 basis points. This increase was partially amended on June 11, 2010 with the closing of our current facility. The borrowing rate and Libor floor decreased by 75 basis points and 100 basis points, respectively.

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As our asset base has grown and we have added complexity to our capital raising activities, due, in part, to our assumption of the sub-administration role from Vastardis Fund Services LLC ("Vastardis"), we have commensurately increased the size of our administrative and financial staff, accounting for a significant increase in the overhead allocation from Prospect Administration. Over the last two years, Prospect Administration has increased staffing levels along with costs passed through. The allocation of overhead expense from Prospect Administration were $2,856, $3,361 and $4,979 for the years ended June 30, 2009, 2010 and 2011, respectively. As our portfolio continues to grow, we expect to continue to increase the size of our administrative and financial staff on a basis that provides increasing returns to scale. However, initial investments in administrative and financial staff may not provide returns to scale immediately, perhaps not until the portfolio increases to a greater size. Other allocated expenses from Prospect Administration will continue to increase along with the increase in staffing and asset base.

Total operating expenses, net of management fees, interest costs and allocation of overhead from Prospect Administration ("Other Operating Expenses"), were $6,627, $4,899 and $5,596 for the years ended June 30, 2011, 2010 and 2009, respectively. The increase in Other Operating Expenses during the year ended June 30, 2011 when compared to the year ended June 30, 2010 is primarily the result of a $1,058 increase in costs expensed in connection with abandoned originations and portfolio company acquisitions, an $818 increase in administrative expenses incurred to support of our growing portfolio and a $589 increase in unreimbursed legal and consulting fees incurred related to the management of loans. These increases were offset by the non-recurrence of the costs incurred in connection with the merger discussions with Allied Capital Corporation ("Allied") expensed in the 2010 period. The decrease in Other Operating Expenses during the year ended June 30, 2010 when compared to the year ended June 30, 2009 is primarily the result operating efficiencies realized upon the termination of the sub-administration agreement and no excise taxes being paid in 2010 offset by the costs incurred in connection with merger discussions with Allied expensed in the 2010 period.

Net Investment Income

Net investment income represents the difference between investment income and operating expenses. Our net investment income was $94,221, $67,190 and $59,163 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively, or $1.10 per share, $1.13 per share and $1.87 per share, respectively. The $27,031 increase for the year ended June 30, 2011 is primarily due to increases of $47,936 and $7,255 in interest income and other income, respectively, due to the increased size of our portfolio for which we have recognized additional interest income and structuring fees. The $27,031 increase is offset by an increase in operating expenses of $27,886, primarily due to a $15,324 increase in advisory fees due to the growing size of our portfolio and related income, and $9,216 of additional interest and credit facility expenses. The per share decrease for the year ended June 30, 2011 is primarily due to a decrease in dividends from existing equity investments along with new equity investments in the portfolio which have not yet declared any dividends and the non-recurring nature of the gain from the Patriot Acquisition during the year ended June 30, 2010 offset by an increase in structuring fees collected in the fiscal year ended June 30, 2011.

The $8,027 increase in net investment income for the year ended June 30, 2010 in comparison to the year ended June 30, 2009 is primarily due to an increase in investment income of $14,078. This $14,078 is due to a $23,592 increase in interest income offset by decreases in dividend income from GSHI and other income. Income from other sources, excluding the $8,632 gain on the Patriot acquisition, decreased from $14,762 to $4,043. This decrease in other income is largely due to the settlement of our net profit interests in IEC/ARS for $12,576 during the year ended June 30, 2009. The per share decrease for the year ended June 30, 2010 is primarily result of our increasing our asset mix in financings with private equity sponsors. We believe that such financings offer less risk, and consequently lower yields, due, in part, to lesser risk to our capital resulting from larger equity at risk underneath our capital.

Net Realized Gains (Losses), Increase (Decrease) in Net Assets from Net Changes in Unrealized Appreciation/Depreciation

Net realized gains (losses) were $16,465, ($51,545) and ($39,078) for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. The net realized gain for the year ended June 30, 2011 was due primarily to gains from the sales of our common equity in Fischbein and Miller of $9,893 and $7,977, respectively. The net realized loss of $51,545 for the year ended June 30, 2010 was due primarily to the impairment of Yatesville. (See Investment Valuations for further discussion.) On June 30, 2009, we determined that the impairment of the CCEHI investment was other than temporarily impaired and recognized a realized loss of $41,134 for the amount by which the amortized cost exceeded the current fair value. This loss was partially offset by realized gains of $423 and $1,641 from sales of the Arctic warrants and Deep Down, Inc. ("Deep Down") common stock, respectively.

Net increase in net assets from changes in unrealized appreciation was $7,552, $3,980 and $15,019 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively, or $0.09 per share, $0.07 per share and $0.48 per share, respectively. For the year ended June 30, 2011, the $7,552 increase in net assets from the net change in unrealized appreciation was driven by significant write-ups of $54,916 related to our investments in Ajax, Biotronic, GSHI, Iron Horse, NRG and Sport Helmets. These instances of unrealized appreciation were partially offset by unrealized depreciation of approximately $35,689 related to our investments in H&M, ICS, Manx, Shearer's, Stryker, and $10,840 related to the repayment of Prince. For the year ended June 30, 2010, the net unrealized appreciation was driven by $25,184 of write-ups in our investments in Fischbein, GSHI, Prince, Shearer's, and RMC, and by the disposition of previously written-down investment in Yatesville mentioned above with an unrealized net appreciation of $35,471, which, in turn, were offset by $56,954 of write-downs in our investments in Deb Shops, Inc. ("Deb Shops"), Freedom Marine, H&M, Manx, NRG, R-V and Wind River Resources Corp. and Wind River II Corp. For the year ended June 30, 2009, the net unrealized appreciation was driven by significant write-ups of our investments in American Gilsonite, GSHI, NRG, R-V, Shearer's and Stryker, and by the disposition of previously written-down investment in CCEI mentioned above, which, in turn, were offset by significant write-downs our investments in Ajax, AEH, Conquest Cherokee, LLC, Deb Shops, Iron Horse and Yatesville as well as the elimination of the unrealized appreciation resulting from the sale of Deep Down mentioned above.

Financial Condition, Liquidity and Capital Resources

For the years ended June 30, 2011, June 30, 2010 and Jun 30, 2009, our operating activities (used) provided ($581,609), $54,838 and ($74,000) of cash, respectively. Investing activities used $106,586 for the acquisition of Patriot for the year ended June 30, 2010. There were no investing activities for the years ended June 30, 2011 and June 30, 2009. Financing activities provided cash flows of $582,020, $42,887 and $83,387 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. Dividends paid were $91,247, $82,908 and $43,257 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

Our primary uses of funds have been to continue to invest in our investments in portfolio companies, to add new companies to our investment portfolio, acquire Patriot, repay outstanding borrowings and to make cash distributions to holders of our common stock.

Our primary sources of funds have been issuances of debt and equity. We have and may continue to fund a portion of our cash needs through borrowings from banks, issuances of senior securities or secondary offerings. We may also securitize a portion of our investments in mezzanine or senior secured loans or other assets. Our objective is to put in place such borrowings in order to enable us to

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expand our portfolio. During the year ended June 30, 2011, we borrowed $465,900 and made repayments totaling $482,000 under our revolving credit facility. As of June 30, 2011, we had $84,200 outstanding borrowings on our revolving credit facility and $322,500 outstanding on our Senior Convertible notes (See Note 6 to our consolidated financial statements).

On March 16, 2011, our Registration Statement on Form N-2 was declared effective by the SEC. Under this Shelf Registration Statement, we can issue up to $547,000 of additional equity securities as of June 30, 2011.

Over the past three years, we have been active in completing public and private stock offerings.

On July 7, 2009 we completed a public stock offering for 5,175,000 shares of our common stock at $9.00 per share, raising $46,575 of gross proceeds. On August 20, 2009 and September 24, 2009, we issued 3,449,686 shares and 2,807,111 shares, respectively, of our common stock at $8.50 and $9.00 per share, respectively, in private stock offerings, raising $29,322, and $25,264 of gross proceeds, respectively. Concurrent with the sale of these shares, we entered into a registration rights agreement in which we granted the purchasers certain registration rights with respect to the shares. Under the terms and conditions of the registration rights agreement, we filed with the SEC a post-effective amendment to the registration statement on Form N-2 on November 6, 2009. Such amendment was declared effective by the SEC on November 9, 2009.

On December 2, 2009 we acquired the outstanding shares of Patriot common stock for approximately $201,083. Under the terms of the merger agreement, Patriot common shareholders received 0.363992 shares of our common stock for each share of Patriot common stock, resulting in 8,444,068 shares of common stock being issued by us. In connection with the transaction, we repaid all the outstanding borrowings of Patriot, in compliance with the merger agreement.

On March 17, 2010, we established an at-the-market program through which we could sell, from time to time and at our discretion, 8,000,000 shares of our common stock. Through this program we issued 5,251,400 shares of our common stock at an average price of $11.50 per share, raising $60,378 of gross proceeds, from March 23, 2010 through June 30, 2010 and $26,799 from July 1, 2010 to July 21, 2010.

On July 19, 2010, we established a second at-the-market program, as we had sold all the shares authorized in the original at-the-market program. We engaged three broker-dealers to act as potential agents and sell our common stock directly into the market over a period of time. We paid a 2% commission to the broker-dealer on shares sold. Through this program we issued 6,000,000 shares of our common stock at an average price of $9.73 per share, raising $58,403 of gross proceeds, from July 22, 2010 through September 28, 2010.

On September 24, 2010, we established a third at-the-market program, as we had sold all the shares authorized in the preceding at-the-market programs, through which we could sell, from time to time and at our discretion, 6,000,000 shares of our common stock. We engaged three broker-dealers to act as potential agents and sell our common stock directly into the market over a period of time. We currently pay a 2% commission to the broker-dealer on shares sold. Through this program we issued 302,400 shares of our common stock at an average price of $9.87 per share, raising $2,986 of gross proceeds, from September 29, 2010 through September 30, 2010. During the period from October 1, 2010 to November 3, 2010, we continued this program and issued an additional 4,929,556 shares of our common stock at an average price of $9.86 per share, raising $48,611 of gross proceeds.

On November 10, 2010, we established a fourth at-the-market program, through which we could sell, from time to time and at our discretion, 9,750,000 shares of our common stock. We engaged four broker-dealers to act as potential agents and sell our common stock directly into the market over a period of time. We pay a 2% commission to the broker-dealer on shares sold. Through this program we issued 4,513,920 shares of our common stock at an average price of $10.00 per share, raising $45,147 of gross proceeds, from November 16, 2010 through December 15, 2010.

On April 7, 2011, we completed a public stock offering for 9,000,000 shares of our common stock raising $102,600 of gross proceeds.

On June 24, 2011, we completed a public stock offering for 10,000,000 shares of our common stock at $10.15 per share, raising $101,500 of gross proceeds.

Our Board of Directors, pursuant to the Maryland General Corporation Law, executed Articles of Amendment to increase the number of shares authorized for issuance from 100,000,000 to 200,000,000 in the aggregate. The amendment became effective August 31, 2010.

Off-Balance Sheet Arrangements

At June 30, 2011, we did not have any off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than those which originate from 1) the investment advisory and management agreement and the administration agreement and 2) the portfolio companies.

Recent Developments

On July 1, 2011, we made a senior secured follow-on investment of $2,500 in Boxercraft to support the acquisition of Jones & Mitchell, a supplier of college-licensed apparel.

On July 8, 2011, we made a secured senior lien investment of $39,000 to support the recapitalization of Totes Isotoner Corporation.

On July 11, 2011, we announced an increase in commitments to our credit facility of $50,000 to $375,000 raising the total commitments in the aggregate.

On July 18, 2011, we issued 1,500,000 shares in connection with the exercise of an overallotment option granted with the June 21, 2011 offering of 10,000,000 shares which were delivered June 24, 2011, raising an additional $15,225 of gross proceeds and $15,060 of net proceeds.

On July 22, 2011, we issued 102,890 shares of our common stock in connection with the dividend reinvestment plan.

On August 5, 2011, we made a senior secured follow-on investment of $3,850 in ROM to support the acquisition of Havis Lighting Solutions, a supplier of products primarily used by emergency response and police vehicles.

On August 9, 2011, we provided a $15,000 term loan to support the acquisition of Nobel Learning Communities, Inc., a leading national operator of private schools.

On August 9, 2011, we made an investment of $32,116 to purchase 66% of the unrated subordinated notes in Babson CLO Ltd. 2011-I.

On August 24, 2011, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.101325 per share for September 2011 to holders of record on September 30, 2011 with a payment date of October 25, 2011; and

- $0.101350 per share for October 2011 to holders of record on October 31, 2011 with a payment date of November 22, 2011.

On August 24, 2011, our Board of Directors approved a share repurchase plan under which we may repurchase up to $100,000 of our common stock at prices below our net asset value.

On August 26, 2011, we issued 106,869 shares of our common stock in connection with the dividend reinvestment plan.

On September 1, 2011, we announced an increase in commitments to our credit facility of $25,000 to $400,000 raising the total commitments in the aggregate to the maximum of the accordian feature of the credit facility.

On September 7, 2011, we provided $11,800 million in additional senior secured financing to an existing portfolio company to acquire a leading manufacturer of personal safety products for the transportation and industrial markets.

On September 16, 2011, we acted as the facility agent and lead lender of a syndication of lenders that collectively provided $132,500 in senior secured financing to support the financing of a leading logistics company, to which we funded $90,500. This company provides a broad array of logistics services to a diverse group of blue chip customers in the grocery, food service, retail, and specialty automotive industries.

On September 23, 2011, we issued 100,634 shares of our common stock in connection with the dividend reinvestment plan.

On September 29, 2011, we made a senior secured loan of $23,000 to support the recapitalization of Anchor Hocking, LLC ("Anchor"), a company controlled by affiliates of Monomoy Capital Partners. Prospect served as facility agent in a $45,000 term loan financing for Anchor.

On October 13, 2011, we made an investment of $9,319 to purchase 28.8% of the unrated subordinated notes to Apidos CLO VIII.

Critical Accounting Policies and Estimates

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

Basis of Consolidation

Under the 1940 Act rules, the regulations pursuant to Article 6 of Regulation S-X, and the American Institute of Certified Public Accountants' Audit and Accounting Guide for Investment Companies, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services and benefits to us. Our June 30, 2011 and June 30, 2010 financial statements include our accounts and the accounts of Prospect Capital Funding, LLC, our only wholly-owned, closely-managed subsidiary that is also an investment company. All intercompany balances and transactions have been eliminated in consolidation.

Investment Classification

We are a non-diversified company within the meaning of the 1940 Act. We classify our investments by level of control. As defined in the 1940 Act, control investments are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of 25% or more of the voting securities of an investee company.

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Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person.

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments in other, non-security financial instruments are recorded on the basis of subscription date or redemption date, as applicable. Amounts for investments recognized or derecognized but not yet settled are reported as Receivables for investments sold and Payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Valuation

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

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

1) Each portfolio company or investment is reviewed by our investment professionals with the independent valuation firm engaged by our Board of Directors;

2) the independent valuation firm conducts independent appraisals and makes their own independent assessment;

3) the audit committee of our Board of Directors reviews and discusses the preliminary valuation of our Investment Adviser and that of the independent valuation firm; and

4) the Board of Directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the independent valuation firm and the audit committee.

Effective July 1, 2008, we adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value

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measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

In April 2009, the FASB issued ASC 820-10-65, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* ("ASC 820-10-65"). This update provides further clarification for ASC 820 in markets that are not active and provides additional guidance for determining when the volume of trading level of activity for an asset or liability has significantly decreased and for identifying circumstances that indicate a transaction is not orderly. ASC 820-10-65 is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of ASC 820-10-65 for year ended June 30, 2011, did not have any effect on our net asset value, financial position or results of operations as there was no change to the fair value measurement principles set forth in ASC 820.

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASC 2010-06"). ASU 2010-06 amends ASC 820-10 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective December 15, 2009, except for the disclosure about purchase, sales, issuances and settlements in the roll forward of activity in level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 (or July 1, 2011 for us) and for interim periods within those fiscal years. We do not believe that the adoption of the amended guidance in ASC 820-10 will have a significant effect on our financial statements.

Federal and State Income Taxes

We have elected to be treated as a regulated investment company and intend to continue to comply with the requirements of the Internal Revenue Code of 1986 (the "Code"), applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gain to stockholders; therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

If we do not distribute at least 98% of our annual income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceeds the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income as taxable income is earned using an annual effective excise tax rate. The annual effective excise tax rate is determined by dividing the estimated annual excise tax by the estimated annual taxable income.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate for taxable years beginning before 2013 (but not for taxable years beginning thereafter, unless the relevant provisions are extended by legislation) to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge of 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years.

We adopted FASB ASC 740, *Income Taxes* ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Adoption of ASC 740 was applied to all open tax years as of July 1, 2007. The adoption of ASC 740 did not have an effect on our net asset value, financial condition or results of operations as there was no liability for unrecognized tax benefits and no change to our beginning net asset value. As of June 30, 2011 and for the year then ended, we did not have a liability for any unrecognized tax benefits. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

Revenue Recognition

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income.

Loans are placed on non-accrual status when principal or interest payments are past due 90 days or more or when there is reasonable doubt that principal or interest will be collected. Unpaid accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current. As of June 30, 2011, approximately 4.8% of our net assets are in non-accrual status.

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a dividend or distribution is approved by our Board of Directors each

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quarter and is generally based upon our management's estimate of our earnings for the quarter. Net realized capital gains, if any, are distributed at least annually.

Financing Costs

We record origination expenses related to our credit facility and the Senior Convertible Notes as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our revolving credit facility and the effective interest method for our Senior Convertible Notes, over the respective expected life.

We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of Securities and Exchange Commission ("SEC") registration fees, legal fees and accounting fees incurred. These prepaid assets will be charged to capital upon the receipt of an equity offering proceeds or charged to expense if no offering completed.

Guarantees and Indemnification Agreements

We follow ASC 460, *Guarantees* ("ASC 460"). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

Per Share Information

Net increase or decrease in net assets resulting from operations per common share are calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, *Financial Services Investment Companies*, convertible securities are not considered in the calculation of net assets per share.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASC 2010-06"). ASU 2010-06 amends ASC 820-10 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective December 15, 2009, except for the disclosure about purchase, sales, issuances and settlements in the roll forward of activity in level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 (or July 1, 2011 for us) and for interim periods within those fiscal years. We do not believe that the adoption of the amended guidance in ASC 820-10 will have a significant effect on our financial statements.

In February 2011, the FASB issued Accounting Standards Update 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring* ("ASU 2011-02"). ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 provides guidance to clarify whether the creditor has granted a concession and whether a debtor is experiencing financial difficulties. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on

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or after the beginning of the fiscal year of adoption or July 1, 2011 for us. We do not believe that the adoption of the amended guidance in ASU 2011-02 will have a significant effect on our financial statements.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 amends Accounting Standards Codification Topic 820, "Fair Value Measurements" ("ASC 820") by: (1) clarifying that the highest-and-best-use and valuation-premise concepts only apply to measuring the fair value of non-financial assets; (2) allowing a reporting entity to measure the fair value of the net asset or net liability position in a manner consistent with how market participants would price the net risk position, if certain criteria are met; (3) providing a framework for considering whether a premium or discount can be applied in a fair value measurement; (4) providing that the fair value of an instrument classified in a reporting entity's shareholders' equity is estimated from the perspective of a market participant that holds the identical item as an asset; and (5) expanding the qualitative and quantitative fair value disclosure requirements. The expanded disclosures include, for Level 3 items, a description of the valuation process and a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs if a change in those inputs would result in a significantly different fair value measurement. ASU 2011-4 also requires disclosures about the highest-and-best-use of a non-financial asset when this use differs from the asset's current use and the reasons for such a difference. In addition, this ASU amends Accounting Standards Codification 820, "Fair Value Measurements," to require disclosures to include any transfers between Level 1 and Level 2 of the fair value hierarchy. These amendments are effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. The amendments of ASU 2011-04, when adopted, are not expected to have a material impact on our consolidated financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to financial market risks, including changes in interest rates and equity price risk. Some of the loans in our portfolio have floating interest rates.

We may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of higher interest rates with respect to our portfolio of investments. During the twelve months ended June 30, 2011, we did not engage in hedging activities.

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REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of June 30, 2011. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of June 30, 2011 based upon criteria in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of June 30, 2011 based on the criteria on Internal Control Integrated Framework issued by COSO. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

Our management's assessment of the effectiveness of our internal control over financial reporting as of June 30, 2011 has been audited by our independent registered public accounting firm, as stated in their report which appears in the 10-K.

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. A supplement to this prospectus relating to each offering will provide additional detail, to the extent known at the time, regarding the use of the proceeds from such offering including any intention to utilize proceeds to pay expenses in order to avoid sales of long-term assets.

We anticipate that substantially all of the net proceeds of an offering of Securities pursuant to this prospectus will be used for the above purposes within six months, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. In addition, we expect that there will be several offerings pursuant to this prospectus; we expect that substantially all of the proceeds from all offerings will be used within three years. Pending our new investments, we plan to invest a portion of net proceeds in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment and other general corporate purposes. The management fee payable by us will not be reduced while our assets are invested in such securities. See "Regulation Temporary Investments" for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

FORWARD-LOOKING STATEMENTS

Our annual report on Form 10-K for the year ended June 30, 2011, any of our quarterly reports on Form 10-Q or current reports on Form 8-K, or any other oral or written statements made in press

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releases or otherwise by or on behalf of Prospect Capital Corporation including this prospectus may contain forward looking statements within the meaning of the Section 21E of the Securities Exchange Act of 1934, as amended, which involve substantial risks and uncertainties. Forward looking statements predict or describe our future operations, business plans, business and investment strategies and portfolio management and the performance of our investments and our investment management business. 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," "expected," "project," "projected," "projections," "plans," "seeks," "anticipates," "anticipated," "should," "could," "may," "will," "designed to," "foreseeable future," "believe," "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 forward-looking statements do not meet the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act. 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,
- 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 SEC, Internal Revenue Service, NASDAQ, and other authorities that we are subject to, as well as their counterparts in any foreign jurisdictions where we might do business; and

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- the risks, uncertainties and other factors we identify in "Risk Factors" and elsewhere in this prospectus and 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 prospectus 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 this prospectus. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this prospectus.

DISTRIBUTIONS

We have paid and intend to continue to distribute monthly distributions to our stockholders out of assets legally available for distribution. Our distributions, if any, will be determined by our Board of Directors. Certain amounts of the monthly distributions may from time to time be paid out of our capital rather than from earnings for the period as a result of our deliberate planning or by accounting reclassifications.

In order to maintain RIC tax treatment, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses. In order to avoid certain excise taxes imposed on RICs, we are required to distribute during each calendar year an amount at least equal to the sum of

- 98% of our ordinary income for the calendar year,
- 98.2% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year, and
- any ordinary income and net capital gains for preceding years that were not distributed during such years.

In December 2008, our Board of Directors elected to retain excess profits generated in the quarter ended September 30, 2008 and pay a 4% excise tax on such retained earnings. We paid $533,000 for the excise tax with the filing of our tax return in March 2009. No such election was made in December 2009 or 2010.

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

We maintain an "opt out" dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders' cash dividends will be automatically reinvested in additional shares of our common stock, unless they specifically "opt out" of the dividend reinvestment plan so as to receive cash dividends. Stockholders who receive distributions in the form of stock are subject to the same U.S. Federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan." The tax consequences of distributions to

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stockholders are described under the label "Material U.S. Federal Income Tax Considerations." To the extent prudent and practicable, we intend to declare and pay dividends on a monthly basis.

With respect to the distributions paid to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies were treated as taxable income and accordingly, distributed to stockholders. During the fiscal year ended June 30, 2009, we recorded total distributions of approximately $36.5 million. For the fiscal year ended June 30, 2010, we recorded total distributions of approximately $101.0 million. On June 18, 2010, we announced a change in dividend policy from quarterly to monthly dividends. During the fiscal year ended June 30, 2011, we recorded total distributions of approximately $106.2 million.

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

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The following table reflects the distributions per share that we have declared on our common stock to date. In June 2010, we changed our distribution policy from a quarterly payment to a monthly payment.

Declaration Date	Record Date	Pay Date	Rate	Amount (In thousands)
8/24/2011	10/31/2011	11/22/2011	$ 0.101350	*
8/24/2011	9/30/2011	10/25/2011	0.101325	$ 11,087
5/9/2011	8/31/2011	9/23/2011	0.101300	11,074
5/9/2011	7/29/2011	8/26/2011	0.101275	11,060
5/9/2011	6/30/2011	7/22/2011	0.101250	10,896
5/9/2011	5/31/2011	6/24/2011	0.101225	9,871
2/8/2011	4/29/2011	5/31/2011	0.101200	9,861
2/8/2011	3/31/2011	4/29/2011	0.101175	8,940
2/8/2011	2/28/2011	3/31/2011	0.101150	8,930
11/8/2010	1/31/2011	2/28/2011	0.101125	8,919
11/8/2010	12/31/2010	1/31/2011	0.101000	8,900
11/8/2010	11/30/2010	12/31/2010	0.100875	8,668
8/26/2010	10/29/2010	11/30/2010	0.100750	8,347
8/26/2010	9/30/2010	10/29/2010	0.100625	7,889
6/18/2010	8/31/2010	9/30/2010	0.10050	7,620
6/18/2010	7/30/2010	8/31/2010	0.10025	7,330
6/18/2010	6/30/2010	7/30/2010	0.10000	6,909
3/18/2010	3/31/2010	4/23/2010	0.41000	26,403
12/17/2009	12/31/2009	1/25/2010	0.40875	25,894
9/28/2009	10/8/2009	10/19/2009	0.40750	22,279
6/23/2009	7/8/2009	7/20/2009	0.40625	19,548
3/24/2009	3/31/2009	4/20/2009	0.40500	12,671
12/19/2008	12/31/2008	1/19/2009	0.40375	11,966
9/16/2008	9/30/2008	10/16/2008	0.40250	11,882
6/19/2008	6/30/2008	7/16/2008	0.40125	11,845
3/6/2008	3/31/2008	4/16/2008	0.40000	10,468
12/8/2007	12/28/2007	1/7/2008	0.39500	9,370
9/6/2007	9/19/2007	9/28/2007	0.39250	7,830
6/14/2007	6/22/2007	6/29/2007	0.39000	7,753
3/14/2007	3/23/2007	3/30/2007	0.38750	7,667
12/15/2006	12/29/2006	1/5/2007	0.38500	7,264
7/31/2006	9/22/2006	9/29/2006	0.38000	4,858
6/14/2006	6/23/2006	6/30/2006	0.34000	2,401
3/15/2006	3/24/2006	3/31/2006	0.30000	2,117
12/12/2005	12/22/2005	12/29/2005	0.28000	1,975
9/15/2005	9/22/2005	9/29/2005	0.20000	1,411
4/21/2005	6/10/2005	6/30/2005	0.15000	1,058
2/9/2005	3/11/2005	3/31/2005	0.12500	882
11/11/2004	12/10/2004	12/30/2004	0.10000	706
Since Inception				$ 354,549

* Not yet determinable

SENIOR SECURITIES

Information about our senior securities is shown in the following table as of each fiscal year ended June 30 since the Company commenced operations and as of June 30, 2011.

Credit Facility	Total Amount Outstanding(1)	Asset Coverage per Unit(2)	Involuntary Liquidating Preference per Unit(3)	Average Market Value per Unit(4)
Fiscal 2011 (as of June 30, 2011)	$ 84,200	$ 18,065		
Fiscal 2010 (as of June 30, 2010)	100,300	8,093		
Fiscal 2009 (as of June 30, 2009)	124,800	5,268		
Fiscal 2008 (as of June 30, 2008)	91,167	5,712		
Fiscal 2007 (as of June 30, 2007)		N/A		
Fiscal 2006 (as of June 30, 2006)	28,500	4,799		
Fiscal 2005 (as of June 30, 2005)		N/A		
Fiscal 2004 (as of June 30, 2004)		N/A		
2010 Notes				
Fiscal 2011 (as of June 30, 2011)	$ 150,000	$ 10,140		
2011 Notes				
Fiscal 2011 (as of June 30, 2011)	$ 172,500	$ 8,818		
All Senior Securities				
Fiscal 2011 (as of June 30, 2011)	$ 406,700	$ 3,740		

(1) Total amount of each class of senior securities outstanding at the end of the period presented (in 000's).

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit.

(3) This column is inapplicable.

(4) This column is inapplicable.

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PRICE RANGE OF COMMON STOCK

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

		Stock Price		Premium (Discount) of High to	Premium (Discount) of Low to	Dividend
	NAV(1)	High(2)	Low(2)	NAV	NAV	Declared
Twelve Months Ending June 30, 2008						
First quarter	$ 15.08	$ 18.68	$ 14.16	23.9%	(6.1)%	$ 0.3925
Second quarter	14.58	17.17	11.22	17.8%	(23.0)%	0.395
Third quarter	14.15	16.00	13.55	13.1%	(4.2)%	0.400
Fourth quarter	14.55	16.12	13.18	10.8%	(9.4)%	0.40125
Twelve Months Ending June 30, 2009						
First quarter	$ 14.63	$ 14.24	$ 11.12	(2.7)%	(24.0)%	$ 0.4025
Second quarter	14.43	13.08	6.29	(9.4)%	(56.4)%	0.40375
Third quarter	14.19	12.89	6.38	(9.2)%	(55.0)%	0.405
Fourth quarter	12.40	10.48	7.95	(15.5)%	(35.9)%	0.40625
Twelve Months Ending June 30, 2010						
First quarter	$ 11.11	$ 10.99	$ 8.82	(1.1)%	(20.6)%	$ 0.4075
Second quarter	10.10	12.31	9.93	21.9%	(1.7)%	0.40875
Third quarter	10.12	13.20	10.45	30.4%	3.3%	0.410
Fourth quarter	10.30	12.20	9.65	18.4%	(6.3)%	0.10
Twelve Months Ending June 30, 2011						
First quarter	$ 10.24	$ 10.00	$ 9.18	(2.3)%	(10.4)%	$ 0.301375
Second quarter	10.25	10.86	9.69	6.0%	(5.5)%	0.302625
Third quarter	10.33	12.33	10.72	19.4%	3.8%	0.303450
Fourth quarter	10.36	12.18	9.95	17.6%	(4.0)%	0.303675
Twelve Months Ending June 30, 2012						
First quarter	(3)(4)	$ 10.18	$ 7.41	(4)	(4)	0.303900(5)
Second quarter (to October 17, 2011)	(3)(4)	$ 9.06	$ 7.99	(4)	(4)	(5)

(1) Net asset value per share is determined as of the last day in the relevant quarter and therefore may not reflect the net asset value per share on the date of the high or low sales price. The NAVs shown are based on outstanding shares of our common stock at the end of each period.

(2) The High/Low Stock Price is calculated as of the closing price on a given day in the applicable quarter.

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(3)

Our most recently estimated NAV per share is $10.04 on an as adjusted basis solely to give effect to distributions with record dates of July 29, 2011, August 31, 2011 and September 30, 2011, our issuance of common shares on July 22, 2011, August 26, 2011 and September 23, 2011 in connection with our dividend reinvestment plan, and our issuance of 1,500,000 shares of common stock on July 18, 2011 in connection with the option granted with the June 21, 2011 offering of 10,000,000 shares which were delivered June 24, 2011, versus $10.36 determined by us as of June 30, 2011. NAV per share as of September 30, 2011, may be higher or lower than $10.04 based on potential changes in valuations and earnings for the quarter then ended.

(4)

NAV has not yet been finally determined for any day after June 30, 2011.

(5)

In June 2010, we changed our distribution policy from a quarterly payment to a monthly payment.

In May 2011, we announced the declaration of four additional monthly distributions as follows:

$0.101275 per share for July 2011 to holders of record on July 29, 2011 with a payment date of August 26, 2011; and

$0.101300 per share for August 2011 to holders of record on August 31, 2011 with a payment date of September 23, 2011.

In August 2011, we announced the declaration of two additional monthly distributions as follows:

$0.101325 per share for September 2011 to holders of record on September 30, 2011 with a payment date of October 25, 2011; and

$0.101350 per share for October 2011 to holders of record on October 31, 2011 with a payment date of November 22, 2011.

On October 17, 2011, the last reported sales price of our common stock was $8.86 per share.

As of October 17, 2011, we had approximately 75 stockholders of record.

The below table sets forth each class of our outstanding securities as of October 17, 2011.

Title of Class	Amount Authorized	Amount Held by Registrant or for its Account	Amount Outstanding
Common Stock	200,000,000	0	109,417,083

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BUSINESS

General

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

Our headquarters are located at 10 East 40th Street, 44th Floor, New York, NY 10016, and our telephone number is (212) 448-0702. Our investment adviser is Prospect Capital Management LLC.

On July 27, 2004, we completed our initial public offering, or IPO, and sold 7 million shares of common stock at a price of $15.00 per share, less underwriting discounts and commissions totaling $1.05 per share. An additional 55,000 shares were issued through the exercise of an over-allotment option with respect to the IPO on August 27, 2004. Since the IPO and the exercise of the related over-allotment option, we have made 19 other common stock share offerings and seven related over-allotment options resulting in the issuance of 90,546,823 shares at prices ranging from $7.75 to $17.70. We issued the 2010 Notes on December 21, 2010 and the 2011 Notes on February 18, 2011.

Notes

On December 21, 2010 and February 18, 2011, the Company issued the 2010 Notes and the 2011 Notes, respectively. We refer to the 2010 Notes and the 2011 Notes collectively as the Notes. The Notes were issued only to qualified institutional investors under Rule 144A of the 1933 Act. The 2010 Notes mature on December 15, 2015 and the 2011 Notes mature on August 15, 2016, in each case unless previously converted in accordance with their terms. The Notes will be general unsecured obligations of the Company, rank equally in right of payment with the Company's existing and future senior unsecured debt, and rank senior in right of payment to any potential subordinated debt, should any be issued in the future. The Company may not redeem the Notes prior to maturity. The net proceeds from the offerings of the Notes were approximately $322.5 million which was used initially to maintain balance sheet liquidity, including repayment of debt under the Company's credit facility, investments in high quality short-term debt instruments or a combination thereof, and to make long-term investments in accordance with the Company's investment objective.

The interest rate on the 2010 Notes is 6.25% per year, payable semiannually in arrears on June 15 and December 15 of each year, commencing June 15, 2011. Holders may convert their 2010 Notes at any time on or prior to the close of business on the business day immediately preceding the maturity date at an initial conversion rate of 88.0902 shares of common stock per $1,000 principal amount of 2010 Notes (equivalent to an initial conversion price of approximately $11.35 per share). The conversion rate is subject to adjustment in certain events and in no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per $1,000 principal amount of the 2010 Notes, or the "conversion rate cap," except that, to the extent the Company receives written guidance or a no-action letter from the staff of the SEC permitting it to adjust the conversion rate in certain instances without regard to the conversion rate cap, and to make the 2010 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events of the Company without regard to the conversion rate cap it will make such adjustments without regard to the conversion rate cap and will also, to the extent that it makes any such adjustment without regard to the conversion rate cap pursuant to such written guidance or a no-action, adjust the conversion rate cap accordingly. Prior to obtaining the previously mentioned written guidance or no-action letter from the staff of the SEC, the Company will not engage in certain

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transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless the Company has engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction. At June 30, 2011, the 2010 Notes are convertible into 88.0932 shares of common stock, as adjusted for monthly cash dividends paid in excess of $0.101125 per share after closing.

The interest rate on the 2011 Notes is 5.50% per year, payable semiannually in arrears on February 15 and August 15 of each year, commencing August 15, 2011. Holders may convert their 2011 Notes at any time on or prior to the close of business on the business day immediately preceding the maturity date at an initial conversion rate of 78.3699 shares of common stock per $1,000 principal amount of 2011 Notes (equivalent to an initial conversion price of approximately $12.76 per share). The conversion rate is subject to adjustment in certain events. At June 30, 2011, the 2011 Notes are convertible into 78.3717 shares of common stock, as adjusted for monthly cash dividends paid in excess of $0.101150 per share after closing.

If the Company undergoes a "fundamental change" as described in the indenture for each of the Notes, holders may require the Company to repurchase all or part of their Notes at a price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any).

Under each indenture governing the Notes, there are certain events of default, the occurrence of which may lead to the Notes being due and payable immediately. An event of default under an indenture could have a material adverse effect on our business, financial conditions and results of operations.

Our Investment Objective and Policies

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. We focus on making investments in private companies. We are a non-diversified company within the meaning of the 1940 Act.

We invest primarily in first and second lien senior loans and mezzanine debt, which in some cases includes an equity component. First and second lien senior loans generally are senior debt instruments that rank ahead of subordinated debt of a given portfolio company. These loans also have the benefit of security interests on the assets of the portfolio company, which may rank ahead of or be junior to other security interests. Mezzanine debt is subordinated to senior loans and is generally unsecured. Our investments have generally ranged between $5 million and $75 million each, although the investment size may be more or less than this range. Our investment sizes are expected to grow as our capital base expands.

We also acquire controlling interests in companies in conjunction with making secured debt investments in such companies. In most cases, companies in which we invest are privately held at the time we invest in them. We refer to these companies as "target" or "middle market" companies and these investments as "middle market investments."

We seek to maximize returns and protect risk for our investors by applying rigorous analysis to make and monitor our investments. While the structure of our investments varies, we can invest in senior secured debt, senior unsecured debt, subordinated secured debt, subordinated unsecured debt, mezzanine debt, convertible debt, convertible preferred equity, preferred equity, common equity, warrants and other instruments, many of which generate current yield. While our primary focus is to seek current income through investment in the debt and/or dividend-paying equity securities of eligible privately-held, thinly-traded or distressed companies and long-term capital appreciation by acquiring accompanying warrants, options or other equity securities of such companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek enhanced returns for stockholders. Such investments may include investments in the debt and equity instruments of broadly-traded public companies. We expect that these public companies generally will have debt securities that are non-investment grade. Within this 30% basket, we have and may make additional investments in debt and equity securities of companies located outside of the United States.

Our investments may include other equity investments, such as warrants, options to buy a minority interest in a portfolio company, or contractual payment rights or rights to receive a proportional interest in the operating cash flow or net income of such company. When determined by our Investment Adviser to be in our best interest, we may acquire a controlling interest in a portfolio company. Any warrants we receive with our debt securities may require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We have structured, and will continue to structure, some warrants to include provisions protecting our rights as a minority-interest or, if applicable, controlling-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we obtain registration rights in connection with these equity interests, which may include demand and "piggyback" registration rights.

We plan to hold many of our investments to maturity or repayment, but will sell our investments earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company, or if we determine a sale of one or more of our investments to be in our best interest.

We have qualified and elected to be treated for U.S. Federal income tax purposes as a Registered Investment Company ("RIC") under Subchapter M of 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 continue to qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to qualify for RIC tax treatment we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of our realized net short-term capital gains over our realized net long-term capital losses.

For a discussion of the risks inherent in our portfolio investments, see "Risk Factors Risks Relating to our Investments."

Industry Sectors

While our original investments were concentrated in industrial and energy related companies, we continue to widen our focus in other sectors of the economy to diversify our portfolio holdings. Our portfolio is now well diversified into 36 industry categories with no individual industry comprising more than 10.7% of the portfolio on either a cost or fair value basis.

Ongoing Relationships with Portfolio Companies

Monitoring

Prospect Capital Management monitors our portfolio companies on an ongoing basis. Prospect Capital Management will continue to monitor the financial trends of each portfolio company to determine if it is meeting its business plan and to assess the appropriate course of action for each company.

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Prospect Capital Management employs several methods of evaluating and monitoring the performance and value of our investments, which may include, but are not limited to, the following:

- Assessment of success in adhering to the portfolio company's business plan and compliance with covenants;
- Regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Attendance at and participation in board meetings of the portfolio company; and
- Review of monthly and quarterly financial statements and financial projections for the portfolio company.

Investment Valuation

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

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

1) each portfolio company or investment is reviewed by our investment professionals with the independent valuation firm engaged by our Board of Directors;

2) the independent valuation firm conducts independent appraisals and makes their own independent assessment;

3) the audit committee of our Board of Directors reviews and discusses the preliminary valuation of our Investment Adviser and that of the independent valuation firm; and

4) the Board of Directors discusses the valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the independent valuation firm and the audit committee.

Investments are valued utilizing a shadow bond approach, a market approach, an income approach, a liquidation approach, or a combination of approaches, as appropriate. The shadow bond and market approaches use prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted) calculated based on an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, the principal market and enterprise values, among other factors.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC" or "Codification") 820, *Fair Value Measurements and Disclosures*

("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. We adopted ASC 820 on a prospective basis beginning in the quarter ended September 30, 2008.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

The changes to generally accepted accounting principles from the application of ASC 820 relate to the definition of fair value, framework for measuring fair value, and the expanded disclosures about fair value measurements. ASC 820 applies to fair value measurements already required or permitted by other standards.

In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

In April 2009, the FASB issued ASC 820-10-65, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* ("ASC 820-10-65"). This update provides further clarification for ASC 820 in markets that are not active and provides additional guidance for determining when the volume of trading level of activity for an asset or liability has significantly decreased and for identifying circumstances that indicate a transaction is not orderly. ASC 820-10-65 is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of ASC 820-10-65 for the three and six months ended December 31, 2009, did not have any effect on our net asset value, financial position or results of operations as there was no change to the fair value measurement principles set forth in ASC 820.

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASC 2010-06"). ASU 2010-06 amends ASC 820-10 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009. Our management does not believe that the adoption of the amended guidance in ASC 820-10 will have a significant effect on our financial statements.

For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors Risks relating to our business Most of our portfolio investments are recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments."

Valuation of Other Financial Assets and Financial Liabilities

In February 2007, FASB issued ASC Subtopic 820-10-05-1, *The Fair Value Option for Financial Assets and Financial Liabilities* ("ASC 820-10-05-1"). ASC 820-10-05-1 permits an entity to elect fair

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value as the initial and subsequent measurement attribute for many of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. We have adopted this statement on July 1, 2008 and have elected not to value some assets and liabilities at fair value as would be permitted by ASC 820-10-05-1.

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services. Such fees would not qualify as "good income" for purposes of the 90% income test that we must meet each year to qualify as a RIC. Prospect Administration provides such managerial assistance on our behalf to portfolio companies when we are required to provide this assistance.

The Investment Adviser

Prospect Capital Management manages our investments as our investment adviser. Prospect Capital Management is a Delaware limited liability corporation that has been registered as an investment adviser under the Advisers Act since March 31, 2004. Prospect Capital Management is led by John F. Barry III and M. Grier Eliasek, two senior executives with significant investment advisory and business experience. Both Messrs. Barry and Eliasek spend a significant amount of their time in their roles at Prospect Capital Management working on the Company's behalf. The principal executive offices of Prospect Capital Management are 10 East 40th Street, 44th Floor, New York, NY 10016. We depend on the diligence, skill and network of business contacts of the senior management of our Investment Adviser. We also depend, to a significant extent, on our Investment Adviser's investment professionals and the information and deal flow generated by those investment professionals in the course of their investment and portfolio management activities. The Investment Adviser's senior management team evaluates, negotiates, structures, closes, monitors and services our investments. Our future success depends to a significant extent on the continued service of the senior management team, particularly John F. Barry III and M. Grier Eliasek. The departure of any of the senior managers of our Investment Adviser could have a materially adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Prospect Capital Management will remain our Investment Adviser or that we will continue to have access to its investment professionals or its information and deal flow. Under our Investment Advisory Agreement, we pay Prospect Capital Management investment advisory fees, which consist of an annual base management fee based on our gross assets, which we define as total assets without deduction for any liabilities (and, accordingly, includes the value of assets acquired with proceeds from borrowings), as well as a two-part incentive fee based on our performance. Mr. Barry currently controls Prospect Capital Management. See "Business Management Services Board of Directors approval of the Investment Advisory Agreement."

Staffing

Mr. John F. Barry III, our chairman and chief executive officer, Mr. Grier Eliasek, our chief operating officer and president, and Mr. Brian H. Oswald, our chief financial officer, chief compliance officer, treasurer and secretary, comprise our senior management. Over time, we expect to add additional officers and employees.

Messrs. Barry and Eliasek each also serves as an officer of Prospect Administration and performs his respective functions under the terms of the Administration Agreement. Our day-to-day investment operations are managed by Prospect Capital Management. In addition, we reimburse Prospect

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Administration for our allocable portion of expenses incurred by it in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our chief executive officer, president, chief financial officer, chief operating officer, chief compliance officer, treasurer and secretary and their respective staffs. See "Business Management Services Administration Agreement."

Properties

We do not own any real estate or other physical properties materially important to our operation. Our corporate headquarters are located at 10 East 40th Street, 44th Floor, New York, NY 10016, where we occupy an office space pursuant to the Administration Agreement.

Legal Proceedings

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of such matters that may arise out of these investigations, claims and proceedings will be subject to various uncertainties and, even if such matters are without merit, could result in the expenditure of significant financial and managerial resources.

We are not aware of any material pending legal proceeding, and no such material proceedings are contemplated to which we are a party or of which any of our property is subject.

Management

Our business and affairs are managed under the direction of our Board of Directors. Our Board of Directors currently consists of five directors, three of whom are not "interested persons" of the Company as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our Board of Directors elects our officers to serve for a one-year term and until their successors are duly elected and qualify, or until their earlier removal or resignation.

Board Of Directors And Executive Officers

Under our charter, our directors are divided into three classes. Directors are elected for a staggered term of three years each, with a term of office of one of the three classes of directors expiring each year. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting are elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Directors and Executive Officers

Our directors and executive officers and their positions are set forth below. The address for each director and executive officer is c/o Prospect Capital Corporation, 10 East 40th Street, 44th Floor, New York, NY 10016.

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Independent Directors

Name and Age	Position(s) Held with the Company	Term of Office(1) and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director(2)
William J. Gremp, 68	Director	Class II Director from 2006 to 2009; Class I Director since April 2010; Term expires 2011	Mr. Gremp was responsible for traditional banking services, credit and lending, private equity and corporate cash management with Merrill Lynch & Co. from 1999 to present.	One	None
Eugene S. Stark, 53	Director	Class III Director since September 2008; Term expires 2013	Principal Financial Officer, Chief Compliance Officer and Vice President Administration of General American Investors Company, Inc. from May 2005 to present.	One	None
Andrew C. Cooper, 49	Director	Class II Director since February 2009; Term expires 2012	Mr. Cooper is an entrepreneur, who over the last 11 years has founded, built, run and sold three companies. He is Co-Chief Executive Officer of Unison Site Management, Inc., a specialty finance company focusing on cell site easements, and Executive Director of Brand Asset Digital, a digital media marketing and distribution company.	One	Unison Site Management, LLC, Brand Asset Digital, LLC and Aquatic Energy, LLC

(1) Our Board of Directors is divided into three classes of directors serving staggered three-year terms. Mr. Gremp is a Class I director with a term that will expire in 2011, Mr. Eliasek and Mr. Cooper are Class II directors with terms that will expire in 2012 and Mr. Barry and Mr. Stark are Class III directors with terms that will expire in 2013.

(2) No director otherwise serves as a director of an investment company subject to the 1940 Act.

Interested Directors

Name and Age	Position(s) Held with the Company	Term of Office(1) and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director	Other Directorships Held by Director(2)
John F. Barry III, 59(3)	Director, Chairman of the Board of Directors, and Chief Executive Officer	Class III Director since June 2004; Term expires 2013	Chairman and Chief Executive Officer of the Company; Managing Director of Prospect Capital Management and Prospect Administration since June 2004; Managing Director of affiliated companies of Prospect Capital Management and Prospect Administration.	One	None
M. Grier Eliasek, 38(3)	Director, Chief Operating Officer	Class II Director since June 2004; Term expires 2012	President and Chief Operating Officer of the Company, Managing Director of Prospect Capital Management and Prospect Administration.	One	None

(1) Our Board of Directors is divided into three classes of directors serving staggered three-year terms. Mr. Gremp is a Class I director with a term that will expire in 2011, Mr. Eliasek and Mr. Cooper are Class II directors with terms that will expire in 2012 and Mr. Barry and Mr. Stark are Class III directors with terms that will expire in 2013.

(2)

No director otherwise serves as a director of an investment company subject to the 1940 Act.

(3) Messrs. Barry and Eliasek are each considered an "interested person" under the 1940 Act by virtue of serving as one of our officers and having a relationship with Prospect Capital Management.

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Information about Executive Officers who are not Directors

Name and Age	Position(s) Held with the Company	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years
Brian H. Oswald, 50	Chief Financial Officer, Chief Compliance Officer, Treasurer and Secretary	November 2008 to present as Chief Financial Officer, Treasurer and Secretary and October 2008 to present as Chief Compliance Officer	Joined Prospect Administration as Managing Director in June 2008. Previously Managing Director in Structured Finance Group at GSC Group (2006 to 2008).

Board Leadership Structure

The Board of Directors believes that the combined position of Chief Executive Officer of the Company and Chairman of the Board of Directors of the Company is a superior model that results in greater efficiency regarding management of the Company, reduced confusion due to the elimination of the need to transfer substantial information quickly and repeatedly between a chief executive officer and chairman, and business advantages to the Company arising from the specialized knowledge acquired from the duties of the dual roles. The need for efficient decision making is particularly acute in the line of business of the Company, whereby multiple factors including market factors, interest rates and innumerable other financial metrics change on an ongoing and daily basis. The Board of Directors has not identified a lead independent director of the Board of Directors of the Company in as much as the Board consists of only five individuals.

Director Independence

On an annual basis, each member of our Board of Directors is required to complete an independence questionnaire designed to provide information to assist the Board of Directors in determining whether the director is independent. Our Board of Directors has determined that each of our directors, other than Messrs. Barry and Eliasek, is independent under the 1940 Act.

Role of the Chairman and Chief Executive Officer

As Chairman of the Board of Directors and Chief Executive Officer, Mr. Barry assumes a leading role in mid- and long-term strategic planning and supports major transaction initiatives of the Company. Mr. Barry also manages the day-to-day operations of the Company, with the support of the other executive officers. As Chief Executive Officer, Mr. Barry has general responsibility for the implementation of the policies of the Company, as determined by the Board of Directors, and for the management of the business and affairs of the Company. The Board of Directors has determined that its leadership structure, in which the majority of the directors are not affiliated with the Company, Prospect Capital Management or Prospect Administration, is appropriate in light of the services that Prospect Capital Management and Prospect Administration and their affiliates provide to the Company and the potential conflicts of interest that could arise from these relationships.

Experience, Qualifications, Attributes and/or Skills that Led to the Board's Conclusion that such Members Should Serve as Director of the Company

The Board believes that, collectively, the directors have balanced and diverse experience, qualifications, attributes and skills, which allow the Board to operate effectively in governing the Company and protecting the interests of its stockholders. Below is a description of the various experiences, qualifications, attributes and/or skills with respect to each director considered by the Board.

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John F. Barry III

The Board benefits from Mr. Barry's years of experience in the investment banking and the financial advisory industries, as well as his service on multiple boards for various companies. In addition to overseeing the Company, Mr. Barry has served on the boards of directors of private and public companies, including financial services, financial technology and energy companies. Mr. Barry also managed an investment bank, focusing on private equity and debt financing for energy and other companies, and was the founding member of the project finance group at Merrill Lynch & Co. The Board also benefits from Mr. Barry's past experience as a corporate securities lawyer at a premiere United States law firm, advising energy companies and their commercial and investment bankers. Mr. Barry is also chairman of the board of directors of the Mathematics Foundation of America, a non-profit foundation which enhances opportunities in mathematics education for students from diverse backgrounds. Mr. Barry's longstanding service as Chairman and Chief Executive Officer of the Company and as a Managing Director of Prospect Capital Management and Prospect Administration provide him with a specific understanding of the Company, its operation, and the business and regulatory issues facing the Company.

M. Grier Eliasek

Mr. Eliasek brings to the Board business leadership and experience and knowledge of senior loan, mezzanine, bridge loan, private equity and venture capital investments, as well as a knowledge of diverse management practices. Mr. Eliasek is the President and Chief Operating Officer of the Company and a Managing Director of Prospect Capital Management and Prospect Administration. He is also responsible for leading the origination and assessment of investments for the Company. Mr. Eliasek serves on the board of directors of Gas Solutions Holdings, Inc., a gas gathering and processing company in East Texas, which helps provide the Company's Board with an in-depth knowledge of the management of companies in which the Company invests. The Board also benefits from Mr. Eliasek's experience as a consultant with Bain & Company, a global strategy consulting firm, where he managed engagements for companies in several different industries, by providing the Company with unique views on investment and management issues. At Bain & Company, Mr. Eliasek analyzed new lines of businesses, developed market strategies, revamped sales organizations, and improved operational performance for Bain & Company clients. Mr. Eliasek's longstanding service as Director, President and Chief Operating Officer of the Company and as a Managing Director of Prospect Capital Management and Prospect Administration provide him with a specific understanding of the Company, its operation, and the business and regulatory issues facing the Company.

Andrew C. Cooper

Mr. Cooper's over 25 years of experience in venture capital management, venture capital investing and investment banking provides the Board with a wealth of leadership, business investing and financial experience. Mr. Cooper's experience as the co-founder, director and former co-CEO of Unison Site Management LLC, a leading cellular site owner with 2,000 plus cell sites which generate more than $40 million in annual cash flow, and as co-founder, CFO and VP of business development for Avesta Technologies, an enterprise, information and technology management software company bought by Visual Networks in 2000, provides the Board with the benefit of leadership and experience in finance and management. Mr. Cooper also serves on the board of Brand Asset Digital, Aquatic Energy and the Madison Square Boys and Girls Club of New York. Further, Mr. Cooper's time as a director of CSG Systems, Protection One Alarm, LionBridge Technologies and Weblink Wireless, provides the Board with a wealth of experience and an in-depth understanding of management practices. Mr. Cooper's knowledge of financial and accounting matters qualifies him to serve on the Company's Audit Committee and his independence from the Company, Prospect Capital Management and Prospect

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Administration enhances his service as a member of the Nominating and Corporate Governance Committee.

William J. Gremp

Mr. Gremp brings to the Board a broad and diverse knowledge of business and finance as a result of his career as an investment banker, spanning over 30 years working in corporate finance and originating and executing transactions and advisory assignments for energy and utility related clients. Since 1999, Mr. Gremp has been responsible for traditional banking services, credit and lending, private equity and corporate cash management with Merrill Lynch & Co.. From 1996 to 1999, he served at Wachovia as senior vice president, managing director and co-founder of the utilities and energy investment banking group, responsible for origination, structuring, negotiation and successful completion of transactions utilizing investment banking, capital markets and traditional commercial banking products. From 1989 to 1996, Mr. Gremp was the managing director of global power and project finance at JPMorgan Chase & Co., and from 1970 to 1989, Mr. Gremp was with Merrill Lynch & Co., starting out as an associate in the mergers and acquisitions department, then in 1986 becoming the senior vice president, managing director and head of the regulated industries group. Mr. Gremp's knowledge of financial and accounting matters qualifies him to serve on the Company's Audit Committee and his independence from the Company, Prospect Capital Management and Prospect Administration enhances his service as a member of the Nominating and Corporate Governance Committee.

Eugene S. Stark

Mr. Stark brings to the Board over 20 years of experience in directing the financial and administrative functions of investment management organizations. The Board benefits from his broad experience in financial management; SEC reporting and compliance; strategic and financial planning; expense, capital and risk management; fund administration; due diligence; acquisition analysis; and integration activities. Since May 2005, Mr. Stark's position as the Principal Financial Officer, Chief Compliance Officer and Vice President of Administration at General American Investors Company, Inc., where he is responsible for operations, compliance, and financial functions, allows him to provide the Board with added insight into the management practices of other financial companies. From January to April of 2005, Mr. Stark was the Chief Financial Officer of the Company, prior to which he worked at Prudential Financial, Inc. between 1987 and 2004. His many positions within Prudential include 10 years as Vice President and Fund Treasurer of Prudential Mutual Funds, 4 years as Senior Vice President of Finance of Prudential Investments, and 2 years as Senior Vice President of Finance of Prudential Amenities. Mr. Stark is also a Certified Public Accountant. Mr. Stark's knowledge of financial and accounting matters qualifies him to serve on the Company's Audit Committee and his independence from the Company, Prospect Capital Management and Prospect Administration enhances his service as a member of the Nominating and Corporate Governance Committee. Mr. Stark is also a member of Mount Saint Mary Academy's Finance Committee.

Means by Which the Board of Directors Supervises Executive Officers

The Board of Directors is regularly informed on developments and issues related to the Company's business, and monitors the activities and responsibilities of the executive officers in various ways.

At each regular meeting of the Board of Directors, the executive officers report to the Board of Directors on developments and important issues. Each of the executive officers, as applicable, also provide regular updates to the members of the Board of Directors regarding the Company's business between the dates of regular meetings of the Board of Directors.

Executive officers and other members of Prospect Capital Management, at the invitation of the Board of Directors, regularly attend portions of meetings of the Board of Directors and its committees to report on the financial results of the Company, its operations, performance and outlook, and on areas of the business within their responsibility, including risk management and management information systems, as well as other business matters.

The Board's Role in Risk Oversight

The Company's Board of Directors performs its risk oversight function primarily through (a) its two standing committees, which report to the entire Board of Directors and are comprised solely of independent directors and (b) monitoring by the Company's Chief Compliance Officer, or CCO, in accordance with its compliance policies and procedures.

As set forth in the descriptions regarding the Audit Committee and the Nominating and Governance Committee, the Audit Committee and the Nominating and Governance Committee assist the Board of Directors in fulfilling its risk oversight responsibilities. The Audit Committee's risk oversight responsibilities include reviewing and discussing with management and the independent accountants the annual audited financial statements of the Company, including disclosures made in management's discussion and analysis; reviewing and discussing with management and the independent accountants the Company's quarterly financial statements prior to the filings of its quarterly reports on Form 10-Q; pre-approving the independent accountants' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the independent accountants. The Nominating and Governance Committee's risk oversight responsibilities include selecting qualified nominees to be elected to the Board of Directors by stockholders; selecting qualified nominees to fill any vacancies on the Board of Directors or a committee thereof; developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; and overseeing the evaluation of the Board of Directors and management. Both the Audit Committee and the Nominating and Governance Committee consist solely of independent directors.

The Company's Board of Directors also performs its risk oversight responsibilities with the assistance of the Chief Compliance Officer. The Company's Chief Compliance Officer prepares a written report annually discussing the adequacy and effectiveness of the compliance policies and procedures of the Company and certain of its service providers. The Chief Compliance Officer's report, which is reviewed by the Board of Directors, addresses at a minimum (a) the operation of the compliance policies and procedures of the Company and certain of its service providers since the last report; (b) any material changes to such policies and procedures since the last report; (c) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's annual review; and (d) any compliance matter that has occurred since the date of the last report about which the Board of Directors would reasonably need to know to oversee the Company's compliance activities and risks. In addition, the Chief Compliance Officer meets separately in executive session with the independent directors at least once each year.

The Company believes that its Board of Director's role in risk oversight is effective and appropriate given the extensive regulation to which it is already subject as a business development company, or BDC, under the 1940 Act. Specifically, as a BDC the Company must comply with certain regulatory requirements that control certain types of risk in its business and operations. For example, the Company's ability to incur indebtedness is limited such that its asset coverage must equal at least 200% immediately after each time it incurs indebtedness, the Company generally has to invest at least 70% of its total assets in "qualifying assets." In addition, the Company elected to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code, as amended. As a RIC, the Company must, among other things, meet certain income source and asset diversification requirements.

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The Company believes that the extent of its Board of Directors' (and its committees') role in risk oversight complements its Board's leadership structure because it allows the Company's independent directors to exercise oversight of risk without any conflict that might discourage critical review through the two fully independent board committees, auditor and independent valuation providers, and otherwise.

The Company believes that a board's roles in risk oversight must be evaluated on a case by case basis and that the Board of Directors' practices concerning risk oversight is appropriate. However, the Company continually re-examines the manners in which the Board administers its oversight function on an ongoing basis to ensure that they continue to meet the Company's needs.

Committees of the Board of Directors

Our Board of Directors has established an Audit Committee and a Nominating and Corporate Governance Committee. For the fiscal year ended June 30, 2011, our Board of Directors held seventeen Board of Director meetings, eight Audit Committee meetings, and one Nominating and Corporate Governance Committee meetings. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the respective committees on which they served. We require each director to make a diligent effort to attend all board and committee meetings, as well as each annual meeting of stockholders. Two directors attended last year's annual meeting of stockholders in person.

The Audit Committee. The Audit Committee operates pursuant to a charter approved by the Board of Directors. The charter sets forth the responsibilities of the Audit Committee, which include selecting or retaining each year an independent registered public accounting firm, or independent accountants, to audit the accounts and records of the Company; reviewing and discussing with management and the independent accountants the annual audited financial statements of the Company, including disclosures made in management's discussion and analysis, and recommending to the Board of Directors whether the audited financial statements should be included in the Company's annual report on Form 10-K; reviewing and discussing with management and the independent accountants the Company's quarterly financial statements prior to the filings of its quarterly reports on Form 10-Q; pre-approving the independent accountants' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the independent accountants. The Audit Committee is presently composed of three persons: Messrs. Cooper, Gremp and Stark, each of whom is not an "interested person" as defined in the 1940 Act and is considered independent under applicable NASDAQ rules, with Mr. Stark serving as chairman of the committee. The Board of Directors has determined that Mr. Stark is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K. The Audit Committee may delegate its pre-approval responsibilities to one or more of its members. The member(s) to whom such responsibility is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. Messrs. Cooper, Gremp and Stark were added to the Audit Committee concurrent with their election to the Board of Directors on February 12, 2009, April 1, 2010 and September 4, 2008, respectively.

The function of the Audit Committee is oversight. Our management is primarily responsible for maintaining appropriate systems for accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent accountants are primarily responsible for planning and carrying out a proper audit of our annual financial statements in accordance with generally accepted accounting standards. The independent accountants are accountable to the Board of Directors and the Audit Committee, as representatives of our stockholders. The Board of Directors and the Audit Committee have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace our independent accountants (subject, if applicable, to stockholder ratification).

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In fulfilling their responsibilities, it is recognized that members of the Audit Committee are not our full-time employees or management and are not, and do not represent themselves to be, accountants or auditors by profession. As such, it is not the duty or the responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures, to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to set auditor independence standards. Each member of the Audit Committee shall be entitled to rely on (a) the integrity of those persons within and outside us and management from which it receives information; (b) the accuracy of the financial and other information provided to the Audit Committee absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors); and (c) statements made by our officers and employees, our investment adviser or other third parties as to any information technology, internal audit and other non-audit services provided by the independent accountants to us.

The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee, or Nominating and Governance Committee, is responsible for selecting qualified nominees to be elected to the Board of Directors by stockholders; selecting qualified nominees to fill any vacancies on the Board of Directors or a committee thereof; developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; overseeing the evaluation of the Board of Directors and management; and undertaking such other duties and responsibilities as may from time to time be delegated by the Board of Directors to the Nominating and Governance Committee. The Nominating and Governance Committee takes into consideration the educational, professional and technical backgrounds and diversity of each nominee when evaluating such nominees to be elected to the Board of Directors. The Nominating and Governance Committee does not have a formal policy with respect to diversity. The Nominating and Governance Committee is presently composed of three persons: Messrs. Cooper, Gremp and Stark, each of whom is not an "interested person" as defined in the 1940 Act and is considered independent under applicable NASDAQ rules, with Mr. Gremp serving as chairman of the committee. Messrs. Cooper, Gremp and Stark were added to the Nominating and Governance Committee concurrent with their election to the Board of Directors on February 12, 2009, April 1, 2010 and September 4, 2008, respectively.

The Nominating and Governance Committee will consider stockholder recommendations for possible nominees for election as directors when such recommendations are submitted in accordance with the Company's Bylaws and any applicable law, rule or regulation regarding director nominations. Nominations should be sent to the Corporate Secretary c/o Prospect Capital Corporation, 10 East 40th Street, 44th Floor, New York, New York 10016. When submitting a nomination to the Company for consideration, a stockholder must provide all information that would be required under applicable Commission rules to be disclosed in connection with election of a director, including the following minimum information for each director nominee: full name, age and address; principal occupation during the past five years; current directorships on publicly held companies and investment companies; number of shares of our common stock owned, if any; and, a written consent of the individual to stand for election if nominated by the Board of Directors and to serve if elected by the stockholders. Criteria considered by the Nominating and Governance Committee in evaluating the qualifications of individuals for election as members of the Board of Directors include compliance with the independence and other applicable requirements of the NASDAQ rules and the 1940 Act and all other applicable laws, rules, regulations and listing standards, the criteria, policies and principles set forth in the Nominating and Corporate Governance Committee Charter, and the ability to contribute to the effective management of the Company, taking into account our needs and such factors as the individual's experience, perspective, skills, expertise and knowledge of the industries in which the Company operates, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, and conflicts of interest. The Nominating and Governance Committee also may consider such other factors as it may deem to be in our best interests and those of our stockholders. The Board of Directors also believes it is appropriate for certain key members of our management to participate as members of the Board of Directors.

Corporate Governance

Corporate Governance Guidelines. Upon the recommendation of the Nominating and Governance Committee, the Board of Directors has adopted Corporate Governance Guidelines on behalf of the Company. These Corporate Governance Guidelines address, among other things, the following key corporate governance topics: director responsibilities; the size, composition, and membership criteria of the Board of Directors; composition and responsibilities of directors serving on committees of the Board of Directors; director access to officers, employees, and independent advisors; director orientation and continuing education; director compensation; and an annual performance evaluation of the Board of Directors.

Code of Conduct. We have adopted a code of conduct which applies to, among others, our senior officers, including our Chief Executive Officer and Chief Financial Officer, as well as all of our employees. Our code of conduct is an exhibit to our Annual Report on Form 10-K filed with the SEC, and can be accessed via the Internet site of the SEC at http://www.sec.gov. We intend to disclose amendments to or waivers from a required provision of the code of conduct on Form 8-K.

Code of Ethics. We, Prospect Capital Management and Prospect Administration have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements.

Internal Reporting and Whistle Blower Protection Policy. The Company's Audit Committee has established guidelines and procedures regarding the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, collectively, Accounting Matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. Persons with complaints or concerns regarding Accounting Matters may submit their complaints to our Chief Compliance Officer, or CCO. Persons who are uncomfortable submitting complaints to the CCO, including complaints involving the CCO, may submit complaints directly to our Audit Committee Chairman. Complaints may be submitted on an anonymous basis.

The CCO may be contacted at: Prospect Capital Corporation, Chief Compliance Officer, 10 East 40th Street, 44th Floor, New York, New York 10016.

The Audit Committee Chairman may be contacted at: Prospect Capital Corporation, Audit Committee Chairman, 10 East 40th Street, 44th Floor, New York, New York 10016.

Independent Directors

The Board of Directors, in connection with the 1940 Act and the applicable Marketplace Rules of NASDAQ, has considered the independence of members of the Board of Directors who are not employed by Prospect Capital Management and has concluded that Messrs. Cooper, Gremp and Stark are not "interested persons" as defined by the 1940 Act and therefore qualify as independent directors under the standards promulgated by the Marketplace Rules of NASDAQ. In reaching this conclusion, the Board of Directors concluded that Messrs. Cooper, Gremp and Stark had no relationships with Prospect Capital Management or any of its affiliates, other than their positions as directors of the Company and, if applicable, investments in us that are on the same terms as those of other stockholders.

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Proxy Voting Policies And Procedures

We have delegated our proxy voting responsibility to Prospect Capital Management. The guidelines are reviewed periodically by Prospect Capital Management and our non-interested directors, and, accordingly, are subject to change. See "Regulation Proxy Voting Policies and Procedures."

Compensation of Directors and Officers

The following table sets forth information regarding the compensation received by the directors and executive officers from the Company for the fiscal year ended June 30, 2011. No compensation is paid to the interested directors by the Company.

Name and Position	Aggregate Compensation from the Company	Pension or Retirement Benefits Accrued as Part of the Company's Expenses(1)	Total Compensation Paid to Director/ Officer
Interested Directors			
John F. Barry III(2)	None	None	None
M. Grier Eliasek(2)	None	None	None
Independent Directors			
Andrew C. Cooper(3)	$ 85,000	None	$ 85,000
William J. Gremp(4)	$ 85,000	None	$ 85,000
Eugene S. Stark(5)	$ 85,000	None	$ 85,000
Executive Officers			
Brian H. Oswald(2)	None	None	None

(1) We do not have a bonus, profit sharing or retirement plan, and directors do not receive any pension or retirement benefits.

(2) We have not paid, and we do not intend to pay, any annual cash compensation to our executive officers for their services as executive officers. Messrs. Barry and Eliasek are compensated by Prospect Capital Management from the income Prospect Capital Management receives under the management agreement between Prospect Capital Management and us. Mr. Oswald is compensated from the income Prospect Administration receives under the administration agreement.

(3) Mr. Cooper joined our Board of Directors on February 12, 2009.

(4) Mr. Gremp joined our Board of Directors on April 1, 2010.

(5) Mr. Stark joined our Board of Directors on September 4, 2008.

Effective January 12, 2009, the independent directors who serve on both committees of the Board receive an annual fee of $85,000 plus reimbursement of any reasonable out-of-pocket expenses incurred, the independent directors who serve on one committee of the Board receive an annual fee of $60,000 plus reimbursement of any reasonable out-of-pocket expenses incurred and the independent directors who do not serve on any committees of the board receive an annual fee of $11,250 per director plus reimbursement of any out-of-pocket expenses incurred. All independent directors currently serve on both committees. No compensation was paid to directors who are interested persons of the Company as defined in 1940 Act. In addition, the Company purchases directors' and officers' liability insurance on behalf of the directors and officers.

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Management Services

Investment Advisory Agreement

We have entered into the Investment Advisory Agreement with Prospect Capital Management under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, our Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and (iii) closes and monitors investments we make.

Prospect Capital Management's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2% on our gross assets (including amounts borrowed). For services rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter are appropriately prorated.

The incentive fee has two parts. The first part, the income incentive fee, which is payable quarterly in arrears, will equal 20% of the excess, if any, of our pre-incentive fee net investment income that exceeds a 1.75% quarterly (7% annualized) hurdle rate, subject to a "catch up" provision measured as of the end of each calendar quarter. In the three months ended June 30, 2011, we paid an incentive fee of $7.5 million (see calculation below). For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7% annualized).

We expect the incentive fees we pay to increase to the extent we earn greater interest and dividend income through our investments in portfolio companies and, to a lesser extent, realize capital gains upon the sale of warrants or other equity investments in our portfolio companies and to decrease if our interest and dividend income and capital gains decrease. The "catch-up" provision requires us to pay 100% of our pre-incentive fee net investment income with respect to that portion of such income, if any, that exceeds the hurdle rate but is less than 125% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming an annualized hurdle rate of 7%). The catch-up provision is meant to provide Prospect Capital Management with 20% of our pre-incentive fee net investment income as if a hurdle rate did not apply when our pre-incentive fee net investment income exceeds 125% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming an annualized hurdle rate of 7%). The income incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash. If interest income is accrued but never paid, the Board of Directors would decide to write off the accrual in the quarter when the accrual is determined to be uncollectible. The write off would cause a decrease in interest income for the quarter equal to the amount of the prior accrual. The Investment Adviser is not under any obligation to reimburse us for any part of the incentive fee it received that was based on accrued income that we never receive as a result of a default by an entity on the obligation that resulted in the accrual of such income.

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and

- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in our portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which may be asserted against a portfolio company arising out of our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equals the sum of the differences between the aggregate net sales price of each investment and the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

The actual transfer or sale of assets by Prospect to a SPE established by Prospect and consolidated with Prospect is disregarded for purposes of calculating the incentive fee.

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The following is a calculation of the most recently paid incentive fee paid in July 2011 (for the quarter ended June 30, 2011) (in thousands):

Prior Quarter Net Asset Value (adjusted for stock offerings during the quarter)	$	1,013,469
Quarterly Hurdle Rate		1.75%
Current Quarter Hurdle	$	17,736
125% of the Quarterly Hurdle Rate		2.1875%
125% of the Current Quarter Hurdle	$	22,170
Current Quarter Pre Incentive Fee Net Investment Income	$	37,737
Incentive Fee "Catch-Up"	$	4,434
Incentive Fee 20% in excess of 125% of the Current Quarter Hurdle	$	3,113
Total Current Quarter Incentive Fee	$	7,547

The total base management fees earned by and paid to Prospect Capital Management during the twelve months ended June 30, 2011, June 30, 2010 and June 30, 2009 were $22.5 million, $13.9 million and $11.9 million, respectively.

The income incentive fees were $23.6 million, $16.8 million and $14.8 million for the twelve months ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. No capital gains incentive fees were earned for the twelve months ended June 30, 2011, June 30, 2010 and June 30, 2009.

The total investment advisory fees were $46.1 million, $30.7 million and $26.7 million for the twelve months ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

Because of the structure of the incentive fee, it is possible that we may have to pay an incentive fee in a quarter where we incur a loss. For example, if we receive pre-incentive fee net investment income in excess of the hurdle rate for a quarter, we will pay the applicable income incentive fee even if we have incurred negative total return in that quarter due to realized or unrealized losses on our investments.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Incentive Fee(*):

Alternative 1

Assumptions

Investment income (including interest, dividends, fees, etc.) = 1.25%

Hurdle rate(1) = 1.75%

Base management fee(2) = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%

(*) The hypothetical amount of pre-incentive fee net investment income shown is based on a percentage of total net assets.

(1) Represents 7% annualized hurdle rate

(2) Represents 2% annualized base management fee.

(3) Excludes organizational and offering expenses.

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Pre-incentive fee net investment income (investment income - (base management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed hurdle rate, therefore there is no income incentive fee.

Alternative 2

Assumptions

Investment income (including interest, dividends, fees, etc.) = 2.70%

Hurdle rate(1) = 1.75%

Base management fee(2) = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%

(1) Represents 7% annualized hurdle rate

(2) Represents 2% annualized base management fee.

(3) Excludes organizational and offering expenses.

Pre-incentive fee net investment income (investment income - (base management fee + other expenses)) = 2%

Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to our Investment Adviser.

Income incentive Fee	= 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income - 2.1875)%
	= (100% × (2% - 1.75%)) + 0%
	= 100% × 0.25% + 0%
	= 0.25%

Alternative 3

Assumptions

Investment income (including interest, dividends, fees, etc.) = 3%

Hurdle rate(1) = 1.75%

Base management fee(2) = 0.50%

Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%

(1) Represents 7% annualized hurdle rate.

(2) Represents 2% annualized base management fee.

(3) Excludes organizational and offering expenses.

Pre-incentive fee net investment income (investment income - (base management fee + other expenses)) = 2.30%

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Pre-incentive net investment income exceeds hurdle rate, therefore there is an income incentive fee payable by us to our Investment Adviser.

Income incentive Fee = 100% × "Catch Up" + the greater of 0% AND (20% × (pre-incentive fee net investment income - 2.1875)%
= (100% × (2.1875% - 1.75%)) + the greater of 0% AND (20% × (2.30% - 2.1875%))
= (100% × 0.4375%) + (20% × 0.1125%)
= 0.4375% + 0.0225%
= 0.46%

Example 2: Capital Gains Incentive Fee:

Alternative 1

Assumptions

Year 1: $20 million investment made

Year 2: Fair market value, or FMV of investment determined to be $22 million

Year 3: FMV of investment determined to be $17 million

Year 4: *Investment sold for $21 million*

The impact, if any, on the capital gains portion of the incentive fee would be:

Year 1: No impact

Year 2: No impact

Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)

Year 4: Increase base amount on which the second part of the incentive fee is calculated by $4 million ($1 million of realized capital gain and $3 million reversal in unrealized capital depreciation)

Alternative 2

Assumptions

Year 1: $20 million investment made

Year 2: FMV of investment determined to be $17 million

Year 3: FMV of investment determined to be $17 million

Year 4: FMV of investment determined to be $21 million

Year 5: FMV of investment determined to be $18 million

Year 6: Investment sold for $15 million

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The impact, if any, on the capital gains portion of the incentive fee would be:

Year 1: No impact

Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation)

Year 3: No impact

Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million (reversal in unrealized capital depreciation)

Year 5: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (unrealized capital depreciation)

Year 6: Decrease base amount on which the second part of the incentive fee is calculated by $3 million ($5 million of realized capital loss offset by a $2 million reversal in unrealized capital depreciation)

Alternative 3

Assumptions

Year 1: $20 million investment made in company A, or Investment A, and $20 million investment made in company B, or Investment B

Year 2: FMV of Investment A is determined to be $21 million, and Investment B is sold for $18 million

Year 3: Investment A is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

Year 1: No impact

Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $2 million (realized capital loss on Investment B)

Year 3: Increase base amount on which the second part of the incentive fee is calculated by $3 million (realized capital gain on Investment A)

Alternative 4

Assumptions

Year 1: $20 million investment made in company A, or Investment A, and $20 million investment made in company B, or Investment B

Year 2: FMV of Investment A is determined to be $21 million, and FMV of Investment B is determined to be $17 million

Year 3: FMV of Investment A is determined to be $18 million, and FMV of Investment B is determined to be $18 million

Year 4: FMV of Investment A is determined to be $19 million, and FMV of Investment B is determined to be $21 million

Year 5: Investment A is sold for $17 million, and Investment B is sold for $23 million

The impact, if any, on the capital gains portion of the incentive fee would be:

Year 1: No impact

Year 2: Decrease base amount on which the second part of the incentive fee is calculated by $3 million (unrealized capital depreciation on Investment B)

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Year 3: Decrease base amount on which the second part of the incentive fee is calculated by $1 million ($2 million in unrealized capital depreciation on Investment A and $1 million recovery in unrealized capital depreciation on Investment B)

Year 4: Increase base amount on which the second part of the incentive fee is calculated by $3 million ($1 million recovery in unrealized capital depreciation on Investment A and $2 million recovery in unrealized capital depreciation on Investment B)

Year 5: Increase base amount on which the second part of the incentive fee is calculated by $1 million ($3 million realized capital gain on Investment B offset by $3 million realized capital loss on Investment A plus a $1 million reversal in unrealized capital depreciation on Investment A from Year 4)

Payment of our expenses

All investment professionals of the Investment Adviser and its staff, when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Investment Adviser. We bear all other costs and expenses of our operations and transactions, including those relating to: organization and offering; calculation of our net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by Prospect Capital Management payable to third parties, including agents, consultants or other advisers (such as independent valuation firms, accountants and legal counsel), in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies; interest payable on debt, if any, and dividends payable on preferred stock, if any, incurred to finance our investments; offerings of our debt, our preferred shares, our common stock and other securities; investment advisory fees; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; registration fees; listing fees; taxes; independent directors' fees and expenses; costs of preparing and filing reports or other documents with the SEC; the costs of any reports, proxy statements or other notices to stockholders, including printing costs; our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including auditor and legal costs; and all other expenses incurred by us, by our Investment Adviser or by Prospect Administration in connection with administering our business, such as our allocable portion of overhead under the Administration Agreement, including rent and our allocable portion of the costs of our chief compliance officer and chief financial officer and his staff, including the internal legal staff.

Duration and termination

The Investment Advisory Agreement was originally approved by our Board of Directors on June 23, 2004 and was recently re-approved by the Board of Directors on May 9, 2011 for an additional one-year term expiring June 24, 2012. Unless terminated earlier as described below, it will remain in effect from year to year thereafter if approved annually by our Board of Directors or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The Investment Advisory Agreement will automatically terminate in the event of its assignment. The Investment Advisory Agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risk factors Risks Relating to Our Business We are dependent upon Prospect Capital Management's key management personnel for our future success."

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Administration Agreement

We have also entered into an Administration Agreement with Prospect Administration under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our chief compliance officer and chief financial officer and his staff, including the internal legal staff. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the Securities and Exchange Commission, or the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly owned subsidiary of our Investment Adviser.

We reimbursed Prospect Administration $5.0 million, $3.4 million and $2.9 million for the twelve months ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively, for services it provided to the Company at cost.

Indemnification

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Capital Management and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Capital Management's services under the Investment Advisory Agreement or otherwise as our investment adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as our administrator.

Board of Directors approval of the Investment Advisory Agreement

On May 9, 2011, our Board of Directors voted unanimously to renew the Investment Advisory Agreement for the 12-month period ending June 24, 2012. In its consideration of the Investment Advisory Agreement, the Board of Directors focused on information it had received relating to, among other things: (a) the nature, quality and extent of the advisory and other services to be provided to us by Prospect Capital Management; (b) comparative data with respect to advisory fees or expense ratios paid by other business development companies with similar investment objectives; (c) our projected operating expenses; (d) the projected profitability of Prospect Capital Management and any existing and potential sources of indirect income to Prospect Capital Management or Prospect Administration

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from their relationships with us and the profitability of those relationships; (e) information about the services to be performed and the personnel performing such services under the Investment Advisory Agreement; (f) the organizational capability and financial condition of Prospect Capital Management and its affiliates and (g) the possibility of obtaining similar services from other third party service providers or through an internally managed structure. In approving the renewal of the Investment Advisory Agreement, the Board of Directors, including all of the directors who are not "interested persons," considered the following:

Nature, Quality and Extent of Services. The Board of Directors considered the nature, extent and quality of the investment selection process employed by Prospect Capital Management. The Board of Directors also considered Prospect Capital Management's personnel and their prior experience in connection with the types of investments made by us. The Board of Directors concluded that the services to be provided under the Investment Advisory Agreement are generally the same as those of comparable business development companies described in the available market data.

Investment Performance. The Board of Directors reviewed our investment performance as well as comparative data with respect to the investment performance of other externally managed business development companies. The Board of Directors concluded that Prospect Capital Management was delivering results consistent with our investment objective and that our investment performance was satisfactory when compared to comparable business development companies.

The reasonableness of the fees paid to Prospect Capital Management. The Board of Directors considered comparative data based on publicly available information on other business development companies with respect to services rendered and the advisory fees (including the management fees and incentive fees) of other business development companies as well as our projected operating expenses and expense ratio compared to other business development companies. The Board of Directors, on behalf of the Company, also considered the profitability of Prospect Capital Management. Based upon its review, the Board of Directors concluded that the fees to be paid under the Investment Advisory Agreement are reasonable compared to other business development companies.

Economies of Scale. The Board of Directors considered information about the potential of Prospect Capital Management to realize economies of scale in managing our assets, and determined that at this time there were not economies of scale to be realized by Prospect Capital Management.

Based on the information reviewed and the discussions detailed above, the Board of Directors (including all of the directors who are not "interested persons") concluded that the investment advisory fee rates and terms are fair and reasonable in relation to the services provided and approved the renewal of the Investment Advisory Agreement with Prospect Capital Management as being in the best interests of the Company and its stockholders.

Portfolio Managers

The following individuals function as portfolio managers primarily responsible for the day-to-day management of our portfolio. Our portfolio managers are not responsible for day-to-day management of any other accounts. For a description of their principal occupations for the past five years, see above.

Name	Position	Length of Service with Company (Years)
John F. Barry III	Chairman and Chief Executive Officer	6
M. Grier Eliasek	President and Chief Operating Officer	6

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Mr. Eliasek receives no compensation from the Company. Mr. Eliasek receives a salary and bonus from Prospect Capital Management that takes into account his role as a senior officer of the Company and of Prospect Capital Management, his performance and the performance of each of Prospect Capital Management and the Company. Mr. Barry receives no compensation from the Company. Mr. Barry, as the sole member of Prospect Capital Management, receives a salary and/or bonus from Prospect Capital Management and is entitled to equity distributions after all other obligations of Prospect Capital Management are met.

The following table sets forth the dollar range of our common stock beneficially owned by each of the portfolio managers described above as of June 30, 2011.

Name	**Aggregate Dollar Range of Common Stock Beneficially Owned by Prospect Capital Management**
John F. Barry III	Over $100,000
M. Grier Eliasek	Over $100,000

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We billed $1,325,000, $892,000 and $846,000 of managerial assistance fees for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively, of which $128,000 and $247,000 remains on the consolidated statement of assets and liabilities as of June 30, 2011 and June 30, 2010, respectively. These fees are paid to the Administrator so we simultaneously accrue a payable to the Administrator for the same amounts, which remain on the consolidated statements of assets and liabilities.

License Agreement

We entered into a license agreement with Prospect Capital Management, pursuant to which Prospect Capital Management agreed to grant us a nonexclusive, royalty free license to use the name "Prospect Capital." Under this agreement, we have a right to use the Prospect Capital name, for so long as Prospect Capital Management or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we have no legal right to the Prospect Capital name. This license agreement will remain in effect for so long as the Investment Advisory Agreement with our Investment Adviser is in effect.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

We have entered into the Investment Advisory Agreement with Prospect Capital Management. Our Chairman of the Board of Directors is the sole member of and controls Prospect Capital Management. Our senior management may in the future also serve as principals of other investment managers affiliated with Prospect Capital Management that may in the future manage investment funds with investment objectives similar to ours. In addition, our executive officers and directors and the principals of Prospect Capital Management may serve as officers, directors or principals of entities that operate in the same or related lines of business as we do or of investment funds managed by affiliates. Accordingly, we may not be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with Prospect Capital Management. However, our Investment Adviser and other members of the affiliated present and predecessor companies of Prospect Capital Management intend to allocate investment opportunities in a fair and equitable manner

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consistent with our investment objectives and strategies so that we are not disadvantaged in relation to any other client. See "Risk Factors Risks Relating To Our Business Potential conflicts of interest could impact our investment returns."

In addition, pursuant to the terms of the Administration Agreement, Prospect Administration provides, or arranges to provide, the Company with the office facilities and administrative services necessary to conduct our day-to-day operations. Prospect Capital Management is the sole member of and controls Prospect Administration.

We have no intention of investing in any portfolio company in which Prospect Capital Management or any affiliate currently has an investment.

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

As of October 17, 2011, there were no persons that owned 25% or more of our outstanding voting securities, and we believe no person should be deemed to control us, as such term is defined in the 1940 Act.

The following table sets forth, as of October 17, 2011, certain ownership information with respect to our common stock for those persons who directly or indirectly own, control or hold with the power to vote, 5% or more of our outstanding common stock and all officers and directors, as a group. Unless otherwise indicated, we believe that the beneficial owners set forth in the tables below have sole voting and investment power.

Name and Address	Type of Ownership	Shares Owned	Percentage of Common Stock Outstanding(1)
Zazove Associates, LLC(2)	Record and Beneficial	10,315,483	9.4%
All officers and directors as a group (6 persons)	Record and beneficial	2,869,999	2.6%

(1) Does not reflect shares of common stock reserved for issuance upon any exercise of any underwriters' overallotment option.

(2) Based upon a Schedule 13G filed with the SEC on February 28, 2011 by Zazove Associates LLC. According to the Schedule 13G, all of the shares beneficially owned by Zazove Associates LLC represent shares issuable upon the conversion of the Notes. Notwithstanding the percentage of common stock noted, each of the Notes contain a provision that limits the holders of the Notes from converting the Notes to shares of common stock of the Company to the extent such conversion would cause the holder to become a beneficial owner of more than 5.0% of the Company's outstanding common stock at the time of conversion. Percentage of common stock outstanding included the conversion of these shares in the total outstanding.

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The following table sets forth the dollar range of our equity securities beneficially owned by each of our directors and officers as of June 30, 2011. We are not part of a "family of investment companies" as that term is defined in the 1940 Act.

Name of Director or Officer	Dollar Range of Equity Securities in the Company(1)
Independent Directors	
William J. Gremp	$10,001 - $50,000
Andrew C. Cooper	None
Eugene S. Stark	$50,001 - $100,000
Interested Directors	
John F. Barry III(2)	Over $100,000
M. Grier Eliasek	Over $100,000
Officer	
Brian H. Oswald	Over $100,000

(1) Dollar ranges are as follows: none, $1-$10,000, $10,001-$50,000, $50,001-$100,000 or over $100,000.

(2) Represents an indirect beneficial ownership in shares of our common stock, that are beneficially owned directly by Prospect Capital Management, by reason of Mr. Barry's position as a control person of Prospect Capital Management.

PORTFOLIO COMPANIES

The following is a listing of our portfolio companies at June 30, 2011. Values are as of June 30, 2011.

The portfolio companies are presented in three categories: "companies more than 25% owned" are portfolio companies in which Prospect directly or indirectly owns more than 25% of the outstanding voting securities of such portfolio company and, therefore, such portfolio company is presumed to be controlled by us under the 1940 Act; "companies owned 5% to 25%" are portfolio companies where Prospect directly or indirectly owns 5% to 25% of the outstanding voting securities of such portfolio company and/or holds one or more seats on the portfolio company's Board of Directors and, therefore, such portfolio company is deemed to be an affiliated person with us under the 1940 Act; "companies less than 5% owned" are portfolio companies where Prospect directly or indirectly owns less than 5% of the outstanding voting securities of such portfolio company and where it has no other affiliations with such portfolio company. As of June 30, 2011, Prospect owned 100.00% of the fully diluted common equity of GSHI, 100.00% of the common equity of CCEHI, 100% of the equity of AIRMALL, 100% of the common equity of Borga, 40% of the fully diluted equity of C&J, 49.00% of the fully diluted common equity of Integrated, 57.8% of the fully diluted common equity of Iron Horse, 100.00% of the members unit of AWCNC, LLC, 100.00% of the common equity of Coalbed, Inc., 100.00% of the fully diluted equity of Freedom Marine Holdings Inc., 95.0% of the fully diluted preferred equity of NMMB Holdings, Inc., 90.7% of the fully diluted equity of Nupla Corporation, 80.00% of the fully diluted common equity of NRG, 74.1% of the fully diluted equity of R-V, 77.7% of the fully diluted equity of Ajax and 100.0% of the fully diluted common equity of Yatesville. Prospect makes available significant managerial assistance to its portfolio companies. Prospect generally requests and may receive rights to observe the meetings of its portfolio companies' Boards of Directors.

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
Companies more than 25% owned						
Airmail USA, Inc.	Property management (Pennsylvania)	Senior secured debt, senior subordinated debt, convertible preferred stock and common equity	First priority lien on substantially all assets	Common shares; convertible preferred shares; senior secured term loan, 12% due 6/30/2015; senior subordinated term loan, 12.00% plus 6.00% PIK, due 12/31/2015	9.2	42.5
Ajax Rolled Ring and Machine, Inc.	Manufacturing (South Carolina)	Senior secured debt, subordinated secured debt, convertible preferred stock and common equity	First priority lien on substantially all assets	Common shares; Convertible Preferred shares; Senior secured note Tranche A, 10.50% due 4/01/2013; Subordinated secured note Tranche B, 11.50% plus 6.00% PIK due 4/01/2013	0.0	33.9
AWCNC, LLC	Machinery (North Carolina)	Members Units	N/A	Members units	0.0	0.0
Borga, Inc.	Manufacturing (California)	Revolving line of credit, senior secured debt, warrants and common equity	First priority lien on all assets and pledge of all stock	Warrants; common shares; Revolving line of credit, 5.00% plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due; Senior secured Term Loan B, 8.50% plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due; Senior secured Term Loan C, 12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due	0.0	1.7
C&J Cladding LLC	Metal services and Minerals (Texas)	Membership Interests	N/A	Membership Interests	4.7	0.0
Change Clean Energy Holdings, Inc.	Biomass power (Maine)	Common equity	First priority lien on substantially all assets	Common shares	0.0	0.0
Freedom Marine Services LLC	Shipping vessels (Louisiana)	Subordinated secured debt and net profit interest	Second priority lien on substantially all assets	Net profit interest, 22.50%; Subordinated secured note, 12.00% plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011	0.0	3.1
Gas Solutions Holdings, Inc.	Gas gathering and processing (Texas)	Senior and junior secured debt and common equity	First priority lien on substantially all assets	Common shares; Senior secured note, 18.00% due 12/11/2016; Junior secured note, 18.00% due 12/12/2016	68.4	37.0
Integrated Contract Services, Inc.	Contracting (North Carolina)	Secured promissory note, Senior and junior secured debt, preferred stock and common equity	First priority lien on substantially all assets	Common shares; Preferred shares; Senior and junior secured notes, 7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007 past due; Senior demand note, 15.00%, in	0.0	1.8

				non-accrual status effective 11/1/2010 past due; Secured promissory note, 15%, in non-accrual status effective 12/22/2010, due 3/21/2012-4/10/2013	1.7	
Iron Horse Coiled Tubing, Inc.	Production services (Alberta, Canada)	Senior secured debt and common equity	First priority lien on substantially all assets	Common shares; Senior secured note, tranche 2, zero coupon, due 12/31/2016; senior secured note tranche 3, 2% due 12/31/2016		13.7

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
Manx Energy, Inc.	Oil and Gas production (Kansas)	Senior secured debt, preferred stock and common equity	First priority lien on substantially all assets	Common shares; Preferred shares senior secured note (AEH), 8% in non-accrual status effective 1/19/2010, due 1/19/2013; senior secured note (Coalbed), 8%, in non-accrual status effective 1/19/2010, due 1/19/2013; senior secured note (Manx), 13.00%, in non-accrual status effective 1/19/2010, due 1/19/2013	0.0	1.3
NMMB Holdings, Inc.	Media (New York)	Preferred stock, revolving line of credit, senior term debt and senior subordinated debt	First priority lien on substantially all assets	Preferred shares; revolving line of credit, 10.50% due 5/6/2014, senior term loan, 14.00% due 5/6/2016; senior subordinated term loan, 15.00% due 5/6/2016	4.4	27.1
NRG Manufacturing, Inc.	Manufacturing (Texas)	Senior secured debt and common equity	First priority lien on substantially all assets	Common shares; Senior secured note, 16.50% due 8/31/2011	32.4	13.1
Nupla Corporation	Home & Office Furnishings, Housewares & Durable (California)	Revolving line of credit, senior secured debt, senior subordinated debt, preferred stock and common equity	First priority lien on substantially all assets	Common shares; Preferred shares; Revolving line of credit, 7.25% plus 2.00% default interest due 9/04/2012; Senior secured Term Loan A, 8.00% plus 2.00% default interest due 9/04/2012; Senior subordinated debt, 15% PIK, in non-accrual status effective 4/01/2009 due 3/04/2013	0.0	6.1
R-V Industries, Inc.	Manufacturing (Pennsylvania)	Warrants and common equity	N/A loan repaid	Common shares; Warrants, expiring 6/30/2017	5.9	2.2
Yatesville Coal Holdings, Inc.	Mining, Steel, Iron and Non-Precious Metals and Coal Production (Kentucky)	Senior and junior secured debt and common equity	First priority lien on substantially all assets	Common shares; Senior secured note, in non-accrual status effective 1/01/2009 due 12/31/2010; Junior secured note, in non-accrual status effective 1/01/2009 due 12/31/2010	0.0	0.0

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
Companies 5% to 25% owned						
Biotronic NeuroNetwork	Healthcare (Michigan)	Senior secured debt and preferred stock	First priority lien on substantially all assets	Preferred shares; Senior secured note, 11.50% plus 1.00% PIK due 2/21/2013	7.0	27.0
Boxercraft Incorporated	Textiles & Leather (Georgia)	Senior secured debt, subordinated secured debt preferred stock and common equity	First priority lien on substantially all assets	Common shares; Preferred shares; Senior secured Term Loan A, 9.50% due 9/16/2013; Senior secured Term Loan B, 10.00% due 9/16/2013; Subordinated secured term loan, 12.00% plus 6.50% PIK due 3/16/2014	0.4	15.2
Smart, LLC	Diversified / Conglomerate Service (New York)	Membership interests	N/A	Membership interests	0.0	0.0
Sports Helmets Holdings, LLC	Personal & Nondurable Consumer Products (New York)	Revolving line of credit, senior secured debt, senior subordinated debt and common equity	First priority lien on all assets and stock	Common shares; Revolving line of credit, 4.00% due 12/14/2013; Senior secured Term Loan A, 4.00% due 12/14/2013; Senior secured Term Loan B, 4.50% due 12/14/2013; Senior subordinated debt Series A, 12.00% plus 3.00% PIK due 6/14/2014; Senior subordinated debt Series B, 10.00% plus 5.00% PIK due 6/14/2014	4.3	18.4
Companies less than 5% owned						
ADAPCO, Inc.	Ecological (Florida)	Common equity	N/A	Common shares	0.2	0.0
Aircraft Fasteners International, LLC	Machinery (California)	Revolving line of credit, senior and junior secured debt and convertible preferred stock	First priority lien on all assets and stock	Convertible preferred shares; Revolving line of credit, 9.5% due 11/01/2012; Senior secured Term Loan, 9.5% due 11/01/2012; Junior secured Term Loan, 12.00% plus 6% PIK due 5/01/2013	0.3	8.5
Allied Defense Group, Inc.	Aerospace & Defense (Virginia)	Common equity	N/A	Common shares	0.0	0.0
American Gilsonite Company	Specialty minerals (Utah)	Senior subordinated secured debt and membership interests	Second priority lien on substantially all assets	Membership interests; Senior subordinated secured note, 12.00% plus 2.50% PIK due 3/10/2016	4.1	30.2
Arrowhead General Insurance Agency, Inc.	Insurance (California)	Junior secured debt	Second perfected priority lien on substantially all assets	Junior secured Term Loan, 11.25% due 9/30/2017	0.0	27.0
Byrider Systems Acquisition Corp.	Auto Finance (Indiana)	Senior subordinated debt	Subordinated lien on substantially all assets	Senior subordinated note, 12.00% plus 2.00% PIK due 11/3/2016	0.0	25.1

Caleel & Hayden	Personal & Nondurable Consumer Products (Colorado)	Options and membership units	First priority lien on all assets and stock	Options; membership units	0.7	0.0
Cargo Airport Services USA, LLC	Transportation (New York)	Common equity, revolving line of credit and senior secured debt	First priority lien on substantially all assets	Common shares; revolving line of credit, 11.50% due 3/31/2012; senior secured term loan, 11.50% due 3/31/2016	1.8	58.4
Clearwater Seafoods LP	Food Products (Canada)	Second lien debt	Second lien on substantially all assets	Second lien term loan, 12.00% due 2/4/2016	0.0	45.0

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
CRT MIDCO, LLC	Media (Wisconsin)	Revolving line of credit and senior secured debt	First priority lien on substantially all assets	Revolving line of credit, 10.5% due 6/30/2012; senior secured term loan, 10.5% due 6/30/2017	0.0	75.0
The Deb Shops, Inc.	Retail (Pennsylvania)	Second lien debt	Second priority lien on substantially all assets	Second lien note, 14% PIK in non accrual status effective 2/24/2009, due 10/23/2014	0.0	0.0
Diamondback Operating LP	Oil and gas production (Oklahoma)	Net profit interest	N/A loan repaid	Net profit interest, 15.00%	0.0	0.0
Dover Saddlery, INc.	Retail (Massachusetts)	Common equity	N/A	Common shares	0.0	0.0
Empire Today, LLC	Durable Consumer Products (Illinois)	Senior secured debt	First priority lien on substantially all assets	Senior secured note, 11.375% due 2/1/2017	0.0	7.5
Fairchild Industrial Products, Co.	Electronics (North Carolina)	Preferred stock and common equity	N/A	Common shares; Preferred shares	1.4	0.0
Fischbein, LLC	Machinery (North Carolina)	Senior subordinated debt and membership interests	Second priority lien on all assets and stock	Membership interests; Senior subordinated debt, 12.00% plus 2.00% PIK due 10/31/2016	1.0	3.3
H&M Oil & Gas LLC	Oil and gas production (Texas)	Senior secured debt and net profit interest	First priority lien on substantially all assets	Net profit interest, 8.00%, Senior secured note, 13.00% plus 3% PIK past due, in non-accrual status effective 1/1/2011	0.0	38.5
Hoffmaster Group, Inc.	Durable Consumer Products (Wisconsin)	Second lien debt	Second priority lien on substantially all assets	Second lien term loan, 13.50% due 6/2/2017	0.0	20.4
Hudson Products Holdings, Inc.	Manufacturing (Texas)	Senior secured debt	First priority lien on substantially all assets	Senior secured Term Loan, 8.5% due 8/24/2015	0.0	5.6
ICON Health & Fitness, Inc.	Durable Consumer Products (Utah)	Senior secured debt	First priority lien on substantially all assets	Senior secured notes, 11.875%, due 10/15/2016	0.0	45.0
IFC Systems LP/Advanced Rig Services LLC ("ARS")	Oilfield fabrication (Texas)	Senior secured debt	First priority lien on substantially all assets	Senior secured notes 12.00% plus 3.00% PIK due 11/20/2012	0.0	23.1
Jordan Healthcare Holdings, Inc.	Healthcare (Texas)	Senior Subordinated debt	Subordinated lien on substantially all assets	Senior Subordinated debt, 12.00% plus 2.50% PIK, due 6/23/2016	0.0	15.4
LHC Holdings Corp.	Healthcare (Florida)	Revolving line of credit, senior secured debt, senior subordinated debt and membership interests	First priority lien on all assets and stock	Membership interests; Revolving line of credit 8.50% due 6/30/2012; Senior secured Term Loan A, 8.5% due 6/30/2012; Senior subordinated debt, 12.00% plus 2.50% PIK due 5/31/2013	0.2	5.5
Mac & Massey Holdings, LLC	Food Products (Georgia)	Senior subordinated debt	Subordinated lien on substantially	Membership interests;	0.6	9.2

		and membership interests	all assets	Senior subordinated debt, 10.00% plus 5.75% PIK due 2/10/2013		
Maverick Healthcare LLC	Healthcare (Arizona)	Preferred units and common units	N/A	Common units; Preferred units	1.6	0.0
Medical Security Card Company, LLC	Healthcare (Arizona)	Revolving line of credit and senior secured debt	First priority lien on substantially all assets	Revolving line of credit, 9.50% due 2/1/2016	0.0	20.5
Mood Media Corporation	Media (Canada)	Senior subordinated debt	Subordinated lien on substantially all assets	Senior subordinated term loan, 10.25% due 11/6/2018	0.0	14.9

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
New Meatco Provisions, LLC.	Food Products (California)	Senior subordinated debt	Subordinated lien on substantially all assets	Senior subordinated term loan, 12.00% plus 4.00% PIK due 4/18/2016	0.0	13.1
Northwestern Management Services, LLC	Healthcare (Florida)	Revolving line of credit, senior debt and common equity	First priority lien on all assets and stock	Common shares; Revolving line of credit, 10.5% due 7/30/15; Senior secured Term Loan A, 10.5% due 7/30/15	0.5	17.4
Out Rage, LLC	Durable Consumer Products (Wisconsin)	Revolving line of credit and senior secured debt	First priority lien on substantially all assets	Revolving line of credit, 11.00% due 3/2/2015; senior secured term loan, 11.00% due 3/2/2015	0.0	12.4
Pinnacle Treatment Centers, Inc	Healthcare (Pennsylvania)	Revolving line of credit and senior secured debt	First priority lien on substantially all assets	Revolving line of credit, 8.00% due 1/10/2016; senior secured term loan, 11.00% due 1/10/2016	0.0	19.0
Potters Holdings II, L.P.	Manufacturing (Pennsylvania)	Senior subordinated debt	Subordinated lien on substantially all assets	Senior subordinated term loan, 10.25% due 11/6/2017	0.0	14.8
Pre-Paid Legal Services, Inc.	Consumer Services (Oklahoma)	Senior subordinated debt	Subordinated lien on substantially all assets	Senior subordinated term loan, 11.00% due 12/31/2016	0.0	5.0
Progressive Logistics Services, LLC	Commercial Services (Georgia)	Senior secured debt	First priority lien on substantially all assets	Senior secured term loan A, 8.50% due 1/6/2016; senior secured term loan B, 14.50% due 1/6/2016	0.0	29.6
Progexion Holdings, Inc.	Consumer Services (Utah)	Senior secured debt	First priority lien on substantially all assets	Senior Secured Term Loan A, 10.75%, due 12/31/2014; Senior Secured Term Loan B, 10.75% due 12/31/2014	0.0	68.3
ROM Acquisition Corporation	Automobile (Missouri)	Revolving line of credit, senior secured debt and senior subordinated debt	First priority lien on all assets and stock	Revolving line of credit, 4.25% due 2/08/2013; Senior Secured Term Loan A, 4.25% due 2/08/2013; Senior Secured Term Loan B, 8% due 5/08/2013; Senior subordinated debt, 12.00% plus 3.00% PIK due 8/08/2013	0.0	17.4
Royal Adhesives & Sealants, LLC	Chemicals (Indiana)	Senior Subordinated debt	Subordinated lien on substantially all assets	Senior Subordinated debt, 12.00% plus 2.00% PIK due 11/29/2016	0.0	25.3
SG Acquisition, Inc	Insurance (Georgia)	Senior secured debt	First priority lien on substantially all assets	Senior secured term loan A, 8.50% due 3/18/2016; senior secured term loan B, 14.50% due 3/18/2016	0.0	60.4
Seaton Corp.	Business Services (Illinois)	Subordinated secured debt	Second priority lien on substantially all	Subordinated secured debt, 12.5% plus 2.00% PIK, due	0.0	6.8

			assets	3/14/2014		
Shearer's Foods, Inc.	Food products (Ohio)	Junior secured debt and membership interests	Second priority lien on substantially all assets	Membership interests; Junior secured debt, 12% plus 3.75% PIK due 3/31/2016	4.0	36.2
Skillsoft Public Limited Company	Software and computer services (Ireland)	Subordinated unsecured debt	Unsecured	Subordinated unsecured debt, 11.125% due 6/1/2018	0.0	15.0
Snacks Holding Corporation	Food Products (Minnesota)	Senior Subordinated debt, preferred stock and warrants	Unsecured	Warrants, expiring 11/12/2020; preferred shares; Senior Subordinated unsecured debt, 12.00% plus 1.00% PIK, due 11/12/2017	0.5	15.1

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Name of Portfolio Company	Nature of its Principal Business (Location)	Title and Class of Securities Held	Collateral Held	Investment Structure	Equity Securities Held, at Fair Value (In millions of $)	Loans, at Fair Value (In millions of $)
SonicWall Inc,	Software and computer services (California)	Subordinated secured debt	Second priority lien on substantially all assests	Subordinated secured debt 12% due 1/23/17	0.0	23.0
Springs Window Fashions, LLC	Durable Consumer Products (Wisconsin)	Second lien debt	Second lien on substantially all assets	Second lien term loan, 11.25% due 11/30/2017	0.0	35.0
ST Products, LLC	Manufacturing (Pennsylvania)	Senior secured debt	First priority lien on substantially all assets	Senior secured term loan, 12.00% due 6/16/2016	0.0	26.5
Stauber Performance Ingredients, Inc.	Food Products (California)	Senior secured debt	First priority lien on substantially all assets	Senior secured term loan, 10.50% due 1/21/2016	0.0	22.7
Stryker Energy LLC	Oil and gas production (Ohio)	Subordinated secured revolving credit facility and overriding royalty interest	Second priority lien on substantially all assets	Overriding royalty interest; Subordinated secured revolving credit facility, 8.5% plus 3.75% PIK due 12/01/2015	2.2	21.7
U.S. HealthWorks Holding Company, Inc.	Healthcare (California)	Second lien debt	Second priority lien on substantially all assets	Second lien term loan, 10.50% due 6/15/2017	0.0	25.0
Targus Group International, Inc.	Durable Consumer Products (California)	First lien debt	First priority lien on substantially all assets	First lien term loan, 11.00% due 5/25/2016	0.0	24.0
VPSI, Inc.	Transportation (Michigan)	Senior secured debt	First priority lien on substantially all assets	First Lien Senior secured note, 12.00% due 12/23/2015	0.0	17.6
Wind River Resources Corp. and Wind River II Corp.	Oil and gas production (Utah)	Senior secured debt and net profit interest	First priority lien on substantially all assets	Net profit interest, 5.00%; Senior secured note, 13.00% plus 3.00% default interest on principal, 16% default interest on past due interest, in non-accrual status effective 12/01/2008, past due	0.0	7.2

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DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

In calculating the value of our total assets, we will value investments for which market quotations are readily available at such market quotations. Short-term investments which mature in 60 days or less, such as U.S. Treasury bills, are valued at amortized cost, which approximates market value. The amortized cost method involves recording a security at its cost (i.e., principal amount plus any premium and less any discount) on the date of purchase and thereafter amortizing/accreting that difference between the principal amount due at maturity and cost assuming a constant yield to maturity as determined at the time of purchase. Short-term securities which mature in more than 60 days are valued at current market quotations by an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, or otherwise by a principal market maker or a primary market dealer). Investments in money market mutual funds are valued at their net asset value as of the close of business on the day of valuation.

Most of the investments in our portfolio do not have market quotations which are readily available, meaning the investments do not have actively traded markets. Debt and equity securities for which market quotations are not readily available are valued with the assistance of an independent valuation service using a documented valuation policy and a valuation process that is consistently applied under the direction of our Board of Directors. For a discussion of the risks inherent in determining the value of securities for which readily available market values do not exist, see "Risk Factors Risks Relating to Our Business Most of our portfolio investments are recorded at fair value as determined in good faith by our Board of Directors and, as a result, there is uncertainty as to the value of our portfolio investments."

The factors that may be taken into account in valuing such investments include, as relevant, the portfolio company's ability to make payments, its estimated earnings and projected discounted cash flows, the nature and realizable value of any collateral, the financial environment in which the portfolio company operates, comparisons to securities of similar publicly traded companies, changes in interest rates for similar debt instruments and other relevant factors. Due to the inherent uncertainty of determining the fair value of investments that do not have readily available market quotations, the fair value of these investments may differ significantly from the values that would have been used had such market quotations existed for such investments, and any such differences could be material.

As part of the fair valuation process, the independent valuation firm engaged by the Board of Directors performs a review of each debt and equity investment and provides a range of values for each investment, which, along with management's valuation recommendations, is reviewed by the Audit Committee. Management and the independent valuation firm may adjust their preliminary evaluations to reflect comments provided by the Audit Committee. The Audit Committee reviews the final valuation report and management's valuation recommendations and makes a recommendation to the Board of Directors based on its analysis of the methodologies employed and the various weights that should be accorded to each portion of the valuation as well as factors that the independent valuation firm and management may not have included in their evaluation processes. The Board of Directors then evaluates the Audit Committee recommendations and undertakes a similar analysis to determine the fair value of each investment in the portfolio in good faith.

Determination of fair values involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current accounting standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our 2010 annual meeting of stockholders held on December 10, 2010, our stockholders approved our ability to sell an unlimited number of shares of our common stock at any level of discount from NAV per share during the twelve-month period following such approval. In order to sell shares pursuant to this authorization a majority of our directors who have no financial interest in the sale and a majority of our independent directors must (a) find that the sale is in our best interests and in the best interests of our stockholders, and (b) in consultation with any underwriter or underwriters or sales manager or sales managers of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares of common stock, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount.

We may make sales of our common stock at prices below our most recently determined NAV per share. Pursuant to the approval of our Board of Directors, we have made such sales in the past and we may continue to do so under this prospectus.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our Board of Directors considers a variety of factors including matters such as:

- The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;
- The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;
- The relationship of recent market prices of par common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- Whether the estimated offering price would closely approximate the market value of our shares;
- The potential market impact of being able to raise capital during the current financial market difficulties;
- The nature of any new investors anticipated to acquire shares of common stock in the offering;
- The anticipated rate of return on and quality, type and availability of investments; and
- The leverage available to us.

Our Board of Directors also considers the fact that sales of common stock at a discount will benefit our Advisor as the Advisor will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of the Company or from the offering of common stock at premium to NAV per share.

We will not sell shares of common stock under a prospectus supplement to the registration statement (the "current registration statement") if the cumulative dilution to our NAV per share from offerings under the current registration statement exceeds 15%. This limit would be measured separately for each offering pursuant to the current registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV per share at the time of the first offering is $10.04 and we have 110.0 million shares of common stock outstanding, sale of 10.0 million shares of common stock at net proceeds to us of $5.02 per share (an approximately 50% discount) would produce dilution of 4.17%. If we subsequently determined that our NAV per share increased back to $10.00 on the then 120.0 million shares of common stock outstanding and then made an additional offering, we could, for example, sell approximately an additional 33.2 million shares of common stock

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at net proceeds to us of $5.00 per share, which would produce dilution of 10.83%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

Sales by us of our common stock at a discount from NAV per share pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different set of investors:

- existing shareholders who do not purchase any shares of common stock in the offering;
- existing shareholders who purchase a relatively small amount of shares of common stock in the offering or a relatively large amount of shares of common stock in the offering; and
- new investors who become shareholders by purchasing shares of common stock in the offering.

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

Impact On Existing Stockholders Who Do Not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares of common stock in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares of common stock they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of NAV dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from NAV per share. It is not possible to predict the level of market price decline that may occur.

The examples assume that the issuer has 110.0 million common shares outstanding, $1,554,400,000 in total assets and $450,000,000 in total liabilities. The current NAV and NAV per share are thus $1,104,400,000 and $10.04. The chart illustrates the dilutive effect on Stockholder A of (1) an offering of 5,500,000 shares of common stock (5% of the outstanding shares of common stock) at $9.54 per share after offering expenses and commission (a 5% discount from NAV), (2) an offering of 11,000,000 shares of common stock (10% of the outstanding shares of common stock) at $9.04 per share after offering expenses and commissions (a 10% discount from NAV) and (3) an offering of 22,000,000

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shares of common stock (20% of the outstanding shares of common stock) at $8.03 per share after offering expenses and commissions (a 20% discount from NAV).

		Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 20% Offering at 20% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
Offering Price							
Price per Share to Public		$ 10.03		$ 9.46		$ 8.39	
Net Proceeds per Share to Issuer		$ 9.54		$ 9.04		$ 8.03	
Decrease to NAV							
Total Shares Outstanding	110,000,000	115,500,000	5.00%	121,000,000	10.00%	132,000,000	20.00%
NAV per Share	$ 10.04	$ 10.02	(0.24)%	$ 9.95	(0.91)%	$ 9.71	(3.33)%
Dilution to Nonparticipating Stockholder							
Shares Held by Stockholder A	110,000	110,000	0.00%	110,000	0.00%	110,000	0.00%
Percentage Held by Stockholder A	0.10%	0.10%	(4.76)%	0.09%	(9.09)%	0.08%	(16.67)%
Total NAV Held by Stockholder A	$ 10.04	$ 1,101,770	(0.24)%	$ 1,094,360	(0.91)%	$ 1,067,587	(3.33)%
Total Investment by Stockholder A (Assumed to be $10.15 per Share)		$ 1,104,400		$ 1,104,400		$ 1,104,400	
Total Dilution to Stockholder A (Total NAV Less Total Investment)		$ (2,630)		$ (10,040)		$ (36,813)	
NAV per Share Held by Stockholder A		$ 10.02		$ 9.95		$ 9.71	
Investment per Share Held by Stockholder A (Assumed to be $10.15 per Share on Shares Held Prior to Sale)		$ 10.04		$ 10.04		$ 10.04	
Dilution per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$ (0.02)		$ (0.09)		$ (0.33)	
Percentage Dilution to Stockholder A (Dilution per Share Divided by Investment per Share)			(0.24)%		(0.91)%		(3.33)%

Impact On Existing Stockholders Who Do Participate in the Offering

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares of common stock in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares of common stock immediately prior to the offering. The level of NAV dilution will decrease as the number of shares of common stock such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution on their existing shares but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in average NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares of common stock such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These shareholders may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart (Example 3) for a stockholder that acquires shares of common stock

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equal to (1) 50% of its proportionate share of the offering (i.e., 11,000 shares of common stock, which is 0.05% of an offering of 22,000,000 shares of common stock) rather than its 0.10% proportionate share and (2) 150% of such percentage (i.e. 33,000 shares of common stock, which is 0.15% of an offering of 22,000,000 shares of common stock rather than its 0.10% proportionate share). It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	50% Participation Following Sale	50% Participation % Change	150% Participation Following Sale	150% Participation % Change
Offering Price					
Price per Share to Public		$ 8.39		$ 8.39	
Net Proceeds per Share to Issuer		$ 8.03		$ 8.03	
Decrease/Increase to NAV					
Total Shares Outstanding	110,000,000	132,000,000	20.00%	132,000,000	20.00%
NAV per Share	$ 10.04	$ 9.71	(3.33)%	$ 9.71	(3.33)%
Dilution/Accretion to Participating Stockholder					
Shares Held by Stockholder A	110,000	121,000	10.00%	143,000	30.00%
Percentage Held by Stockholder A	0.10%	0.09%	(8.33)%	0.11%	8.33%
Total NAV Held by Stockholder A	$ 10.04	$ 1,174,345	6.33%	$ 1,387,863	25.67%
Total Investment by Stockholder A (Assumed to be $10.15 per Share on Shares held Prior to Sale)		$ 1,196,694		$ 1,381,281	
Total Dilution/Accretion to Stockholder A (Total NAV Less Total Investment)		$ (22,349)		$ 6,582	
NAV per Share Held by Stockholder A		$ 9.71		$ 9.71	
Investment per Share Held by Stockholder A (Assumed to be $10.15 on Shares Held Prior to Sale)		$ 9.89		$ 9.66	
Dilution/Accretion per Share Held by Stockholder A (NAV per Share Less Investment per Share)		$ (0.18)		$ 0.05	
Percentage Dilution/Accretion to Stockholder A (Dilution/Accretion per Share Divided by Investment per Share)			(1.87)%		0.48%

Impact On New Investors

Investors who are not currently stockholders and who participate in an offering below NAV but whose investment per share is greater than the resulting NAV per share due to selling compensation and expenses paid by the issuer will experience an immediate decrease, albeit small, in the NAV of their shares of common stock and their NAV per share compared to the price they pay for their shares of common stock. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the issuer being significantly less than the discount per share will experience an immediate increase in the NAV of their shares of common stock and their NAV per share compared to the price they pay for their shares of common stock. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares of common stock, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same hypothetical 5%, 10% and 20% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same

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percentage (0.10%) of the shares of common stock in the offering as Stockholder A in the prior examples held immediately prior to the offering. It is not possible to predict the level of market price decline that may occur.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount Following Sale	Example 1 % Change	Example 2 10% Offering at 10% Discount Following Sale	Example 2 % Change	Example 3 20% Offering at 20% Discount Following Sale	Example 3 % Change
Offering Price							
Price per Share to Public		$ 10.03		$ 9.46		$ 8.39	
Net Proceeds per Share to Issuer		$ 9.54		$ 9.04		$ 8.03	
Decrease/Increase to NAV							
Total Shares Outstanding	110,000,000	115,500,000	5.00%	121,000,000	10.00%	132,000,000	20.00%
NAV per Share	$ 10.04	$ 10.02	(0.24)%	$ 9.95	(0.91)%	$ 9.71	(3.33)%
Dilution/Accretion to New Investor A							
Shares Held by Investor A		5,500		11,000		22,000	
Percentage Held by Investor A	0.00%	0.00%		0.01%		0.02%	
Total NAV Held by Investor A	$	$ 55,089		$ 109,436		$ 213,517	
Total Investment by Investor A (At Price to Public)		$ 55,166		$ 104,058		$ 184,588	
Total Dilution/Accretion to Investor A (Total NAV Less Total Investment)		$ (77)		$ 5,378		$ 28,929	
NAV per Share Held by Investor A		$ 10.02		$ 9.95		$ 9.71	
Investment per Share Held by Investor A		$ 10.03		$ 9.46		$ 8.39	
Dilution/Accretion per Share Held by Investor A (NAV per Share Less Investment per Share)		$ (0.01)		$ 0.49		$ 1.32	
Percentage Dilution/Accretion to Investor A (Dilution/Accretion per Share Divided by Investment per Share)			(0.14)%		5.17%		15.67%

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, when our Board of Directors authorizes, and we declare, a cash dividend, then our stockholders who have not "opted out" of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends.

No action is required on the part of a registered stockholder to have their cash dividend reinvested in shares of our common stock. A registered stockholder may elect to receive an entire dividend in cash by notifying the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for dividends to stockholders. The plan administrator sets up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share. Such request by a stockholder must be received three days prior to the dividend payable date in order for that dividend to be paid in cash. If such request is received less than three days prior to the dividend payable date, then the dividends are reinvested and shares are repurchased for the stockholder's account; however, future dividends are paid out in cash on all balances. Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends in cash by notifying their broker or other financial intermediary of their election.

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We primarily use newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the dividend payable to such stockholder by the market price per share of our common stock at the close of regular trading on The NASDAQ Global Select Market on the valuation date for such dividend. If we use newly-issued shares to implement the plan, the valuation date will not be earlier than the last day that stockholders have the right to elect to receive cash in lieu of shares. Market price per share on that date will be the closing price for such shares on The NASDAQ Global Select Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated. Stockholders who do not elect to receive dividends in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium at the time we issue new shares under the plan and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

There are no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan are paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commissions from the proceeds.

Stockholders who receive dividends in the form of stock are subject to the same U.S. Federal, state and local tax consequences as are stockholders who elect to receive their dividends in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend from us will be equal to the total dollar amount of the dividend payable to the stockholder. Any stock received in a dividend will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at www.amstock.com or by filling out the transaction request form located at the bottom of their statement and sending it to the plan administrator at American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the plan administrator's Interactive Voice Response System at (888) 888-0313.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any payable date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10007 or by telephone at (718) 921-8200.

Stockholders who purchased their shares through or hold their shares in the name of a broker or financial institution should consult with a representative of their broker or financial institution with respect to their participation in our dividend reinvestment plan. Such holders of our stock may not be identified as our registered stockholders with the plan administrator and may not automatically have their cash dividend reinvested in shares of our common stock by the administrator.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. Federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to us or our investors on such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. Federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, financial institutions, U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar, persons who mark-to-market our shares and persons who hold our shares as part of a "straddle," "hedge" or "conversion" transaction. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). This discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations thereof, each as of the date of this prospectus and all of which are subject to differing interpretation or change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service, or the IRS, regarding this offering. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to the any of the tax aspects set forth below.

This summary does not discuss the consequences of an investment in shares of our preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities. The tax consequences of such an investment will be discussed in a relevant prospectus supplement.

A "U.S. stockholder" is a beneficial owner of shares of our common stock that is for U.S. Federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. Federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. Federal income taxation regardless of its source; or
- a trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

A "Non-U.S. stockholder" is a beneficial owner of shares of our common stock that is not a partnership and is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. Federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of U.S. Federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

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Election To Be Taxed As A RIC

As a business development company, we intend to qualify and continue to elect to be treated as a RIC under Subchapter M of the Code. As a RIC, we generally are not subject to corporate-level U.S. Federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as dividends. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, to obtain RIC tax treatment, we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the Annual Distribution Requirement).

Taxation As A RIC

In order to qualify as a RIC for U.S. Federal income tax purposes, we must, among other things:

- qualify to be treated as a business development company or be registered as a management investment company under the 1940 Act at all times during each taxable year;
- derive in each taxable year at least 90% of our gross income from dividends, interest, payments with respect to certain securities loans, gains from the sale or other disposition of stock or other securities or currencies or other income derived with respect to our business of investing in such stock, securities or currencies and net income derived from an interest in a "qualified publicly traded partnership" (as defined in the Code) (the 90% Income Test); and
- diversify our holdings so that at the end of each quarter of the taxable year:
  - at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer (which for these purposes includes the equity securities of a "qualified publicly traded partnership"); and
  - no more than 25% of the value of our assets is invested in the securities, other than U.S. Government securities or securities of other RICs, (i) of one issuer, (ii) of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or (iii) of one or more "qualified publicly traded partnerships."

To the extent that we invest in entities treated as partnerships for U.S. Federal income tax purposes (other than a "qualified publicly traded partnership"), we generally must include the items of gross income derived by the partnerships for purposes of the 90% Income Test, and the income that is derived from a partnership (other than a "qualified publicly traded partnership") will be treated as qualifying income for purposes of the 90% Income Test only to the extent that such income is attributable to items of income of the partnership which would be qualifying income if realized by us directly. In addition, we generally must take into account our proportionate share of the assets held by partnerships (other than a "qualified publicly traded partnership") in which we are a partner for purposes of the asset diversification tests. If the partnership is a "qualified publicly traded partnership," the net income derived from such partnership will be qualifying income for purposes of the 90% Income Test, and interests in the partnership will be "securities" for purposes of the diversification tests. We intend to monitor our investments in equity securities of entities that are treated as partnerships for U.S. Federal income tax purposes to prevent our disqualification as a RIC.

In order to meet the 90% Income Test, we may establish one or more special purpose corporations to hold assets from which we do not anticipate earning dividend, interest or other qualifying income under the 90% Income Test. Any such special purpose corporation would generally be subject to U.S.

Federal income tax, and could result in a reduced after-tax yield on the portion of our assets held by such corporation.

Provided that we qualify as a RIC and satisfy the Annual Distribution Requirement, we will not be subject to U.S. Federal income tax on the portion of our investment company taxable income and net capital gain (which we define as net long-term capital gains in excess of net short-term capital losses) we timely distribute to stockholders. We will be subject to U.S. Federal income tax at the regular corporate rates on any investment company taxable income and net capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% non-deductible U.S. federal excise tax on certain undistributed income unless we distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year and (2) 98.2% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed, in preceding years. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year.

In December 2008, our Board of Directors elected to retain excess profits generated in the quarter ended September 30, 2008 and pay a 4% excise tax on such retained earnings. We paid $533,000 for the excise tax with the filing of our tax return in March 2009. No additional excise taxes have been paid or accrued since that time.

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount, we must include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant. As a RIC, we are not allowed to carry forward or carry back a net operating loss for purposes of computing our investment company taxable income in other taxable years.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the diversification tests. If we dispose of assets in order to meet the Annual Distribution Requirement or to avoid the excise tax, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate for taxable years beginning before 2013 (but not for taxable years beginning thereafter, unless the relevant provisions are extended by legislation) to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge on 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years.

Certain of our investment practices may be subject to special and complex U.S. Federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gain and qualified dividend income into higher taxed short-term capital gain or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause us to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions, and (vii) produce income that will not be qualifying income for purposes of the 90% Income Test. We will monitor our transactions and may make certain tax elections in order to mitigate the effect of these provisions.

We may invest in preferred securities or other securities the U.S. Federal income tax treatment of which may be unclear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the expected tax treatment, it could affect the timing or character of income recognized, requiring us to purchase or sell securities, or otherwise change our portfolio, in order to comply with the tax rules applicable to RICs under the Code.

Taxation Of U.S. Stockholders

Distributions by us generally are taxable to U.S. Stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. Stockholders to the extent of our current and accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. Distributions of our net capital gain (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain dividends" will be taxable to a U.S. Stockholder as long-term capital gains, regardless of the U.S. Stockholder's holding period for its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our current and accumulated earnings and profits first will reduce a U.S. Stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. Stockholder. Dividends distributed by us generally will not be eligible for the dividends-received deduction or the preferential rate applicable to so-called qualified dividend income.

Although we currently intend to distribute any long-term capital gains at least annually, we may in the future decide to retain some or all of our long-term capital gains, and designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. Stockholder will be required to include its proportionate share of the deemed distribution in income as if it had been actually distributed to the U.S. Stockholder, and the U.S. Stockholder will be entitled to claim a credit equal to its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. Stockholder's tax basis for its common stock. Since we expect to pay tax on any retained capital gains at our regular

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corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. Stockholder's other U.S. Federal income tax obligations or may be refunded to the extent it exceeds such U.S. Stockholder's liability for U.S. Federal income tax. A U.S. Stockholder that is not subject to U.S. Federal income tax or otherwise required to file a U.S. Federal income tax return would be required to file a U.S. Federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to utilize the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain dividends paid for that year, we may, under certain circumstances, elect to treat a dividend that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the dividend in the taxable year in which the distribution is made. However, any dividend declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in any such month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the dividend was declared.

If a U.S. Stockholder purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though it represents a return of its investment.

A U.S. Stockholder generally will recognize taxable gain or loss if such U.S. Stockholder sells or otherwise disposes of its shares of our common stock. Any gain or loss arising from such sale or taxable disposition generally will be treated as long-term capital gain or loss if the U.S. Stockholder has held its shares for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the sale or taxable disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain dividends received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a taxable disposition of shares of our common stock may be disallowed if other substantially identical shares are purchased (whether through reinvestment of distributions or otherwise) within 30 days before or after the disposition. Capital losses are deductible only to the extent of capital gains (subject to an exception for individuals under which a limited amount of capital losses may be offset against ordinary income).

In general, individual U.S. Stockholders currently are subject to a preferential rate on their net capital gain, or the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to U.S. Federal income tax on net capital gain at ordinary income rates. For tax years beginning after December 31, 2012, the U.S. Federal tax rates applicable to ordinary income and capital gain for individuals will increase unless further Congressional action is taken.

We will send to each of our U.S. Stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. Stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the amount and the U.S. federal tax status of each year's distributions generally will be reported to the IRS. Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. Stockholder's particular situation.

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Payments of dividends, including deemed payments of constructive dividends, or the proceeds of the sale or other taxable disposition of our common stock generally are subject to information reporting unless the U.S. Stockholder is an exempt recipient. Such payments may also be subject to U.S. federal backup withholding at the applicable rate if the recipient of such payment fails to supply a taxpayer identification number and otherwise comply with the rules for establishing an exemption from backup withholding. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against the holder's U.S. Federal income tax liability, provided that certain information is provided timely to the IRS.

Taxation Of Non-U.S. Stockholders

Whether an investment in our common stock is appropriate for a Non-U.S. Stockholder will depend upon that person's particular circumstances. An investment in our common stock by a Non-U.S. Stockholder may have adverse tax consequences. Non-U.S. Stockholders should consult their tax advisers before investing in our common stock.

Distributions of our investment company taxable income to Non-U.S. Stockholders that are not "effectively connected" with a U.S. trade or business conducted by the Non-U.S. Stockholder, will generally be subject to withholding of U.S. Federal income tax at a rate of 30% (or lower applicable treaty rate) to the extent of our current and accumulated earnings and profits.

For our taxable years beginning before January 1, 2012, properly designated distributions to Non-U.S. Stockholders are generally exempt from U.S. federal withholding tax where they (i) are paid in respect of our "qualified net interest income" (generally, our U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of our "qualified short-term capital gains" (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). Depending on the circumstances, however, we may designate all, some or none of our potentially eligible distributions as such qualified net interest income or as qualified short-term capital gains, and/or treat such distributions, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a Non-U.S. Stockholder will need to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or substitute Form). In the case of our shares held through an intermediary, the intermediary may withhold even if we designate the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. Stockholders should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of our distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains.

Actual or deemed distributions of our net capital gain to a Non-U.S. Stockholder, and gains recognized by a Non-U.S. Stockholder upon the sale of our common stock, that are not effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder will generally not be subject to U.S. federal withholding tax and generally will not be subject to U.S. Federal income tax unless the Non-U.S. Stockholder is a nonresident alien individual and is physically present in the U.S. for 183 or more days during the taxable year and meets certain other requirements. A Non-U.S. Stockholder that is so present in the U.S. will be subject to tax as described in the following paragraph.

Distributions of our investment company taxable income and net capital gain (including deemed distributions) to Non-U.S. Stockholders, and gains recognized by Non-U.S. Stockholders upon the sale of our common stock, that are effectively connected with a U.S. trade or business conducted by the Non-U.S. Stockholder will be subject to U.S. Federal income tax at the graduated rates applicable to U.S. citizens, residents and domestic corporations. In addition, if such Non-U.S. Stockholder is a foreign corporation, it may also be subject to a 30% (or lower applicable treaty rate) branch profits tax on its effectively connected earnings and profits for the taxable year, subject to adjustments, if its investment in our common stock is effectively connected with its conduct of a U.S. trade or business.

If we distribute our net capital gain in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. Stockholder will be entitled to a U.S. Federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. Stockholder must obtain a U.S. taxpayer identification number and file a U.S. Federal income tax return even if the Non-U.S. Stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a U.S. Federal income tax return.

In addition, after December 31, 2013, withholding at a rate of 30% will be required on dividends in respect of, and after December 31, 2014, withholding at a rate of 30% will be required on gross proceeds from the sale of, shares of our stock held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons. Accordingly, the entity through which our shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, our shares held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to us that such entity does not have any "substantial U.S. owners" or (ii) provides certain information regarding the entity's "substantial U.S. owners," which we will in turn provide to the Secretary of the Treasury. Non-U.S. Stockholders are encouraged to consult with their tax advisers regarding the possible implications of the legislation on their investment in our common stock.

A Non-U.S. Holder generally will be required to comply with certain certification procedures to establish that such holder is not a U.S. person in order to avoid backup withholding with respect to payments of dividends, including deemed payments of constructive dividends, or the proceeds of a disposition of our common stock. In addition, we are required to annually report to the IRS and each Non-U.S. Holder the amount of any dividends or constructive dividends treated as paid to such Non-U.S. Holder, regardless of whether any tax was actually withheld. Copies of the information returns reporting such dividend or constructive dividend payments and the amount withheld may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty. Backup withholding is not an additional tax, and any amounts withheld under the backup withholding rules generally will be allowed as a refund or credit against a Non-U.S. Holder's U.S. Federal income tax liability, if any, provided that certain required information is provided timely to the IRS.

Non-U.S. persons should consult their tax advisors with respect to the U.S. Federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in our common stock.

Failure To Obtain RIC Tax Treatment

If we were unable to obtain tax treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions would generally be taxable to our stockholders as ordinary dividend income (currently eligible for the 15% maximum rate) to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the dividends-received deduction.

Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

The discussion set forth herein does not constitute tax advice, and potential investors should consult their own tax advisors concerning the tax considerations relevant to their particular situation.

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DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

Capital Stock

Our authorized capital stock consists of 200,000,000 shares of stock, par value $0.001 per share, all of which is initially classified as common stock. Our common stock is traded on The NASDAQ Global Select Market under the symbol "PSEC." There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our charter, our Board of Directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock, and to authorize the issuance of such shares, without obtaining stockholder approval. Our Board of Directors will only take such actions in accordance with Section 18 as modified by Section 61 of the 1940 Act. The 1940 Act limits business development companies to only one class or series of common stock and only one class of preferred stock. As permitted by the Maryland General Corporation Law, our charter provides that the Board of Directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

The below table sets forth each class of our outstanding securities as of October 17, 2011:

(1) Title of Class	(2) Amount Authorized	(3) Amount Held by the Company or for its Account	(4) Amount Outstanding Exclusive of Amount Shown Under(3)
Common Stock	200,000,000	0	109,417,083

Common Stock

All shares of our common stock have equal rights as to earnings, assets, dividends and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our Board of Directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, conversion or redemption rights and are freely transferable, except where their transfer is restricted by U.S. Federal and state securities laws or by contract. In the event of a liquidation, dissolution or winding up of us, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that prior to the issuance of preferred stock holders of a majority of the outstanding shares of common stock will elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

Preferred Stock

Our charter authorizes our Board of Directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the Board of Directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the Board of Directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any dividend or other distribution (other than in shares of stock) is made with respect to our common stock and before any purchase of common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such dividend, distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on such preferred stock become in arrears by two years or more until all arrears are cured. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to operate other than as an investment company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

Limitation On Liability Of Directors And Officers; Indemnification And Advance Of Expenses

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to obligate ourselves to indemnify any present or former director or officer or any individual who, while serving as a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while serving as a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our insurance policy does not currently provide coverage for claims, liabilities and expenses that may arise out of activities that a present or former director or officer of us has performed for another entity at our request. There is no assurance that such entities will in fact carry such insurance. However, we note that we do not expect to request our present or former directors or officers to serve another entity as a director, officer, partner or trustee unless we can obtain insurance providing coverage for such persons for any claims, liabilities or expenses that may arise out of their activities while serving in such capacities.

Provisions Of The Maryland General Corporation Law And Our Charter And Bylaws

Anti-takeover Effect

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. These provisions could have the effect of depriving stockholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of us. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Control Share Acquisitions

The Maryland General Corporation Law under the Control Share Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by the affirmative vote of holders of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third,
- one-third or more but less than a majority, or
- a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Board of Directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future. However, we will notify the Division of Investment Management at the SEC prior to amending our bylaws to be subject to the Control Share Act and will make such amendment only if the Board of Directors determines that it would be in our best interests.

Business Combinations

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's shares; or

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an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the Board of Directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the Board of Directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Board of Directors.

After the five-year prohibition, any such business combination must be recommended by the Board of Directors of the corporation and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute provides various exemptions from its provisions, including for business combinations that are exempted by the Board of Directors before the time that the interested stockholder becomes an interested stockholder. Our Board of Directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, *provided* that the business combination is first approved by the Board of Directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or the Board of Directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Conflicts with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Act (if we amend our bylaws to be subject to such Act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

Classified Board of Directors

Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The current terms of the first, second and third classes will expire in 2011, 2012 and 2013 respectively, and in each case, until their successors are duly elected and qualify. Each year one class of directors will be elected to the Board of Directors by the stockholders to hold office for a term expiring at the annual meeting of stockholders held in the third year of their election. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

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Election of Directors

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Under the charter, our Board of Directors may amend the bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal

Our charter provides that the number of directors will be set only by the Board of Directors in accordance with our bylaws. Our bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than three nor more than eight. Our charter provides that, at such time as we have three independent directors and our common stock is registered under the Exchange Act of 1934, as amended, or the Exchange Act, we elect to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, at such time, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders

The Maryland General Corporation Law provides that stockholder action can be taken only at an annual or special meeting of stockholders or (unless the charter provides for stockholder action by less than unanimous written consent, which our charter does not) by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) *provided* that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our Board of Directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our Board of Directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our Board of Directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter.

Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The "continuing directors" are defined in our charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors.

Our charter and bylaws provide that the Board of Directors will have the exclusive power to make, alter, amend or repeal any provision of our bylaws.

No Appraisal Rights

Except with respect to appraisal rights arising in connection with the Control Share Act discussed above, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

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DESCRIPTION OF OUR PREFERRED STOCK

In addition to shares of common stock, our charter authorizes the issuance of preferred stock. If we offer preferred stock under this prospectus, we will issue an appropriate prospectus supplement. We may issue preferred stock from time to time in one or more series, without stockholder approval. Our Board of Directors is authorized to fix for any series of preferred stock the number of shares of such series and the designation, relative powers, preferences and rights, and the qualifications, limitations or restrictions of such series; except that, such an issuance must adhere to the requirements of the 1940 Act, Maryland law and any other limitations imposed by law.

The 1940 Act requires, among other things, that (1) immediately after issuance and before any distribution is made with respect to common stock, the liquidation preference of the preferred stock, together with all other senior securities, must not exceed an amount equal to 50% of our total assets (taking into account such distribution) and (2) the holders of shares of preferred stock, if any are issued, must be entitled as a class to elect two directors at all times and to elect a majority of the directors if dividends on the preferred stock are in arrears by two years or more.

For any series of preferred stock that we may issue, our Board of Directors will determine and the prospectus supplement relating to such series will describe:

- the designation and number of shares of such series;
- the rate and time at which, and the preferences and conditions under which, any dividends will be paid on shares of such series, the cumulative nature of such dividends and whether such dividends have any participating feature;
- any provisions relating to convertibility or exchangeability of the shares of such series;
- the rights and preferences, if any, of holders of shares of such series upon our liquidation, dissolution or winding up of our affairs;
- the voting powers of the holders of shares of such series;
- any provisions relating to the redemption of the shares of such series;
- any limitations on our ability to pay dividends or make distributions on, or acquire or redeem, other securities while shares of such series are outstanding;
- any conditions or restrictions on our ability to issue additional shares of such series or other securities;
- if applicable, a discussion of certain U.S. Federal income tax considerations; and
- any other relative power, preferences and participating, optional or special rights of shares of such series, and the qualifications, limitations or restrictions thereof.

All shares of preferred stock that we may issue will be identical and of equal rank except as to the particular terms thereof that may be fixed by our Board of Directors, and all shares of each series of preferred stock will be identical and of equal rank except as to the dates from which cumulative dividends thereon will be cumulative.

DESCRIPTION OF OUR DEBT SECURITIES

We currently have the Notes outstanding. However, we may issue additional debt securities in one or more series in the future which, if publicly offered, will be under an indenture to be entered into between us and a trustee. The specific terms of each series of debt securities we publicly offer will be described in the particular prospectus supplement relating to that series. The prospectus supplement may or may not modify the general terms found in this prospectus and will be filed with the SEC. For

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a complete description of the terms of a particular series of debt securities, you should read both this prospectus and the prospectus supplement relating to that particular series. The description below is a summary with respect to future debt securities we may issue and not a summary of the Notes. Please see "Business General Notes" for a description of the Notes.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an "indenture." An indenture is a contract between us and American Stock Transfer & Trust Company, LLC, a financial institution acting as trustee on your behalf, and is subject to and governed by the Trust Indenture Act of 1939, as amended. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described in the second paragraph under "Events of Default Remedies if an Event of Default Occurs." Second, the trustee performs certain administrative duties for us.

Because this section is a summary, it does not describe every aspect of the debt securities and the indenture. We urge you to read the indenture because it, and not this description, defines your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the indenture. Some of the definitions are repeated in this prospectus, but for the rest you will need to read the indenture. We have filed the form of the indenture with the SEC. See "Available Information" for information on how to obtain a copy of the indenture.

The prospectus supplement, which will accompany this prospectus, will describe the particular series of debt securities being offered by including:

- the designation or title of the series of debt securities;
- the total principal amount of the series of debt securities;
- the percentage of the principal amount at which the series of debt securities will be offered;
- the date or dates on which principal will be payable;
- the rate or rates (which may be either fixed or variable) and/or the method of determining such rate or rates of interest, if any;
- the date or dates from which any interest will accrue, or the method of determining such date or dates, and the date or dates on which any interest will be payable;
- the terms for redemption, extension or early repayment, if any;
- the currencies in which the series of debt securities are issued and payable;
- whether the amount of payments of principal, premium or interest, if any, on a series of debt securities will be determined with reference to an index, formula or other method (which could be based on one or more currencies, commodities, equity indices or other indices) and how these amounts will be determined;
- the place or places, if any, other than or in addition to The City of New York, of payment, transfer, conversion and/or exchange of the debt securities;

the denominations in which the offered debt securities will be issued;

the provision for any sinking fund;

any restrictive covenants;

any events of default;

whether the series of debt securities are issuable in certificated form;

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- any provisions for defeasance or covenant defeasance;
- any special federal income tax implications, including, if applicable, federal income tax considerations relating to original issue discount;
- whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option);
- any provisions for convertibility or exchangeability of the debt securities into or for any other securities;
- whether the debt securities are subject to subordination and the terms of such subordination;
- the listing, if any, on a securities exchange; and
- any other terms.

The debt securities may be secured or unsecured obligations. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue debt only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of debt. Unless the prospectus supplement states otherwise, principal (and premium, if any) and interest, if any, will be paid by us in immediately available funds.

General

The indenture provides that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement ("offered debt securities") and any debt securities issuable upon the exercise of warrants or upon conversion or exchange of other offered securities ("underlying debt securities"), may be issued under the indenture in one or more series.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on debt securities will include additional amounts if required by the terms of the debt securities.

The indenture limits the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under the indenture, when a single trustee is acting for all debt securities issued under the indenture, are called the "indenture securities." The indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See "Resignation of Trustee" below. At a time when two or more trustees are acting under the indenture, each with respect to only certain series, the term "indenture securities" means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under the indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The indenture does not contain any provisions that give you protection in the event we issue a large amount of debt.

We refer you to the prospectus supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue

of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Conversion and Exchange

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement will explain the terms and conditions of the conversion or exchange, including the conversion price or exchange ratio (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion price or the exchange ratio and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement.

Issuance of Securities in Registered Form

We may issue the debt securities in registered form, in which case we may issue them either in book-entry form only or in "certificated" form. Debt securities issued in book-entry form will be represented by global securities. We expect that we will usually issue debt securities in book-entry only form represented by global securities.

We also will have the option of issuing debt securities in non-registered form as bearer securities if we issue the securities outside the United States to non-U.S. persons. In that case, the prospectus supplement will set forth the mechanics for holding the bearer securities, including the procedures for receiving payments, for exchanging the bearer securities, including the procedures for receiving payments, for exchanging the bearer securities for registered securities of the same series, and for receiving notices. The prospectus supplement will also describe the requirements with respect to our maintenance of offices or agencies outside the United States and the applicable U.S. federal tax law requirements.

Book-Entry Holders

We will issue registered debt securities in book-entry form only, unless we specify otherwise in the applicable prospectus supplement. This means debt securities will be represented by one or more global securities registered in the name of a depositary that will hold them on behalf of financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the debt securities held by the depositary or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the indenture, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depositary as the holder of the debt securities and we will make all payments on the debt securities to the depositary. The depositary will then pass along the payments it receives to its participants, which in turn will pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders, of the debt securities.

Street Name Holders

In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in "street name." Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

Legal Holders

Our obligations, as well as the obligations of the applicable trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

When we refer to you, we mean those who invest in the debt securities being offered by this prospectus, whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

Special Considerations for Indirect Holders

If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

- how it handles securities payments and notices,
- whether it imposes fees or charges,
- how it would handle a request for the holders' consent, if ever required,
- whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,
- how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and
- if the debt securities are in book-entry form, how the depositary's rules and procedures will affect these matters.

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Global Securities

As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depositary. Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depositary for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "Special Situations when a Global Security Will Be Terminated". As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that has an account with the depositary. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect holder of a beneficial interest in the global security.

Special Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. The depositary that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.

- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under "Issuance of Securities in Registered Form" above.

- An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

- The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way.

If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the applicable trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the applicable trustee.

DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

Special Situations when a Global Security will be Terminated

In a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-book-entry form (certificated securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of legal holders and street name investors under "Issuance of Securities in Registered Form" above.

The special situations for termination of a global security are as follows:

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security, and we do not appoint another institution to act as depositary within 60 days,

if we notify the trustee that we wish to terminate that global security, or

if an event of default has occurred with regard to the debt securities represented by that global security and has not been cured or waived; we discuss defaults later under "Events of Default."

The prospectus supplement may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement. If a global security is terminated, only the depositary, and not we or the applicable trustee, is responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

Payment and Paying Agents

We will pay interest to the person listed in the applicable trustee's records as the owner of the debt security at the close of business on a particular day in advance of each due date for interest, even if that person no longer owns the debt security on the interest due date. That day, usually about two weeks in advance of the interest due date, is called the "record date." Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called "accrued interest."

Payments on Global Securities

We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under " Special Considerations for Global Securities."

Payments on Certificated Securities

We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make all payments of principal and premium, if any, by check at the office of the applicable trustee in New York, NY and/or at other offices that may be specified in the prospectus supplement or in a notice to holders against surrender of the debt security.

Alternatively, if the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the applicable trustee or other paying agent appropriate transfer instructions at least 15 business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Payments made on the next business day in this situation will be treated under the indenture as if they were made on the original due date, except as otherwise indicated in the attached prospectus supplement. Such payment will not result in a default under any debt security or the indenture, and no interest will accrue on the payment amount from the original due date to the next day that is a business day.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive payments on their debt securities.

Events of Default

You will have rights if an Event of Default occurs in respect of the debt securities of your series and is not cured, as described later in this subsection.

The term "Event of Default" in respect of the debt securities of your series means any of the following:

- We do not pay the principal of, or any premium on, a debt security of the series on its due date.

- We do not pay interest on a debt security of the series within 30 days of its due date.

- We do not deposit any sinking fund payment in respect of debt securities of the series on its due date.

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- We remain in breach of a covenant in respect of debt securities of the series for 90 days after we receive a written notice of default stating we are in breach. The notice must be sent by either the trustee or holders of at least 25% of the principal amount of debt securities of the series.

- We file for bankruptcy or certain other events of bankruptcy, insolvency or reorganization occur.

- Any other Event of Default in respect of debt securities of the series described in the prospectus supplement occurs.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the same or any other indenture. The trustee may withhold notice to the holders of debt securities of any default, except in the payment of principal, premium or interest, if it considers the withholding of notice to be in the best interests of the holders.

Remedies if an Event of Default Occurs

If an Event of Default has occurred and has not been cured, the trustee or the holders of at least 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of a majority in principal amount of the debt securities of the affected series under certain circumstances.

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability (called an "indemnity"). (Section 315 of the Trust Indenture Act of 1939) If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. The trustee may refuse to follow those directions in certain circumstances. No delay or omission in exercising any right or remedy will be treated as a waiver of that right, remedy or Event of Default.

Before you are allowed to bypass your trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

- You must give your trustee written notice that an Event of Default has occurred and remains uncured.

- The holders of at least 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

- The trustee must not have taken action for 60 days after receipt of the above notice and offer of indemnity.

- The holders of a majority in principal amount of the debt securities must not have given the trustee a direction inconsistent with the above notice during that 60-day period.

However, you are entitled at any time to bring a lawsuit for the payment of money due on your debt securities on or after the due date.

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Holders of a majority in principal amount of the debt securities of the affected series may waive any past defaults other than:

- the payment of principal, any premium or interest or
- in respect of a covenant that cannot be modified or amended without the consent of each holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of maturity.

Each year, we will furnish to each trustee a written statement of certain of our officers certifying that to their knowledge we are in compliance with the indenture and the debt securities or else specifying any default.

Merger or Consolidation

Under the terms of the indenture, we are generally permitted to consolidate or merge with another entity. We are also permitted to sell all or substantially all of our assets to another entity. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell our assets, the resulting entity must agree to be legally responsible for our obligations under the debt securities.
- The merger or sale of assets must not cause a default on the debt securities and we must not already be in default (unless the merger or sale would cure the default). For purposes of this no-default test, a default would include an Event of Default that has occurred and has not been cured, as described under "Events of Default" above. A default for this purpose would also include any event that would be an Event of Default if the requirements for giving us a notice of default or our default having to exist for a specific period of time were disregarded.
- Under the indenture, no merger or sale of assets may be made if as a result any of our property or assets or any property or assets of one of our subsidiaries, if any, would become subject to any mortgage, lien or other encumbrance unless either (i) the mortgage, lien or other encumbrance could be created pursuant to the limitation on liens covenant in the indenture (see "Indenture Provisions Limitation on Liens" below) without equally and ratably securing the indenture securities or (ii) the indenture securities are secured equally and ratably with or prior to the debt secured by the mortgage, lien or other encumbrance.
- We must deliver certain certificates and documents to the trustee.
- We must satisfy any other requirements specified in the prospectus supplement relating to a particular series of debt securities.

Modification or Waiver

There are three types of changes we can make to the indenture and the debt securities issued thereunder.

Changes Requiring Your Approval

First, there are changes that we cannot make to your debt securities without your specific approval. The following is a list of those types of changes:

change the stated maturity of the principal of, or interest on, a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a security following a default;

- adversely affect any right of repayment at the holder's option;
- change the place (except as otherwise described in the prospectus or prospectus supplement) or currency of payment on a debt security;
- impair your right to sue for payment;
- adversely affect any right to convert or exchange a debt security in accordance with its terms;
- modify the subordination provisions in the indenture in a manner that is adverse to holders of the debt securities;
- reduce the percentage of holders of debt securities whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of debt securities whose consent is needed to waive compliance with certain provisions of the indenture or to waive certain defaults;
- modify any other aspect of the provisions of the indenture dealing with supplemental indentures, modification and waiver of past defaults, changes to the quorum or voting requirements or the waiver of certain covenants; and
- change any obligation we have to pay additional amounts.

Changes Not Requiring Approval

The second type of change does not require any vote by the holders of the debt securities. This type is limited to clarifications and certain other changes that would not adversely affect holders of the outstanding debt securities in any material respect. We also do not need any approval to make any change that affects only debt securities to be issued under the indenture after the change takes effect.

Changes Requiring Majority Approval

Any other change to the indenture and the debt securities would require the following approval:

- If the change affects only one series of debt securities, it must be approved by the holders of a majority in principal amount of that series.
- If the change affects more than one series of debt securities issued under the same indenture, it must be approved by the holders of a majority in principal amount of all of the series affected by the change, with all affected series voting together as one class for this purpose.

In each case, the required approval must be given by written consent.

The holders of a majority in principal amount of all of the series of debt securities issued under an indenture, voting together as one class for this purpose, may waive our compliance with some of our covenants in that indenture. However, we cannot obtain a waiver of a payment default or of any of the matters covered by the bullet points included above under " Changes Requiring Your Approval."

Further Details Concerning Voting

When taking a vote, we will use the following rules to decide how much principal to attribute to a debt security:

- For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of these debt securities were accelerated to that date because of a default.

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For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that debt security described in the prospectus supplement.

For debt securities denominated in one or more foreign currencies, we will use the U.S. dollar equivalent.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under "Defeasance Full Defeasance."

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding indenture securities that are entitled to vote or take other action under the indenture. If we set a record date for a vote or other action to be taken by holders of one or more series, that vote or action may be taken only by persons who are holders of outstanding indenture securities of those series on the record date and must be taken within eleven months following the record date.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the debt securities or request a waiver.

Defeasance

The following provisions will be applicable to each series of debt securities unless we state in the applicable prospectus supplement that the provisions of covenant defeasance and full defeasance will not be applicable to that series.

Covenant Defeasance

Under current United States federal tax law, we can make the deposit described below and be released from some of the restrictive covenants in the indenture under which the particular series was issued. This is called "covenant defeasance." In that event, you would lose the protection of those restrictive covenants but would gain the protection of having money and government securities set aside in trust to repay your debt securities. In order to achieve covenant defeasance, we must do the following:

If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

We must deliver to the trustee a legal opinion of our counsel confirming that, under current United States federal income tax law, we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity.

We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to covenant defeasance have been complied with.

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Full Defeasance

If there is a change in United States federal tax law, as described below, we can legally release ourselves from all payment and other obligations on the debt securities of a particular series (called "full defeasance") if we put in place the following other arrangements for you to be repaid:

- If the debt securities of the particular series are denominated in U.S. dollars, we must deposit in trust for the benefit of all holders of such debt securities a combination of money and United States government or United States government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates.

- We must deliver to the trustee a legal opinion confirming that there has been a change in current United States federal tax law or an IRS ruling that allows us to make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves at maturity. Under current United States federal tax law, the deposit and our legal release from the debt securities would be treated as though we paid you your share of the cash and notes or bonds at the time the cash and notes or bonds were deposited in trust in exchange for your debt securities and you would recognize gain or loss on the debt securities at the time of the deposit.

- We must deliver to the trustee a legal opinion of our counsel stating that the above deposit does not require registration by us under the 1940 Act, as amended, and a legal opinion and officers' certificate stating that all conditions precedent to defeasance have been complied with.

Form, Exchange and Transfer of Certificated Registered Securities

If registered debt securities cease to be issued in book-entry form, they will be issued:

- only in fully registered certificated form,

- without interest coupons, and

- unless we indicate otherwise in the prospectus supplement, in denominations of $1,000 and amounts that are multiples of $1,000.

Holders may exchange their certificated securities for debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed.

Holders may exchange or transfer their certificated securities at the office of their trustee. We have appointed the trustee to act as our agent for registering debt securities in the names of holders transferring debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their certificated securities, but they may be required to pay any tax or other governmental charge associated with the transfer or exchange. The transfer or exchange will be made only if our transfer agent is satisfied with the holder's proof of legal ownership.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any certificated securities of a particular series are redeemable and we redeem less than all the debt securities of that series, we may block the transfer or exchange of those debt securities during the

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period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of holders to prepare the mailing. We may also refuse to register transfers or exchanges of any certificated securities selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security that will be partially redeemed.

If a registered debt security is issued in book-entry form, only the depositary will be entitled to transfer and exchange the debt security as described in this subsection, since it will be the sole holder of the debt security.

Resignation of Trustee

Each trustee may resign or be removed with respect to one or more series of indenture securities provided that a successor trustee is appointed to act with respect to these series. In the event that two or more persons are acting as trustee with respect to different series of indenture securities under the indenture, each of the trustees will be a trustee of a trust separate and apart from the trust administered by any other trustee.

Indenture Provisions Subordination

Upon any distribution of our assets upon our dissolution, winding up, liquidation or reorganization, the payment of the principal of (and premium, if any) and interest, if any, on any indenture securities denominated as subordinated debt securities is to be subordinated to the extent provided in the indenture in right of payment to the prior payment in full of all Senior Indebtedness (as defined below), but our obligation to you to make payment of the principal of (and premium, if any) and interest, if any, on such subordinated debt securities will not otherwise be affected. In addition, no payment on account of principal (or premium, if any), sinking fund or interest, if any, may be made on such subordinated debt securities at any time unless full payment of all amounts due in respect of the principal (and premium, if any), sinking fund and interest on Senior Indebtedness has been made or duly provided for in money or money's worth.

In the event that, notwithstanding the foregoing, any payment or distribution of our assets by us is received by the trustee in respect of subordinated debt securities or by the holders of any of such subordinated debt securities before all Senior Indebtedness is paid in full, the payment or distribution must be paid over, upon written notice to the Trustee, to the holders of the Senior Indebtedness or on their behalf for application to the payment of all the Senior Indebtedness remaining unpaid until all the Senior Indebtedness has been paid in full, after giving effect to any concurrent payment or distribution to the holders of the Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness upon this distribution by us, the holders of such subordinated debt securities will be subrogated to the rights of the holders of the Senior Indebtedness to the extent of payments made to the holders of the Senior Indebtedness out of the distributive share of such subordinated debt securities.

By reason of this subordination, in the event of a distribution of our assets upon our insolvency, certain of our senior creditors may recover more, ratably, than holders of any subordinated debt securities. The indenture provides that these subordination provisions will not apply to money and securities held in trust under the defeasance provisions of the indenture.

Senior Indebtedness is defined in the indenture as the principal of (and premium, if any) and unpaid interest on:

- our indebtedness (including indebtedness of others guaranteed by us), whenever created, incurred, assumed or guaranteed, for money borrowed (other than indenture securities issued under the indenture and denominated as subordinated debt securities), unless in the instrument

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- creating or evidencing the same or under which the same is outstanding it is provided that this indebtedness is not senior or prior in right of payment to the subordinated debt securities, and

- renewals, extensions, modifications and refinancings of any of this indebtedness.

If this prospectus is being delivered in connection with the offering of a series of indenture securities denominated as subordinated debt securities, the accompanying prospectus supplement will set forth the approximate amount of our Senior Indebtedness outstanding as of a recent date.

The Trustee under the Indenture

American Stock Transfer & Trust Company, LLC will serve as trustee under the indenture.

Certain Considerations Relating to Foreign Currencies

Debt securities denominated or payable in foreign currencies may entail significant risks. These risks include the possibility of significant fluctuations in the foreign currency markets, the imposition or modification of foreign exchange controls and potential illiquidity in the secondary market. These risks will vary depending upon the currency or currencies involved and will be more fully described in the applicable prospectus supplement.

DESCRIPTION OF OUR WARRANTS

The following is a general description of the terms of the warrants we may issue from time to time. Particular terms of any warrants we offer will be described in the prospectus supplement relating to such warrants.

We may issue warrants to purchase shares of our common stock, preferred stock or debt securities from time to time. Such warrants may be issued independently or together with one of our Securities and may be attached or separate from such securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

A prospectus supplement will describe the particular terms of any series of warrants we may issue, including the following:

- the title of such warrants;

- the aggregate number of such warrants;

- the price or prices at which such warrants will be issued;

- the currency or currencies, including composite currencies, in which the price of such warrants may be payable;

- the number of shares of common stock, preferred stock or debt securities issuable upon exercise of such warrants;

- the price at which and the currency or currencies, including composite currencies, in which the shares of common stock, preferred stock or debt securities purchasable upon exercise of such warrants may be purchased;

- the date on which the right to exercise such warrants will commence and the date on which such right will expire;

whether such warrants will be issued in registered form or bearer form;

- if applicable, the minimum or maximum amount of such warrants which may be exercised at any one time;
- if applicable, the number of such warrants issued with each share of common stock, preferred stock or debt securities;
- if applicable, the date on and after which such warrants and the related shares of common stock, preferred stock or debt securities will be separately transferable;
- information with respect to book-entry procedures, if any;
- if applicable, a discussion of certain U.S. Federal income tax considerations; and
- any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants.

Under the 1940 Act, we may generally only offer warrants *provided* that (1) the warrants expire by their terms within ten years; (2) the exercise or conversion price is not less than the current market value at the date of issuance; (3) our stockholders authorize the proposal to issue such warrants, and our Board of Directors approves such issuance on the basis that the issuance is in our best interests and the best interest of our stockholders; and (4) if the warrants are accompanied by other securities, the warrants are not separately transferable unless no class of such warrants and the securities accompanying them has been publicly distributed. The 1940 Act also provides that the amount of our voting securities that would result from the exercise of all outstanding warrants at the time of issuance may not exceed 25% of our outstanding voting securities.

REGULATION

We are a closed-end, non-diversified investment company that has filed an election to be treated as a business development company under the 1940 Act and has elected to be treated as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly-traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate and other market fluctuations. However, in connection with an investment or acquisition financing of a portfolio company, we may purchase or otherwise receive warrants to purchase the common stock of the portfolio company. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, except with respect to money market funds we generally cannot acquire more than 3% of the voting stock of any registered

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investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments subject our stockholders indirectly to additional expenses. None of these policies are fundamental and may be changed without stockholder approval.

Qualifying Assets

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An "eligible portfolio company" is defined in the 1940 Act and rules adopted pursuant thereto as any issuer which:

(a) is organized under the laws of, and has its principal place of business in, the United States;

(b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for exclusions under the 1940 Act for certain financial companies such as banks, brokers, commercial finance companies, mortgage companies and insurance companies; and

(c) satisfies any of the following:

1. does not have any class of securities with respect to which a broker or dealer may extend margin credit;

2. is controlled by a business development company or a group of companies including a business development company and the business development company has an affiliated person who is a director of the eligible portfolio company;

3. is a small and solvent company having total assets of not more than $4 million and capital and surplus of not less than $2 million;

4. does not have any class of securities listed on a national securities exchange; or

5. has a class of securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than $250 million.

(2) Securities in companies that were eligible portfolio companies when we made our initial investment if certain other requirements are satisfied.

(3) Securities of any eligible portfolio company which we control.

(4) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of

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its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing agreements.

(5) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(6) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(7) Cash, cash equivalents, U.S. government securities or high-quality debt securities maturing in one year or less from the time of investment.

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2), (3) or (4) above.

Managerial Assistance to Portfolio Companies

In order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available significant managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

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Temporary Investments

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, including money market funds, U.S. government securities or high quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in money market funds, U.S. treasury bills or in repurchase agreements that are fully collateralized by cash or securities issued by the U.S. government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the diversification tests in order to qualify as a RIC for U.S. Federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our Investment Adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

Senior Securities

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any preferred stock or public debt securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios after giving effect to such distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk Factors."

Code of Ethics

We, Prospect Capital Management and Prospect Administration have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts, including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. For information on how to obtain a copy of each code of ethics, see "Available Information."

Investment Concentration

Our investment objective is to generate both current income and long-term capital appreciation through debt and equity investments. While we are broadening the portfolio, many of our existing investments are in the energy and energy related industries.

Compliance Policies and Procedures

We and our Investment Adviser have adopted and implemented written policies and procedures reasonably designed to prevent violation of the U.S. Federal securities laws, and are required to review these compliance policies and procedures annually for their adequacy and the effectiveness of their implementation, and to designate a Chief Compliance Officer to be responsible for administering the policies and procedures. Brian H. Oswald serves as our Chief Compliance Officer.

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Proxy Voting Policies and Procedures

We have delegated our proxy voting responsibility to Prospect Capital Management. The Proxy Voting Policies and Procedures of Prospect Capital Management are set forth below. The guidelines are reviewed periodically by Prospect Capital Management and our independent directors, and, accordingly, are subject to change.

Introduction. As an investment adviser registered under the Advisers Act, Prospect Capital Management has a fiduciary duty to act solely in the best interests of its clients. As part of this duty, Prospect Capital Management recognizes that it must vote client securities in a timely manner free of conflicts of interest and in the best interests of its clients.

These policies and procedures for voting proxies for Prospect Capital Management's Investment Advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy policies. These policies are designed to be responsive to the wide range of subjects that may be the subject of a proxy vote. These policies are not exhaustive due to the variety of proxy voting issues that Prospect Capital Management may be required to consider. In general, Prospect Capital Management will vote proxies in accordance with these guidelines unless: (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients' best interests. In such cases, a decision on how to vote will be made by the Proxy Voting Committee (as described below). In reviewing proxy issues, Prospect Capital Management will apply the following general policies:

Elections of directors. In general, Prospect Capital Management will vote in favor of the management-proposed slate of directors. If there is a proxy fight for seats on the Board of Directors or Prospect Capital Management determines that there are other compelling reasons for withholding votes for directors, the Proxy Voting Committee will determine the appropriate vote on the matter. Prospect Capital Management believes that directors have a duty to respond to stockholder actions that have received significant stockholder support. Prospect Capital Management may withhold votes for directors that fail to act on key issues such as failure to implement proposals to declassify boards, failure to implement a majority vote requirement, failure to submit a rights plan to a stockholder vote and failure to act on tender offers where a majority of stockholders have tendered their shares. Finally, Prospect Capital Management may withhold votes for directors of non-U.S. issuers where there is insufficient information about the nominees disclosed in the proxy statement.

Appointment of auditors. Prospect Capital Management believes that the Company remains in the best position to choose the auditors and will generally support management's recommendation.

Changes in capital structure. Changes in a company's charter, articles of incorporation or by-laws may be required by state or U.S. Federal regulation. In general, Prospect Capital Management will cast its votes in accordance with the Company's management on such proposal. However, the Proxy Voting Committee will review and analyze on a case-by-case basis any proposals regarding changes in corporate structure that are not required by state or U.S. Federal regulation.

Corporate restructurings, mergers and acquisitions. Prospect Capital Management believes proxy votes dealing with corporate reorganizations are an extension of the investment decision. Accordingly, the Proxy Voting Committee will analyze such proposals on a case-by-case basis.

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Proposals affecting the rights of stockholders. Prospect Capital Management will generally vote in favor of proposals that give stockholders a greater voice in the affairs of the Company and oppose any measure that seeks to limit those rights. However, when analyzing such proposals, Prospect Capital Management will weigh the financial impact of the proposal against the impairment of the rights of stockholders.

Corporate governance. Prospect Capital Management recognizes the importance of good corporate governance in ensuring that management and the Board of Directors fulfill their obligations to the stockholders. Prospect Capital Management favors proposals promoting transparency and accountability within a company.

Anti-takeover measures. The Proxy Voting Committee will evaluate, on a case-by-case basis, proposals regarding anti-takeover measures to determine the measure's likely effect on stockholder value dilution.

Stock splits. Prospect Capital Management will generally vote with the management of the Company on stock split matters.

Limited liability of directors. Prospect Capital Management will generally vote with management on matters that would affect the limited liability of directors.

Social and corporate responsibility. The Proxy Voting Committee may review and analyze on a case-by-case basis proposals relating to social, political and environmental issues to determine whether they will have a financial impact on stockholder value. Prospect Capital Management may abstain from voting on social proposals that do not have a readily determinable financial impact on stockholder value.

Proxy voting procedures. Prospect Capital Management will generally vote proxies in accordance with these guidelines. In circumstances in which (1) Prospect Capital Management has determined to consider the matter on a case-by-case basis (as is stated in these guidelines), (2) the subject matter of the vote is not covered by these guidelines, (3) a material conflict of interest is present, or (4) Prospect Capital Management might find it necessary to vote contrary to its general guidelines to maximize stockholder value and vote in its clients' best interests, the Proxy Voting Committee will vote the proxy.

Proxy voting committee. Prospect Capital Management has formed a proxy voting committee to establish general proxy policies and consider specific proxy voting matters as necessary. In addition, members of the committee may contact the management of the Company and interested stockholder groups as necessary to discuss proxy issues. Members of the committee will include relevant senior personnel. The committee may also evaluate proxies where we face a potential conflict of interest (as discussed below). Finally, the committee monitors adherence to guidelines, and reviews the policies contained in this statement from time to time.

Conflicts of interest. Prospect Capital Management recognizes that there may be a potential conflict of interest when it votes a proxy solicited by an issuer that is its advisory client or a client or customer of one of our affiliates or with whom it has another business or personal relationship that may affect how it votes on the issuer's proxy. Prospect Capital Management believes that adherence to these policies and procedures ensures that proxies are voted with only its clients' best interests in mind. To ensure that its votes are not the product of a conflict of interests, Prospect Capital Management requires that: (i) anyone involved in the decision making process (including members of the Proxy Voting Committee) disclose to the chairman of the Proxy Voting Committee any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (ii) employees involved in the decision making process

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or vote administration are prohibited from revealing how Prospect Capital Management intends to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy voting. Each account's custodian will forward all relevant proxy materials to Prospect Capital Management, either electronically or in physical form to the address of record that Prospect Capital Management has provided to the custodian.

Proxy recordkeeping. Prospect Capital Management must retain the following documents pertaining to proxy voting:

- copies of its proxy voting polices and procedures;
- copies of all proxy statements;
- records of all votes cast by Prospect Capital Management;
- copies of all documents created by Prospect Capital Management that were material to making a decision how to vote proxies or that memorializes the basis for that decision; and
- copies of all written client requests for information with regard to how Prospect Capital Management voted proxies on behalf of the client as well as any written responses provided.

All of the above-referenced records will be maintained and preserved for a period of not less than five years from the end of the fiscal year during which the last entry was made. The first two years of records must be maintained at our office.

Proxy voting records. Clients may obtain information about how Prospect Capital Management voted proxies on their behalf by making a written request for proxy voting information to: Compliance Officer, Prospect Capital Management LLC, 10 East 40th Street, 44th Floor, New York, NY 10016.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 imposes a variety of regulatory requirements on publicly-held companies. In addition to our Chief Executive and Chief Financial Officers' required certifications as to the accuracy of our financial reporting, we are also required to disclose the effectiveness of our disclosure controls and procedures as well as report on our assessment of our internal controls over financial reporting, the latter of which must be audited by our independent registered public accounting firm.

The Sarbanes-Oxley Act also requires us to continually review our policies and procedures to ensure that we remain in compliance with all rules promulgated under the Act.

CUSTODIAN, TRANSFER AND DIVIDEND PAYING AGENT AND REGISTRAR

Our Securities are held under a custody agreement by U.S. Bank National Association. The address of the custodian is: 1555 North Rivercenter Drive, MK-WI-5302, Milwaukee, WI 53212, Attention: Mutual Fund Custody Account Administrator, facsimile: (866) 350-1430. American Stock Transfer & Trust Company acts as our transfer agent, dividend paying agent and registrar. The principal business address of American Stock Transfer & Trust Company is 59 Maiden Lane, New York, NY 10007, telephone number: (718) 921-8200.

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BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we generally acquire and dispose of our investments in privately negotiated transactions, we infrequently use brokers in the normal course of our business. The aggregate amount of brokerage commissions paid by us during the three most recent fiscal years is $78,544. Subject to policies established by our Board of Directors, Prospect Capital Management is primarily responsible for the execution of the publicly-traded securities portion of our portfolio transactions and the allocation of brokerage commissions.

Prospect Capital Management does not expect to execute transactions through any particular broker or dealer, but seeks to obtain the best net results for the Company, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While Prospect Capital Management generally seeks reasonably competitive trade execution costs, the Company will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, Prospect Capital Management may select a broker based partly upon brokerage or research services provided to it and the Company and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if Prospect Capital Management determines in good faith that such commission is reasonable in relation to the services provided.

PLAN OF DISTRIBUTION

We may sell the Securities pursuant to this prospectus and a prospectus supplement in any of four ways (or in any combination): (a) through underwriters or dealers; (b) directly to a limited number of purchasers or to a single purchaser, including existing stockholders in a rights offering; (c) through agents; or (d) directly to our stockholders and others through the issuance of transferable or non-transferable rights to our stockholders. In the case of a rights offering, the applicable prospectus supplement will set forth the number of shares of our common stock issuable upon the exercise of each right and the other terms of such rights offering. Any underwriter or agent involved in the offer and sale of the Securities will also be named in the applicable prospectus supplement. The Securities may be sold "at-the-market" to or through a market maker or into an existing trading market for the securities, on an exchange or otherwise. The prospectus supplement will set forth the terms of the offering of such securities, including:

- the name or names of any underwriters or agents and the amounts of Securities underwritten or placed by each of them;
- the offering price of the Securities and the proceeds to us and any discounts, commissions or concessions allowed or reallowed or paid to underwriters or agents; and
- any securities exchanges on which the Securities may be listed.

In addition, we may enter into registration rights agreements or other similar agreements in the future pursuant to which certain of our stockholders may resell our Securities under this prospectus and as described in any related prospectus supplement.

We may use Securities to acquire investments in companies, the terms of which will be further disclosed in a prospectus supplement if such stock is issued in an offering hereunder.

Any offering price and any discounts or concessions allowed or reallowed or paid to underwriters or agents may be changed from time to time.

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 in certain circumstances, including if (i)(1) the holders of a majority of our shares (or, if less, at least 67% of a quorum consisting of a majority of our shares) and a similar majority of the holders of our shares who are not affiliated persons of us approve the sale of our common stock at a price that is less than the current net asset value, and (2) a majority of our Directors who have no financial interest in the transaction and a majority of our independent Directors (a) determine that such sale is in our and our stockholders' best interests and (b) in consultation with any underwriter or underwriters of the offering, make a good faith determination as of a time either immediately prior to the first solicitation by us or on our behalf of firm commitments to purchase such shares, or immediately prior to the issuance of such shares, that the price at which such shares are to be sold is not less than a price which closely approximates the market value of such shares, less any distributing commission or discount or if (ii) a majority of the number of the beneficial holders of our common stock entitled to vote at the annual meeting, without regard to whether a majority of such shares are voted in favor of the proposal, approve the sale of our common stock at a price that is less than the current net asset value per share.

If underwriters are used in the sale of any Securities, Securities acquired by the underwriters for their own account may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Securities may be either offered to the public through underwriting syndicates represented by managing underwriters, or directly by underwriters. Generally, any obligations by the underwriters to purchase the Securities will be subject to certain conditions precedent.

In compliance with the guidelines of FINRA, the maximum compensation to the underwriters or dealers in connection with the sale of our Securities pursuant to this prospectus and the accompanying supplement to this prospectus may not exceed 8% of the aggregate offering price of the Securities as set forth on the cover page of the supplement to this prospectus. In connection with any rights offering to our stockholders, we may also enter into a standby underwriting arrangement with one or more underwriters pursuant to which the underwriter(s) will purchase our common stock remaining unsubscribed for after the rights offering.

We may sell the Securities through agents from time to time. The prospectus supplement will name any agent involved in the offer or sale of the Securities and any commissions we pay to them. Generally, any agent will be acting on a best efforts basis for the period of its appointment.

Agents, dealers and underwriters may be entitled to indemnification by us against certain civil liabilities, including liabilities under the Securities Act or to contribution with respect to payments which the agents or underwriters may be required to make in respect thereof. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

We may enter into derivative transactions with third parties, or sell Securities outside of this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell Securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use Securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment). We or one of our affiliates may loan or pledge Securities to a financial institution or other third party that in turn may sell the securities using this prospectus. Such financial institution or third party may transfer its short position to investors in our Securities or in connection with a simultaneous offering of other Securities offered by this prospectus or otherwise.

Any of our common stock sold pursuant to a prospectus supplement will be listed on The NASDAQ Global Select Market, or another exchange on which our common stock is traded.

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In order to comply with the securities laws of certain states, if applicable, the Securities offered hereby will be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in certain states, the Securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirements is available and is complied with.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for the Company by Skadden, Arps, Slate, Meagher & Flom LLP, New York, NY, and Venable LLP as special Maryland counsel.

INDEPENDENT REGISTERED ACCOUNTING FIRM

BDO USA, LLP is the independent registered public accounting firm of the Company.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act, with respect to our Securities offered by this prospectus. The registration statement contains additional information about us and the Securities being registered by this prospectus. We file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. This information and the information specifically regarding how we voted proxies relating to portfolio securities for the period ended June 30, 2011, are available free of charge by contacting us at 10 East 40th Street, 44th floor, New York, NY 10016 or by telephone at toll-free (888) 748-0702. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090 or by calling 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet site at http://www.sec.gov. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following E-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
Prospect Capital Corporation
New York, New York

We have audited the accompanying consolidated statements of assets and liabilities of Prospect Capital Corporation, including the schedule of investments, as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended June 30, 2011, and the financial highlights for each of the periods presented. These financial statements and financial highlights are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Prospect Capital Corporation at June 30, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2011, and the financial highlights for each of the periods presented in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Prospect Capital Corporation's internal control over financial reporting as of June 30, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated August 29, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

BDO USA, LLP
New York, New York
August 29, 2011

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except share and per share data)

	June 30, 2011	June 30, 2010
Assets (Note 5)		
Investments at fair value:		
Control investments (net cost of $262,301 and $185,720, respectively)	$ 310,072	$ 195,958
Affiliate investments (net cost of $56,833 and $65,082, respectively)	72,337	73,740
Non-control/Non-affiliate investments (net cost of $1,116,601 and $477,957, respectively)	1,080,601	478,785
Total investments at fair value (net cost of $1,435,734 and $728,759, respectively, Note 4)	1,463,010	748,483
Investments in money market funds	59,903	68,871
Cash	1,492	1,081
Receivables for:		
Interest, net	9,269	5,356
Dividends		1
Other	267	419
Prepaid expenses	101	371
Deferred financing costs	15,275	7,579
Other assets		534
Total Assets	1,549,317	832,695
Liabilities		
Credit facility payable (Note 5)	84,200	100,300
Senior convertible notes (Note 6)	322,500	
Dividends payable	10,895	6,909
Due to Prospect Administration (Note 10)	212	294
Due to Prospect Capital Management (Note 10)	7,706	9,006
Accrued expenses	5,876	4,057
Other liabilities	3,571	705
Total Liabilities	434,960	121,271
Net Assets (Note 3)	$ 1,114,357	$ 711,424
Components of Net Assets		
Common stock, par value $0.001 per share (200,000,000 and 100,000,000 common shares authorized, respectively; 107,606,690 and 69,086,862 issued and outstanding, respectively) (Note 7)	$ 108	$ 69
Paid-in capital in excess of par (Note 7)	1,196,741	805,918
Distributions in excess of net investment income	(21,638)	(9,692)
Accumulated realized losses on investments	(88,130)	(104,595)
Unrealized appreciation on investments	27,276	19,724
Net Assets (Note 3)	$ 1,114,357	$ 711,424
Net Asset Value Per Share	$ 10.36	$ 10.30

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share data)

	Year Ended		
	June 30, 2011	June 30, 2010	June 30, 2009
Investment Income			
Interest income: (Note 4)			
Control investments (Net of foreign withholding tax of $0, $19, and $166, respectively)	$ 21,747	$ 17,218	$ 19,281
Affiliate investments	11,307	7,957	3,039
Non-control/Non-affiliate investments	101,400	61,343	40,606
Total interest income	134,454	86,518	62,926
Dividend income:			
Control investments	13,569	14,860	22,468
Non-control/Non-affiliate investments	1,507	474	
Money market funds	16	32	325
Total dividend income	15,092	15,366	22,793
Other income: (Note 8)			
Control investments	2,829	261	1,249
Affiliate investments	190	169	
Non-control/Non-affiliate investments	16,911	3,613	13,513
Gain on Patriot acquisition (Note 3)		8,632	
Total other income	19,930	12,675	14,762
Total Investment Income	169,476	114,559	100,481
Operating Expenses			
Investment advisory fees:			
Base management fee (Note 10)	22,496	13,929	11,915
Income incentive fee (Note 10)	23,555	16,798	14,790
Total investment advisory fees	46,051	30,727	26,705
Interest and credit facility expenses	17,598	8,382	6,161
Sub-administration fees			846
Legal fees	1,062	702	947
Valuation services	992	734	705
Audit, compliance and tax related fees	876	981	1,015
Allocation of overhead from Prospect Administration (Note 10)	4,979	3,361	2,856
Insurance expense	285	254	246
Directors' fees	255	255	269
Potential merger expenses (Note 11)		852	
Other general and administrative expenses	3,157	1,121	1,035
Excise taxes			533
Total Operating Expenses	75,255	47,369	41,318

Net Investment Income	94,221	67,190	59,163
Net realized gain (loss) on investments (Note 4)	16,465	(51,545)	(39,078)
Net change in unrealized appreciation on investments (Note 4)	7,552	3,980	15,019
Net Increase in Net Assets Resulting from Operations	$ 118,238	$ 19,625	$ 35,104
Net increase in net assets resulting from operations per share: (Note 9 and Note 14)	$ 1.38	$ 0.33	$ 1.11
Weighted average shares of common stock outstanding:	85,978,757	59,429,222	31,559,905

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except share data)

	Year Ended		
	June 30, 2011	**June 30, 2010**	**June 30, 2009**
Increase in Net Assets from Operations:			
Net investment income	$ 94,221	$ 67,190	$ 59,163
Net gain (loss) on investments	16,465	(51,545)	(39,078)
Net change in unrealized appreciation on investments	7,552	3,980	15,019
Net Increase in Net Assets Resulting from Operations	118,238	19,625	35,104
Dividends to Shareholders	(106,167)	(101,034)	(36,519)
Capital Share Transactions:			
Net proceeds from capital shares sold	381,316	158,002	100,304
Less: Offering costs of public share offerings	(1,388)	(1,781)	(1,023)
Fair value of equity issued in conjunction with Patriot acquisition		92,800	
Reinvestment of dividends	10,934	11,216	5,107
Net Increase in Net Assets Resulting from Capital Share Transactions	390,862	260,237	104,388
Total Increase in Net Assets:	402,933	178,828	102,973
Net assets at beginning of year	711,424	532,596	429,623
Net Assets at End of Year	$ 1,114,357	$ 711,424	$ 532,596
Capital Share Activity:			
Shares sold	37,494,476	16,683,197	12,942,500
Shares issued for Patriot acquisition		8,444,068	
Shares issued through reinvestment of dividends	1,025,352	1,016,513	480,205
Net increase in capital share activity	38,519,828	26,143,778	13,422,705
Shares outstanding at beginning of year	69,086,862	42,943,084	29,520,379
Shares Outstanding at End of Year	107,606,690	69,086,862	42,943,084

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands, except share data)

	Year Ended		
	June 30, 2011	**June 30, 2010**	**June 30, 2009**
Cash Flows from Operating Activities:			
Net increase in net assets resulting from operations	$ 118,238	$ 19,625	$ 35,104
Net realized (gain) loss on investments	(16,465)	51,545	39,078
Net change in unrealized appreciation on investments	(7,552)	(3,980)	(15,019)
Accretion of purchase discount on investments	(23,035)	(20,313)	(2,399)
Amortization of deferred financing costs	5,365	5,297	759
Gain on Patriot acquisition (Note 3)		(8,632)	
Change in operating assets and liabilities:			
Payments for purchases of investments	(943,703)	(150,108)	(96,144)
Payment-in-kind interest	(9,634)	(7,554)	(2,161)
Proceeds from sale of investments and collection of investment principal	285,862	136,221	27,007
Purchases of cash equivalents		(199,997)	(39,999)
Sales of cash equivalents		199,997	39,999
Net decrease (increase) of investments in money market funds	8,968	29,864	(65,735)
(Increase) decrease in interest receivable, net	(3,913)	530	532
Decrease in dividends receivable	1	27	4,220
Decrease in loan principal receivable			71
Decrease (increase) in other receivables	152	152	(4)
Decrease (increase) in prepaid expenses	270	(268)	205
Decrease in due from Prospect Administration		1,500	
Decrease (increase) in other assets	534	(534)	
(Decrease) increase in due to Prospect Administration	(82)	(548)	147
(Decrease) increase in due to Prospect Capital Management	(1,300)	3,135	(75)
Increase (decrease) in accrued expenses	1,819	(1,291)	1,277
Increase (decrease) in other liabilities	2,866	170	(863)
Net Cash (Used In) Provided By Operating Activities:	(581,609)	54,838	(74,000)
Cash Flows from Investing Activities:			
Acquisition of Patriot, net of cash acquired (Note 3)		(106,586)	
Net Cash Used In Investing Activities:		(106,586)	
Cash Flows from Financing Activities:			
Borrowings under Senior Convertible Notes (Note 6)	322,500		
Borrowings under credit facility	465,900	244,100	100,157
Payments under credit facility	(482,000)	(268,600)	(66,524)
Financing costs paid and deferred	(13,061)	(5,925)	(6,270)
Net proceeds from issuance of common stock	381,316	158,001	100,304
Offering costs from issuance of common stock	(1,388)	(1,781)	(1,023)
Dividends paid	(91,247)	(82,908)	(43,257)
Net Cash Provided By Financing Activities:	582,020	42,887	83,387
Total Increase (Decrease) in Cash	411	(8,861)	9,387
Cash balance at beginning of year	1,081	9,942	555

Cash Balance at End of Year	$	1,492	$	1,081	$	9,942
Cash Paid For Interest	$	6,101	$	1,444	$	5,014
Non-Cash Financing Activity:						
Amount of shares issued in connection with dividend reinvestment plan	$	10,934	$	11,216	$	5,107
Fair value of shares issued in conjunction with the Patriot Acquisition	$		$	92,800	$	

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS

June 30, 2011 and June 30, 2010

(in thousands, except share data)

			June 30, 2011			
Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
AIRMALL USA, Inc(28)	Pennsylvania / Property Management	Senior Secured Term Loan (12.00%, due 6/30/2015)(3)(4)	$ 30,000	$ 30,000	$ 30,000	2.7%
		Senior Subordinated Term Loan (12.00% plus 6.00% PIK, due 12/31/2015)	12,500	12,500	12,500	1.1%
		Convertible Preferred Stock (9,919.684 shares)		9,920	9,226	0.8%
		Common Stock (100 shares)				0.0%
				52,420	**51,726**	**4.6%**
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50%, due 4/01/2013)(3)(4)	20,607	20,607	20,607	1.8%
		Subordinated Secured Note Tranche B (11.50% plus 6.00% PIK, due 4/01/2013)(3)(4)	15,035	15,035	13,270	1.2%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057		0.0%
		Unrestricted Common Stock (6 shares)				0.0%
				41,699	**33,877**	**3.0%**
AWCNC, LLC(20)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						0.0%
Borga, Inc.	California / Manufacturing	Revolving Line of Credit $1,000 Commitment (5.00% plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)(26)	1,000	945	1,000	0.1%
		Senior Secured Term Loan B (8.50% plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,500	691	0.1%
		Senior Secured Term Loan C (12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)	8,980	706		0.0%
		Common Stock (100 shares)(22)				0.0%
		Warrants (33,750 warrants)(22)				0.0%
				3,151	**1,691**	**0.2%**
C&J Cladding LLC	Texas / Metal Services and Minerals	Membership Interest (400 units)(23)		580	4,699	0.4%
				580	**4,699**	**0.4%**

Change Clean Energy Holdings, Inc. ("CCEHI" or "Biomass")(5)	Maine / Biomass Power	Common Stock (1,000 shares)		2,540		0.0%
				2,540		**0.0%**
Freedom Marine Services LLC(21)	Louisiana / Shipping Vessels	Subordinated Secured Note (12.00% plus 4.00% PIK, in non-accrual status effective 10/1/2010, due 12/31/2011)(4)	11,674	11,303	3,079	0.3%
		Net Profits Interest (22.50% payable on equity distributions)(7)				0.0%
				11,303	**3,079**	**0.3%**
Gas Solutions Holdings, Inc.(8)(3)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016)	25,000	25,000	25,000	2.2%
		Junior Secured Note (18.00%, due 12/12/2016)	12,000	12,000	12,000	1.1%
		Common Stock (100 shares)		5,003	68,406	6.2%
				42,003	**105,406**	**9.5%**

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

			June 30, 2011			
Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Secured Promissory Notes (15.00%, in non-accrual status effective 12/22/2010, due 3/21/2012 4/10/2013)(10)	$ 1,708	$ 1,708	$ 1,708	0.2%
		Senior Demand Note (15.00%, in non-accrual status effective 11/1/2010, past due)(10)	1,170	1,170	59	0.0%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	960	660		0.0%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	14,003	14,003		0.0%
		Preferred Stock Series A (10 shares)				0.0%
		Common Stock (49 shares)		679		0.0%
				18,220	**1,767**	**0.2%**
Iron Horse Coiled Tubing, Inc.(24)	Alberta, Canada / Production Services	Senior Secured Tranche 2 (Zero Coupon, due 1/1/2016)	2,338	2,338	2,186	0.2%
		Senior Secured Tranche 3 (2.00%, due 1/1/2016)	12,000	11,781	11,514	1.0%
		Common Stock (3,821 shares)		268	1,657	0.2%
				14,387	**15,357**	**1.4%**
Manx Energy, Inc. ("Manx")(12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC ("AEH") Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	2,248	2,000		0.0%
		Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)(6)	6,743	5,991		0.0%
		Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	3,550	3,550	1,312	0.1%
		Manx Preferred Stock (6,635 shares)		6,307		0.0%
		Manx Common Stock (3,416,335 shares)		1,171		0.0%
				19,019	**1,312**	**0.1%**
NMMB Holdings, Inc.(25)	New York / Media	Revolving Line of Credit $3,000 Commitment (10.50%, due 5/6/2016)(4)(26)				0.0%
		Senior Term Loan (14.00%, due 5/6/2016)	24,250	24,250	24,250	2.2%
		Senior Subordinated Term Loan (15.00%, due 5/6/2016)	2,800	2,800	2,800	0.2%
		Series A Preferred Stock (4,400 shares)		4,400	4,400	0.4%
				31,450	**31,450**	**2.8%**
NRG Manufacturing, Inc.	Texas / Manufacturing		13,080	13,080	13,080	1.2%

		Senior Secured Note (16.50%, due 8/31/2011)(3)(4)				
		Common Stock (800 shares)		2,317	32,403	2.9%
				15,397	**45,483**	**4.1**%
Nupla Corporation	California / Home & Office Furnishings, Housewares & Durable	Revolving Line of Credit $2,000 Commitment (7.25% plus 2.00% default interest, due 9/04/2012)(4)(26)	1,093	1,014	1,093	0.1%
		Senior Secured Term Loan A (8.00% plus 2.00% default interest, due 9/04/2012)(4)	4,538	902	4,538	0.4%
		Senior Subordinated Debt (15.00% PIK, in non-accrual status effective 4/01/2009, due 3/04/2013)	3,910		478	0.0%
		Preferred Stock Class A (2,850 shares)				0.0%
		Preferred Stock Class B (1,330 shares)				0.0%
		Common Stock (2,360,743 shares)				0.0%
				1,916	**6,109**	**0.5**%

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
R-V Industries, Inc.	Pennsylvania / Manufacturing	Warrants (200,000 warrants, expiring 6/30/2017)		$ 1,682	$ 2,178	0.2%
		Common Stock (545,107 shares)		5,086	5,938	0.5%
				6,768	**8,116**	**0.7%**
Yatesville Coal Holdings, Inc.(11)	Kentucky / Mining, Steel, Iron and Non-Precious Metals and Coal Production	Senior Secured Note (Non-accrual status effective 1/01/2009, due 12/31/2010)(4)	$ 1,035	1,035		0.0%
		Junior Secured Note (Non-accrual status effective 1/01/2009, due 12/31/2010)(4)	413	413		0.0%
		Common Stock (1,000 shares)				0.0%
				1,448		**0.0%**
		Total Control Investments		**262,301**	**310,072**	**27.8%**
Affiliate Investments (5.00% to 24.99% voting control)						
BNN Holdings Corp., (f/k/a Biotronic NeuroNetwork)	Michigan / Healthcare	Senior Secured Note (11.50% plus 1.00% PIK, due 2/21/2013)(3)(4)	26,227	26,227	27,014	2.4%
		Preferred Stock Series A (9,925.455 shares)(13)		2,300	5,597	0.6%
		Preferred Stock Series B (1,753.64 shares)(13)		579	1,409	0.1%
				29,106	**34,020**	**3.1%**
Boxercraft Incorporated	Georgia / Textiles & Leather	Senior Secured Term Loan A (9.50%, due 9/16/2013)(3)(4)	2,710	2,423	2,674	0.2%
		Senior Secured Term Loan B (10.00%, due 9/16/2013)(3)(4)	4,753	4,025	4,722	0.4%
		Subordinated Secured Term Loan (12.00% plus 6.50% PIK, due 3/16/2014)(3)	7,727	6,483	7,766	0.8%
		Preferred Stock (1,000,000 shares)			470	0.0%
		Common Stock (10,000 shares)				0.0%
				12,931	**15,632**	**1.4%**
Smart, LLC(15)	New York / Diversified / Conglomerate Service	Membership Interest Class B (1,218 units)				0.0%
		Membership Interest Class D (1 unit)				0.0%
						0.0%
Sport Helmets Holdings, LLC(15)	New York / Personal & Nondurable Consumer Products	Revolving Line of Credit $3,000 Commitment (4.00%, due 12/14/2013)(4)(26)(27)				0.0%
		Senior Secured Term Loan A (4.00%, due 12/14/2013)(3)(4)	2,125	1,326	2,107	0.2%

Senior Secured Term Loan B (4.50%, due 12/14/2013)(3)(4)	7,313	5,616	7,271	0.7%
Senior Subordinated Debt Series A (12.00% plus 3.00% PIK, due 6/14/2014)(3)	7,550	6,318	7,550	0.7%
Senior Subordinated Debt Series B (10.00% plus 5.00% PIK, due 6/14/2014)(3)	1,427	1,077	1,427	0.1%
Common Stock (20,974 shares)		459	4,330	0.3%
		14,796	**22,685**	**2.0%**
Total Affiliate Investments		**56,833**	**72,337**	**6.5%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ADAPCO, Inc.	Florida / Ecological	Common Stock (5,000 shares)		$ 141	$ 194	0.0%
				141	**194**	**0.0%**
Aircraft Fasteners International, LLC	California / Machinery	Revolving Line of Credit $500 Commitment (9.50%, due 11/01/2012)(4)(26)(27)	$			0.0%
		Senior Secured Term Loan (9.50%, due 11/01/2012)(3)(4)	3,663	3,663	3,663	0.3%
		Junior Secured Term Loan (12.00% plus 6.00% PIK, due 5/01/2013)(3)	4,900	4,900	4,900	0.5%
		Convertible Preferred Stock (32,500 units)		396	280	0.0%
				8,959	**8,843**	**0.8%**
American Gilsonite Company	Utah / Specialty Minerals	Senior Subordinated Note (12.00% plus 2.50% PIK, due 3/10/2016)(3)(4)	30,169	30,169	30,169	2.7%
		Membership Interest in AGC/PEP, LLC (99.9999%)(16)			4,158	0.4%
				30,169	**34,327**	**3.1%**
Arrowhead General Insurance Agency, Inc.(17)	California / Insurance	Junior Secured Term Loan (11.25%, due 9/30/2017)(4)	27,000	27,000	27,000	2.4%
				27,000	**27,000**	**2.4%**
Byrider Systems Acquisition Corp.	Indiana / Auto Finance	Senior Subordinated Notes (12.00% plus 2.00% PIK, due 11/3/2016)	25,082	25,082	25,082	2.3%
				25,082	**25,082**	**2.3%**
Caleel + Hayden, LLC(15)	Colorado / Personal & Nondurable Consumer Products	Membership Units (7,500 shares)		351	718	0.1%
		Options in Mineral Fusion Natural Brands, LLC (11,662 options)				0.0%
				351	**718**	**0.1%**
Cargo Airport Services USA, LLC.	New York / Transportation	Revolving Line of Credit $5,000 Commitment (11.50%, due 3/31/2012)(4)(26)	4,935	4,935	4,935	0.4%
		Senior Secured Term Loan (11.50%, due 3/31/2016)(4)	52,669	52,669	53,459	4.8%
		Common Equity (1.5 units)		1,500	1,824	0.2%

				59,104	**60,218**	**5.4%**
Clearwater Seafoods LP	Canada / Food Products	Second Lien Term Loan (12.00%, due 2/4/2016)	45,000	45,000	45,000	4.0%
				45,000	**45,000**	**4.0%**
The Copernicus Group, Inc.	North Carolina / Healthcare	Revolving Line of Credit $1,000 Commitment (8.00%, due 2/9/2016)(4)(26)				0.0%
		Senior Secured Term Loan A (8.00%, due 2/9/2016)(3)(4)	11,250	11,250	11,419	1.0%
		Senior Secured Term Loan B (14.00%, due 2/9/2016)(4)	11,250	11,250	11,419	1.0%
		Preferred Stock Series A (1,000,000 shares)		67	1,227	0.2%
		Preferred Stock Series C (212,121 shares)		212	317	0.0%
				22,779	**24,382**	**2.2%**
CRT MIDCO, LLC.	Wisconsin / Media	Revolving Line of Credit $7,500 Commitment (10.50%, due 6/30/2012)(4)(26)				0.0%
		Senior Secured Term Loan (10.50%, due 6/30/2017)(4)	75,000	75,000	75,000	6.7%
				75,000	**75,000**	**6.7%**
Deb Shops, Inc.(17)	Pennsylvania / Retail	Second Lien Debt (14.00% PIK, in non-accrual status effective 2/24/2009, due 10/23/2014)	19,906	14,606		0.0%
				14,606		**0.0%**

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LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Diamondback Operating, LP	Oklahoma / Oil & Gas Production	Net Profits Interest (15.00% payable on Equity distributions)(7)		$	$	0.0%
						0.0%
Empire Today, LLC(17)	Illinois / Durable Consumer Products	Senior Secured Note (11.375%, due 2/1/2017)	$ 7,500	7,424	7,500	0.7%
				7,424	**7,500**	**0.7%**
Fairchild Industrial Products, Co.	North Carolina / Electronics	Preferred Stock Class A (285.1 shares)		377	795	0.1%
		Common Stock Class B (28 shares)		211	579	0.1%
				588	**1,374**	**0.2%**
Fischbein, LLC	North Carolina / Machinery	Senior Subordinated Debt (12.00% plus 2.00% PIK, due 10/31/2016)	3,345	3,345	3,345	0.3%
		Membership Class A (875,000 units)		875	983	0.1%
				4,220	**4,328**	**0.4%**
H&M Oil & Gas, LLC	Texas / Oil & Gas Production	Senior Secured Note (13.00% plus 3.00% PIK, in non-accrual status effective 01/01/2011, past due)(4)	60,930	60,019	38,463	3.5%
		Net Profits Interest (8.00% payable on Equity distributions)(7)				0.0%
				60,019	**38,463**	**3.5%**
Hoffmaster Group, Inc.	Wisconsin / Durable Consumer Products	Second Lien Term Loan (13.50%, due 6/2/2017)(3)	20,000	20,000	20,400	1.8%
				20,000	**20,400**	**1.8%**
Hudson Products Holdings, Inc.(17)	Texas / Manufacturing	Senior Secured Term Loan (8.50%, due 8/24/2015)(3)(4)	6,348	5,819	5,597	0.5%
				5,819	**5,597**	**0.5%**
ICON Health & Fitness, Inc(17)	Utah / Durable Consumer Products	Senior Secured Note (11.875%, due 10/15/2016)(3)	43,100	43,407	45,040	4.0%
				43,407	**45,040**	**4.0%**

IEC-Systems, LP ("IEC") /Advanced Rig Services, LLC ("ARS")	Texas / Oilfield Fabrication	IEC Senior Secured Note (12.00% plus 3.00% PIK, due 11/20/2012)(3)(4)	15,360	15,360	15,360	1.5%
		ARS Senior Secured Note (12.00% plus 3.00% PIK, due 11/20/2012)(3)(4)	7,716	7,716	7,716	0.7%
				23,076	**23,076**	**2.2**%
JHH Holdings, Inc.	Texas / Healthcare	Senior Subordinated Debt (12.00% plus 2.50% PIK, due 6/23/2016)(4)	15,439	15,439	15,439	1.5%
				15,439	**15,439**	**1.5**%
LHC Holdings Corp.	Florida / Healthcare	Revolving Line of Credit $750 Commitment (8.50%, due 6/30/2012)(4)(26)(27)				0.0%
		Senior Secured Term Loan A (8.50%, due 6/30/2012)(3)(4)	1,052	1,052	1,041	0.1%
		Senior Subordinated Debt (12.00% plus 2.50% PIK, due 5/31/2013)(3)	4,565	4,299	4,486	0.4%
		Membership Interest (125 units)		216	219	0.0%
				5,567	**5,746**	**0.5**%
Mac & Massey Holdings, LLC	Georgia / Food Products	Senior Subordinated Debt (10.00% plus 5.75% PIK, due 2/10/2013)(3)	9,188	8,250	9,188	0.8%
		Membership Interest (250 units)		111	617	0.1%
				8,361	**9,805**	**0.9**%

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Maverick Healthcare, LLC	Arizona / Healthcare	Preferred Units (1,250,000 units)		$ 1,252	$ 1,623	0.1%
		Common Units (1,250,000 units)				0.0%
				1,252	**1,623**	**0.1%**
Medical Security Card Company, LLC(4)	Arizona / Healthcare	Revolving Line of Credit $1,500 Commitment (9.50%, due 2/1/2016)(26)	$			0.0%
		Senior Secured Term Loan (11.25%, due 2/1/2016)(3)	20,500	20,500	20,500	1.8%
				20,500	**20,500**	**1.8%**
Mood Media Corporation(17)	Canada / Media	Senior Subordinated Term Loan (10.25%, due 11/6/2018)(4)	15,000	14,852	14,850	1.3%
				14,852	**14,850**	**1.3%**
New Meatco Provisions, LLC.	California / Food Products	Senior Subordinated Term Loan (12.00% plus 4.00% PIK due 4/18/2016)(4)	13,106	13,106	13,106	1.2%
				13,106	**13,106**	**1.2%**
Northwestern Management Services, LLC	Florida / Healthcare	Revolving Line of Credit $1,500 Commitment (10.50%, due 7/30/2015)(4)(26)				0.0%
		Senior Secured Term Loan A (10.50%, due 7/30/2015)(3)(4)	17,369	17,369	17,369	1.5%
		Common Stock (50 shares)		371	565	0.1%
				17,740	**17,934**	**1.6%**
Out Rage, LLC(4)	Wisconsin / Durable Consumer Products	Revolving Line of Credit $1,500 Commitment (11.0%, due 3/2/2015)(26)				0.0%
		Senior Secured Term Loan (11.00%, due 3/2/2015)	12,422	12,422	12,422	1.1%
				12,422	**12,422**	**1.1%**
Pinnacle Treatment Centers, Inc(4)	Pennsylvania / Healthcare	Revolving Line of Credit $1,000 Commitment (8.0%, due 1/10/2016)(26)	250	250	250	0.0%
		Senior Secured Term Loan (11.00%, due 1/10/2016)(3)	18,763	18,763	18,763	1.7%
				19,013	**19,013**	**1.7%**

Potters Holdings II, L.P.(17)	Pennsylvania / Manufacturing	Senior Subordinated Term Loan (10.25%, due 11/6/2017)(4)	15,000	14,779	14,775	1.4%
				14,779	**14,775**	**1.4**%
Pre-Paid Legal Services, Inc(17)	Oklahoma / Consumer Services	Senior Subordinated Term Loan (11.00%, due 12/31/2016)(4)	5,000	5,000	5,000	0.4%
				5,000	**5,000**	**0.4**%
Progressive Logistics Services, LLC(3)	Georgia / Commercial Services	Senior Secured Term Loan A (8.50%, due 1/6/2016)(4)	14,625	14,625	14,625	1.3%
		Senior Secured Term Loan B (14.50%, due 1/6/2016)(4)	15,000	15,000	15,000	1.4%
				29,625	**29,625**	**2.7**%
Progrexion Holdings, Inc(29)	Utah / Consumer Services	Senior Secured Term Loan A (10.75%, due 12/31/2014)(3)(4)	35,618	35,618	35,618	3.2%
		Senior Secured Term Loan B (10.75%, due 12/31/2014)(4)	32,668	32,668	32,668	2.9%
				68,286	**68,286**	**6.1**%

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ROM Acquisition Corporation	Missouri / Automobile	Revolving Line of Credit $1,750 Commitment (4.25%, due 2/08/2013)(4)(26)(27)	$	$	$	0.0%
		Senior Secured Term Loan A (4.25%, due 2/08/2013)(3)(4)	2,932	2,684	2,895	0.3%
		Senior Secured Term Loan B (8.00%, due 5/08/2013)(3)(4)	7,187	7,187	7,187	0.6%
		Senior Subordinated Debt (12.00% plus 3.00% PIK due 8/08/2013)(3)	7,208	6,971	7,280	0.7%
				16,842	**17,362**	**1.6%**
Royal Adhesives & Sealants, LLC.	Indiana / Chemicals	Senior Subordinated Unsecured Term Loan (12.00% plus 2.00% PIK due 11/29/2016)	25,277	25,277	25,277	2.3%
				25,277	**25,277**	**2.3%**
SG Acquisition, Inc(4)	Georgia / Insurance	Senior Secured Term Loan A (8.50%, due 3/18/2016)	29,925	29,925	30,224	2.7%
		Senior Secured Term Loan B (14.50%, due 3/18/2016)(3)	29,925	29,925	30,224	2.7%
				59,850	**60,448**	**5.4%**
Seaton Corp.	Illinois / Business Services	Subordinated Secured (12.50% plus 2.00% PIK, due 3/14/2014)(3)(4)	6,788	6,604	6,787	0.6%
				6,604	**6,787**	**0.6%**
Shearer's Foods, Inc.	Ohio / Food Products	Junior Secured Debt (12.00% plus 3.75% PIK, due 3/31/2016)(3)(4)	36,248	36,248	36,248	3.2%
		Membership Interest in Mistral Chip Holdings, LLC Common (2,000 units)(18)		2,000	2,562	0.2%
		Membership Interest in Mistral Chip Holdings, LLC 2 Common (595 units)(18)		1,322	762	0.1%
		Membership Interest in Mistral Chip Holdings, LLC 3 Preferred (67 units)(18)		673	674	0.1%
				40,243	**40,246**	**3.6%**
Skillsoft Public Limited Company	Ireland / Software & Computer Services	Subordinated Unsecured (11.125%, due 06/01/2018)	15,000	14,908	15,000	1.3%
				14,908	**15,000**	**1.3%**
			15,059	14,502	15,059	1.4%

Snacks Holding Corporation	Minnesota / Food Products	Senior Subordinated Unsecured Term Loan (12.00% plus 1.00% PIK, due 11/12/2017)				
		Series A Preferred Stock (4,021.45 shares)		56	55	0.0%
		Series B Preferred Stock (1,866.10 shares)		56	55	0.0%
		Warrant (to purchase 31,196.52 voting common shares, expires 11/12/2020)		479	472	0.0%
				15,093	**15,641**	**1.4%**
SonicWALL, Inc.	California / Software & Computer Services	Subordinated Secured (12.00%, due 1/23/2017)(3)(4)	23,000	22,982	23,000	2.1%
				22,982	**23,000**	**2.1%**
Springs Window Fashions, LLC.	Wisconsin / Durable Consumer Products	Second Lien Term Loan (11.25%, due 11/30/2017)(4)	35,000	35,000	35,000	3.1%
				35,000	**35,000**	**3.1%**
ST Products, LLC.	Pennsylvania/ Manufacturing	Senior Secured Term Loan (12.00%, due 6/16/2016)(4)	26,500	26,500	26,500	2.4%
				26,500	**26,500**	**2.4%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Stauber Performance Ingredients, Inc.	California / Food Products	Senior Secured Term Loan (10.50%, due 1/21/2016)(3)(4)	$ 22,700	$ 22,700	$ 22,700	2.0%
				22,700	**22,700**	**2.0%**
Stryker Energy, LLC	Ohio / Oil & Gas Production	Subordinated Secured Revolving Credit Facility $50,300 Commitment (8.50% plus 3.75% PIK, due 12/01/2015)(3)(4)(26)	30,699	30,624	21,750	1.9%
		Overriding Royalty Interests(19)			2,168	0.2%
				30,624	**23,918**	**2.1%**
U.S. HealthWorks Holding Company, Inc(17)	California / Healthcare	Second Lien Term Loan (10.50%, due 6/15/2017)(4)	25,000	25,000	25,000	2.2%
				25,000	**25,000**	**2.2%**
Targus Group International, Inc(17)	California / Durable Consumer Products	First Lien Term Loan (11.00%, due 5/25/2016)(4)	24,000	23,526	24,000	2.1%
				23,526	**24,000**	**2.1%**
VPSI, Inc.	Michigan / Transportation	First Lien Senior Secured Note (12.00%, due 12/23/2015)(4)	17,646	17,646	17,646	1.6%
				17,646	**17,646**	**1.6%**
Wind River Resources Corp. and Wind River II Corp.	Utah / Oil & Gas Production	Senior Secured Note (13.00% plus 3.00% default interest on principal, 16.00% default interest on past due interest, in non-accrual status effective 12/01/2008, past due)(4)	15,000	15,000	7,230	0.6%
		Net Profits Interest (5.00% payable on Equity distributions)(7)				0.0%
				15,000	**7,230**	**0.6%**
		Total Non-control/Non-affiliate Investments (Level 3 Investments)		**1,116,481**	**1,080,421**	**97.0%**
		Total Level 3 Portfolio Investments		**1,435,615**	**1,462,830**	**131.3%**
LEVEL 1 PORTFOLIO INVESTMENTS:						

Non-control/Non-affiliate Investments (less than 5.00% of voting control)					
Allied Defense Group, Inc.	Virginia / Aerospace & Defense	Common Stock (10,000 shares)	56	35	0.0%
			56	**35**	**0.0%**
Dover Saddlery, Inc.	Massachusetts / Retail	Common Stock (30,974 shares)	63	145	0.0%
			63	**145**	**0.0%**
		Total Non-control/Non-affiliate Investments (Level 1 Investments)	**119**	**180**	**0.0%**
		Total Portfolio Investments	**1,435,734**	**1,463,010**	**131.3%**

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			June 30, 2011			
Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
SHORT TERM INVESTMENTS: Money Market Funds (Level 2 Investments)						
Fidelity Institutional Money Market Funds	Government Portfolio (Class I)			$ 45,986	$ 45,986	4.2%
Fidelity Institutional Money Market Funds	Government Portfolio (Class I)(3)			13,916	13,916	1.2%
Victory Government Money Market Funds				1	1	0.0%
		Total Money Market Funds		**59,903**	**59,903**	**5.4%**
		Total Investments		**1,495,637**	**1,522,913**	**136.7%**

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			June 30, 2010			
Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Ajax Rolled Ring & Machine, Inc.	South Carolina / Manufacturing	Senior Secured Note Tranche A (10.50%, due 4/01/2013)(3)(4)	$ 21,047	$ 21,047	$ 21,047	3.0%
		Subordinated Secured Note Tranche B (11.50% plus 6.00% PIK, due 4/01/2013)(3)(4)	16,306	16,306	9,857	1.3%
		Subordinated Secured Note Tranche B (15.00%, due 10/30/2010)	500	500		0.0%
		Convertible Preferred Stock Series A (6,142.6 shares)		6,057		0.0%
		Unrestricted Common Stock (6 shares)				0.0%
				43,910	**30,904**	**4.3%**
AWCNC, LLC(20)	North Carolina / Machinery	Members Units Class A (1,800,000 units)				0.0%
		Members Units Class B-1 (1 unit)				0.0%
		Members Units Class B-2 (7,999,999 units)				0.0%
						0.0%
Borga, Inc.	California / Manufacturing	Revolving Line of Credit $1,000 Commitment (4.75% plus 3.25% default interest, in non-accrual status effective 03/02/2010, past due)(4)(26)	1,000	945	850	0.1%
		Senior Secured Term Loan B (8.25% plus 3.25% default interest, in non-accrual status effective 03/02/2010, past due)(4)	1,612	1,500	1,282	0.2%
		Senior Secured Term Loan C (12.00% plus 4.00% PIK plus 3.00% default interest, in non-accrual status effective 03/02/2010, past due)	8,624	707		0.0%
		Common Stock (100 shares)(22)				0.0%
		Warrants (33,750 warrants)(22)				0.0%
				3,152	**2,132**	**0.3%**
C&J Cladding LLC	Texas / Metal Services and Minerals	Membership Interest (400 units)(23)		580	4,128	0.6%
				580	**4,128**	**0.6%**
Change Clean Energy Holdings, Inc. ("CCEHI" or "Biomass")(5)	Maine / Biomass Power	Common Stock (1,000 shares)		2,383		0.0%
				2,383		**0.0%**
Fischbein, LLC	North Carolina / Machinery	Senior Subordinated Debt (13.00% plus 5.50% PIK, due 5/01/2013)	3,811	3,631	3,811	0.5%

		Membership Interest(25)		1,899	4,812	0.7%
				5,530	**8,623**	**1.2%**
Freedom Marine Services LLC	Louisiana / Shipping Vessels	Subordinated Secured Note (16.00% PIK, due 12/31/2011)(3)	10,088	10,040	3,583	0.5%
		Net Profits Interest (22.50% payable on equity distributions)(3)(7)				0.0%
				10,040	**3,583**	**0.5%**
Gas Solutions Holdings, Inc.(8)(3)	Texas / Gas Gathering and Processing	Senior Secured Note (18.00%, due 12/11/2016)	25,000	25,000	25,000	3.5%
		Junior Secured Note (18.00%, due 12/12/2016)	7,500	7,500	7,500	1.1%
		Common Stock (100 shares)		5,003	60,596	8.5%
				37,503	**93,096**	**13.1%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Integrated Contract Services, Inc.(9)	North Carolina / Contracting	Senior Demand Note (15.00%, past due)(10)	$ 1,170	$ 1,170	$ 1,170	0.2%
		Senior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	1,100	800	1,100	0.2%
		Junior Secured Note (7.00% plus 7.00% PIK plus 6.00% default interest, in non-accrual status effective 10/09/2007, past due)	14,003	14,003	2,272	0.2%
		Preferred Stock Series A (10 shares)				0.0%
		Common Stock (49 shares)		679		0.0%
				16,652	**4,542**	**0.6%**
Iron Horse Coiled Tubing, Inc.(24)	Alberta, Canada / Production Services	Senior Secured Tranche 1 (Zero Coupon, in non-accrual status effective 1/01/2010, due 12/31/2015)	615	396	615	0.1%
		Senior Secured Tranche 2 (Zero Coupon, in non-accrual status effective 1/01/2010, due 12/31/2015)	2,337	2,338	2,338	0.3%
		Senior Secured Tranche 3 (1.00%, in non-accrual status effective 1/01/2010, due 12/31/2016)	18,000	18,000	9,101	1.3%
		Common Stock (3,821 shares)		268		0.0%
				21,002	**12,054**	**1.7%**
Manx Energy, Inc. ("Manx")(12)	Kansas / Oil & Gas Production	Appalachian Energy Holdings, LLC ("AEH") Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	2,073	2,000	472	0.1%
		Coalbed, LLC Senior Secured Note (8.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)(6)	6,219	5,991	1,414	0.2%
		Manx Senior Secured Note (13.00%, in non-accrual status effective 1/19/2010, due 1/19/2013)	2,800	2,800	2,800	0.4%
		Manx Preferred Stock (6,635 shares)		6,308		0.0%
		Manx Common Stock (3,416,335 shares)		1,171		0.0%
				18,270	**4,686**	**0.7%**
NRG Manufacturing, Inc.	Texas / Manufacturing	Senior Secured Note (16.50%, due 8/31/2011)(3)(4)	13,080	13,080	13,080	1.8%
		Common Stock (800 shares)		2,317	7,031	1.0%
				15,397	**20,111**	**2.8%**
Nupla Corporation	California / Home & Office Furnishings,	Revolving Line of Credit $2,000 Commitment (7.25% plus 2.00% default interest, due	1,093	958	1,093	0.1%

	Housewares & Durable	9/04/2012)(4)(26)				
		Senior Secured Term Loan A (8.00% plus 2.00% default interest, due 9/04/2012)(4)	5,139	1,503	3,301	0.5%
		Senior Subordinated Debt (10.00% plus 5.00% PIK, in non-accrual status effective 4/01/2009, due 3/04/2013)	3,368			0.0%
		Preferred Stock Class A (2,850 shares)				0.0%
		Preferred Stock Class B (1,330 shares)				0.0%
		Common Stock (2,360,743 shares)				0.0%
				2,461	**4,394**	**0.6%**
R-V Industries, Inc.	Pennsylvania / Manufacturing	Warrants (200,000 warrants, expiring 6/30/2017)		1,682	1,697	0.2%
		Common Stock (545,107 shares)		5,086	4,626	0.7%
				6,768	**6,323**	**0.9%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Control Investments (25.00% or greater of voting control)						
Sidump'r Trailer Company, Inc.	Nebraska / Automobile	Revolving Line of Credit $2,000 Commitment (7.25%, in non-accrual status effective 11/01/2008, due 1/10/2011)(4)(26)	$ 1,025	$ 479	$ 574	0.1%
		Senior Secured Term Loan A (7.25%, in non-accrual status effective 11/01/2008, due 1/10/2011)(4)	2,048	463		0.0%
		Senior Secured Term Loan B (8.75%, in-non-accrual status effective 11/01/2008, due 1/10/2011)(4)	2,321			0.0%
		Senior Secured Term Loan C (16.50% PIK, in non-accrual status effective 9/27/2008, due 7/10/2011)	3,085			0.0%
		Senior Secured Term Loan D (7.25%, in non-accrual status effective 11/01/2008, due 7/10/2011)(4)	1,700			0.0%
		Preferred Stock (49,843 shares)				0.0%
		Common Stock (64,050 shares)				0.0%
				942	**574**	**0.1%**
Yatesville Coal Holdings, Inc.(11)	Kentucky / Mining, Steel, Iron and Non-Precious Metals and Coal Production	Senior Secured Note (Non-accrual status effective 1/01/2009, due 12/31/2010)(4)	10,000	1,035	808	0.1%
		Junior Secured Note (Non-accrual status effective 1/01/2009, due 12/31/2010)(4)	41,931	95		0.0%
		Common Stock (1,000 shares)				0.0%
				1,130	**808**	**0.1%**
		Total Control Investments		**185,720**	**195,958**	**27.5%**
Affiliate Investments (5.00% to 24.99% voting control)						
BNN Holdings Corp., (f/k/a Biotronic NeuroNetwork)	Michigan / Healthcare	Senior Secured Note (11.50% plus 1.00% PIK, due 2/21/2013)(3)(4)	26,227	26,227	26,744	3.8%
		Preferred Stock (9,925.455 shares)(13)		2,300	2,759	0.4%
				28,527	**29,503**	**4.2%**
Boxercraft Incorporated	Georgia / Textiles & Leather	Revolving Line of Credit $1,000 Commitment (9.00%, due 9/16/2013)(26)(27)	1,000	1,000	1,000	0.1%
		Senior Secured Term Loan A (9.50%, due 9/16/2013)(3)(4)	3,843	3,330	3,577	0.5%
		Senior Secured Term Loan B (10.00%, due 9/16/2013)(3)(4)	4,822	3,845	4,386	0.6%
			7,235	5,775	6,717	1.0%

		Subordinated Secured Term Loan (12.00% plus 6.50% PIK, due 3/16/2014)(3)				
		Preferred Stock (1,000,000 shares)			205	0.0%
		Common Stock (10,000 shares)				0.0%
				13,950	**15,885**	**2.2%**
KTPS Holdings, LLC	Colorado / Textiles & Leather	Revolving Line of Credit $1,500 Commitment (10.50%, due 1/31/2012)(26)(27)	1,000	1,000	1,000	0.1%
		Senior Secured Term Loan A (10.50%, due 1/31/2012)(3)(4)	3,130	2,847	2,916	0.4%
		Senior Secured Term Loan B (12.00%, due 1/31/2012)(3)	435	377	409	0.1%
		Senior Secured Term Loan C (12.00% plus 6.00% PIK, due 3/31/2012)(3)	4,932	4,345	4,796	0.7%
		Membership Interest Class A (730 units)				0.0%
		Membership Interest Common (199,795 units)				0.0%
				8,569	**9,121**	**1.3%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Affiliate Investments (5.00% to 24.99% voting control)						
Smart, LLC(15)	New York / Diversified / Conglomerate Service	Membership Interest Class B (1,218 units)		$	$	0.0%
		Membership Interest Class D (1 unit)				0.0%
						0.0%
Sport Helmets Holdings, LLC(15)	New York / Personal & Nondurable Consumer Products	Revolving Line of Credit $3,000 Commitment (4.54%, due 12/14/2013)(26)(27)				0.0%
		Senior Secured Term Loan A (4.54%, due 12/14/2013)(3)(4)	$ 3,025	1,658	2,993	0.4%
		Senior Secured Term Loan B (5.04%, due 12/14/2013)(3)(4)	7,388	5,161	6,432	0.9%
		Senior Subordinated Debt Series A (12.00% plus 3.00% PIK, due 6/14/2014)(3)	7,325	5,857	6,734	0.9%
		Senior Subordinated Debt Series B (10.00% plus 5.00% PIK, due 6/14/2014)(3)	1,357	952	1,160	0.2%
		Common Stock (20,554 shares)		408	1,912	0.3%
				14,036	**19,231**	**2.7%**
		Total Affiliate Investments		**65,082**	**73,740**	**10.4%**
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
ADAPCO, Inc.	Florida / Ecological	Common Stock (5,000 shares)		141	340	0.0%
				141	**340**	**0.0%**
Aircraft Fasteners International, LLC	California / Machinery	Revolving Line of Credit $500 Commitment (9.50%, due 11/01/2012)(26)(27)				0.0%
		Senior Secured Term Loan (9.50%, due 11/01/2012)(3)(4)	4,565	4,565	4,248	0.6%
		Junior Secured Term Loan (12.00% plus 6.00% PIK, due 5/01/2013)(3)	5,134	5,134	4,807	0.7%
		Convertible Preferred Stock (32,500 units)		396	98	0.0%
				10,095	**9,153**	**1.3%**
American Gilsonite Company	Utah / Specialty Minerals	Senior Subordinated Note (12.00% plus 3.00% PIK, due 3/14/2013)(3)	14,783	14,783	14,931	2.1%
		Membership Interest in AGC/PEP, LLC (99.9999%)(16)		1,031	3,532	0.5%
				15,814	**18,463**	**2.6%**

Arrowhead General Insurance Agency, Inc.(17)	California / Insurance	Senior Secured Term Loan (8.50%, due 8/08/2012)	850	809	830	0.1%
		Junior Secured Term Loan (10.25% plus 2.50% PIK, due 2/08/2013)	6,179	5,002	5,122	0.7%
				5,811	**5,952**	**0.8%**
Caleel + Hayden, LLC(15)	Colorado / Personal & Nondurable Consumer Products	Membership Units (7,500 shares)		351	818	0.1%
		Options in Mineral Fusion Natural Brands, LLC (11,662 options)				0.0%
				351	**818**	**0.1%**

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Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Castro Cheese Company, Inc.	Texas / Food Products	Subordinated Secured Note (11.00% plus 2.00% PIK, due 2/28/2013)(3)	$ 7,692	$ 7,597	$ 7,769	1.1%
				7,597	**7,769**	**1.1%**
The Copernicus Group, Inc.	North Carolina / Healthcare	Revolving Line of Credit $500 Commitment (10.00%, due 10/08/2013)(4)(26)	150	22	150	0.0%
		Senior Secured Term Loan A (10.00%, due 10/08/2013)(3)(4)	5,850	5,058	5,416	0.8%
		Senior Subordinated Debt (10.00% plus 10.00% PIK, due 4/08/2014)	13,390	11,421	12,677	1.8%
		Preferred Stock Series A (1,000,000 shares)		67	104	0.0%
		Preferred Stock Series C (212,121 shares)		212	246	0.0%
				16,780	**18,593**	**2.6%**
Deb Shops, Inc.(17)	Pennsylvania / Retail	Second Lien Debt (14.00% PIK, in non-accrual status effective 2/24/2009, due 10/23/2014)	17,562	14,606	2,051	0.3%
				14,606	**2,051**	**0.3%**
Diamondback Operating, LP	Oklahoma / Oil & Gas Production	Net Profits Interest (15.00% payable on Equity distributions)(7)			193	0.0%
					193	**0.0%**
EXL Acquisition Corporation	South Carolina / Electronics	Revolving Line of Credit $1,000 Commitment (7.75%, due 06/24/2015)(26)(27)				0.0%
		Senior Secured Term Loan A (7.75%, due 6/24/2015)(3)(4)	12,250	12,250	12,250	1.7%
		Senior Secured Term Loan B (12.00% plus 2.00% PIK, due 12/24/2015)(3)	12,250	12,250	12,250	1.7%
		Common Stock Class A (2,475 shares)		437	363	0.1%
		Common Stock Class B (25 shares)		252	103	0.0%
				25,189	**24,966**	**3.5%**
Fairchild Industrial Products, Co.	North Carolina / Electronics	Preferred Stock Class A (285.1 shares)		377	435	0.1%
		Common Stock Class B (28 shares)		211	228	0.0%
				588	**663**	**0.1%**
H&M Oil & Gas, LLC	Texas / Oil & Gas Production	Senior Secured Note (13.00% plus 3.00% PIK, due 9/30/2010)	59,107	59,107	48,867	6.9%

		Net Profits Interest (8.00% payable on Equity distributions)(7)			827	0.1%
				59,107	**49,694**	**7.0**%
Hoffmaster Group, Inc.	Wisconsin / Durable Consumer Products	Second Lien Term Loan (13.50%, due 6/2/2017)(3)	20,000	20,000	20,000	2.8%
				20,000	**20,000**	**2.8**%
Hudson Products Holdings, Inc.(17)	Texas / Manufacturing	Senior Secured Term Loan (8.00%, due 8/24/2015)(3)(4)	6,365	5,734	5,314	0.7%
				5,734	**5,314**	**0.7**%
IEC-Systems, LP ("IEC") /Advanced Rig Services, LLC ("ARS")	Texas / Oilfield Fabrication	IEC Senior Secured Note (12.00% plus 3.00% PIK, due 11/20/2012)(3)(4)	19,008	19,008	19,008	2.7%
		ARS Senior Secured Note (12.00% plus 3.00% PIK, due 11/20/2012)(3)(4)	11,421	11,421	11,421	1.6%
				30,429	**30,429**	**4.3**%

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LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Impact Products, LLC	Ohio / Home & Office Furnishings, Housewares & Durable	Junior Secured Term Loan (6.38%, due 9/09/2012)(4)	$ 7,300	$ 6,351	$ 7,290	1.0%
		Senior Subordinated Debt (10.00% plus 5.00% PIK, due 9/09/2012)	5,548	5,300	5,548	0.8%
				11,651	**12,838**	**1.8%**
Label Corp Holdings, Inc.	Nebraska / Printing & Publishing	Senior Secured Term Loan (8.50%, due 8/08/2014)(3)(4)	5,794	5,222	5,284	0.7%
				5,222	**5,284**	**0.7%**
LHC Holdings Corp.(17)	Florida / Healthcare	Revolving Line of Credit $750 Commitment (9.00%, due 11/30/2012)(26)(27)				0.0%
		Senior Secured Term Loan A (9.00%, due 11/30/2012)(3)(4)	2,015	2,015	1,839	0.3%
		Senior Subordinated Debt (12.00% plus 2.50% PIK, due 5/31/2013)(3)	4,565	4,199	4,220	0.6%
		Membership Interest (125 units)		216	217	0.0%
				6,430	**6,276**	**0.9%**
Mac & Massey Holdings, LLC	Georgia / Food Products	Senior Subordinated Debt (10.00% plus 5.75% PIK, due 2/10/2013)	8,671	7,351	8,643	1.2%
		Membership Interest (250 units)		145	390	0.1%
				7,496	**9,033**	**1.3%**
Maverick Healthcare, LLC	Arizona / Healthcare	Second Lien Debt (12.50% plus 3.50% PIK, due 4/30/2014)(3)	13,122	13,122	13,247	1.9%
		Preferred Units (1,250,000 units)		1,252	2,025	0.2%
		Common Units (1,250,000 units)				0.0%
				14,374	**15,272**	**2.1%**
Miller Petroleum, Inc.	Tennessee / Oil & Gas Production	Warrants, Common Stock (2,208,772 warrants, expiring 5/04/2010 to 3/31/2015)(14)		150	1,244	0.2%
				150	**1,244**	**0.2%**
Northwestern Management Services, LLC	Florida / Healthcare	Revolving Line of Credit $1,000 Commitment (4.36%, due 12/13/2012)(26)(27)	350	350	350	0.0%
		Senior Secured Term Loan A (4.36%, due 12/13/2012)(3)(4)	4,309	3,516	3,578	0.5%

		Senior Secured Term Loan B (4.86%, due 12/13/2012)(3)(4)	1,219	904	956	0.1%
		Subordinated Secured Term Loan (12.00% plus 3.00%, due 6/13/2013)(3)	2,971	2,468	2,606	0.4%
		Common Stock (50 shares)		371	564	0.1%
				7,609	**8,054**	**1.1%**
Prince Mineral Company, Inc.	New York / Metal Services and Minerals	Junior Secured Term Loan (9.00%, due 12/21/2012)(4)	11,150	11,150	11,150	1.6%
		Senior Subordinated Debt (13.00% plus 2.00%, due 7/21/2013)	12,260	1,420	12,260	1.7%
				12,570	**23,410**	**3.3%**
Qualitest Pharmaceuticals, Inc.(17)	Alabama / Pharmaceuticals	Second Lien Debt (7.79%, due 4/30/2015)(3)(4)	12,000	11,955	12,000	1.7%
				11,955	**12,000**	**1.7%**

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LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Regional Management Corporation	South Carolina / Financial Services	Second Lien Debt (12.00% plus 2.00% PIK, due 6/29/2012)(3)	$ 25,814	$ 25,814	$ 25,592	3.6%
				25,814	**25,592**	**3.6%**
Roll Coater Acquisition Corp	Indiana / Metal Services and Minerals	Subordinated Secured Debt (10.25%, due 9/30/2010)	6,268	6,102	6,082	0.9%
				6,102	**6,082**	**0.9%**
ROM Acquisition Corporation	Missouri / Automobile	Revolving Line of Credit $1,750 Commitment (4.50%, due 2/08/2013)(26)(27)				0.0%
		Senior Secured Term Loan A (4.50%, due 2/08/2013)(3)(4)	4,640	4,025	4,571	0.6%
		Senior Secured Term Loan B (8.00%, due 5/08/2013)(3)(4)	7,251	7,251	7,078	1.0%
		Senior Subordinated Debt (12.00% plus 3.00% PIK due 8/08/2013)(3)	7,118	6,799	6,392	0.9%
				18,075	**18,041**	**2.5%**
Seaton Corp	Illinois / Business Services	Subordinated Secured (12.50% plus 2.00% PIK, due 3/14/2011)	12,296	12,060	12,132	1.7%
				12,060	**12,132**	**1.7%**
Shearer's Foods, Inc.	Ohio / Food Products	Junior Secured Debt (12.00% plus 3.00% PIK, due 3/31/2016)(3)	35,266	35,266	36,119	5.1%
		Membership Interest in Mistral Chip Holdings, LLC (2,000 units)(18)		2,560	6,136	0.9%
		Membership Interest in Mistral Chip Holdings, LLC 2 (595 units)(18)		762	1,825	0.2%
				38,588	**44,080**	**6.2%**
Skillsoft Public Limited Company	Ireland / Prepackaged Software	Subordinated Unsecured (11.125%, due 06/01/2018)	15,000	14,903	15,000	2.2%
				14,903	**15,000**	**2.2%**
Stryker Energy, LLC	Ohio / Oil & Gas Production	Subordinated Secured Revolving Credit Facility $49,250 Commitment (12.00%, due 12/01/2012)(3)(4)	29,724	29,507	29,624	4.2%
		Overriding Royalty Interests(19)			2,768	0.4%

				29,507	**32,392**	**4.6%**
TriZetto Group(17)	California / Healthcare	Subordinated Unsecured Note (12.00% plus 1.50% PIK, due 10/01/2016)(3)	15,434	15,306	15,895	2.2%
				15,306	**15,895**	**2.2%**
Unitek Acquisition, Inc.(17)	Pennsylvania / Technical Services	Second Lien Debt (13.08%, due 12/31/2013)(3)(4)	11,500	11,387	11,615	1.7%
				11,387	**11,615**	**1.7%**

See notes to consolidated financial statements.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

			June 30, 2010			
Portfolio Company	**Locale / Industry**	**Investments(1)**	**Principal Value**	**Cost**	**Fair Value(2)**	**% of Net Assets**
LEVEL 3 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Wind River Resources Corp. and Wind River II Corp.	Utah / Oil & Gas Production	Senior Secured Note (13.00% plus 3.00% default interest, in non-accrual status effective 12/01/2008, due 7/31/2010)(4)	$ 15,000	$ 15,000	$ 8,779	1.2%
		Net Profits Interest (5.00% payable on Equity distributions)(7)				0.0%
				15,000	**8,779**	**1.2%**
		Total Non-control/Non-affiliate Investments (Level 3 Investments)		**476,441**	**477,417**	**67.1%**
		Total Level 3 Portfolio Investments		**727,243**	**747,115**	**105.0%**
LEVEL 1 PORTFOLIO INVESTMENTS:						
Non-control/Non-affiliate Investments (less than 5.00% of voting control)						
Allied Defense Group, Inc.	Virginia / Aerospace & Defense	Common Stock (10,000 shares)		56	38	0.0%
				56	**38**	**0.0%**
Dover Saddlery, Inc.	Massachusetts / Retail	Common Stock (30,974 shares)		63	97	0.0%
				63	**97**	**0.0%**
LyondellBasell Industries N.V.	Netherlands / Chemical Company	Class A Common Stock (26,961 shares)		874	435	0.2%
		Class B Common Stock (49,421 shares)		523	798	0.0%
				1,397	**1,233**	**0.2%**
		Total Non-control/Non-affiliate Investments (Level 1 Investments)		**1,516**	**1,368**	**0.2%**
		Total Portfolio Investments		**728,759**	**748,483**	**105.2%**
SHORT TERM INVESTMENTS: Money Market Funds (Level 2 Investments)						
Fidelity Institutional Money Market Funds		Government Portfolio (Class I)		62,183	62,183	8.8%
Fidelity Institutional Money Market Funds		Government Portfolio (Class I)(3)		6,687	6,687	0.9%
Victory Government Money Market Funds				1	1	0.0%
		Total Money Market Funds		**68,871**	**68,871**	**9.7%**
		Total Investments		**797,630**	**817,354**	**114.9%**

See notes to consolidated financial statements.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

Endnote Explanations for the Consolidated Schedule of Investments as of June 30, 2011 and June 30, 2010

(1) The securities in which Prospect Capital Corporation ("we", "us" or "our") has invested were acquired in transactions that were exempt from registration under the Securities Act of 1933, as amended, or the "Securities Act." These securities may be resold only in transactions that are exempt from registration under the Securities Act.

(2) Fair value is determined by or under the direction of our Board of Directors. As of June 30, 2011, two of our portfolio investments, Allied Defense Group, Inc. ("Allied") and Dover Saddlery, Inc. ("Dover") were publically traded and classified as Level 1 within the valuation hierarchy established by Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820"). As of June 30, 2010, three of our portfolio investments, Allied, Dover and LyondellBasel Industries N.V., were publically traded and classified as Level 1 within the valuation hierarchy established by ASC 820. As of June 30 2011 and June 30, 2010, the fair value of our remaining portfolio investments was determined using significant unobservable inputs. ASC 820 classifies such inputs used to measure fair value as Level 3 within the valuation hierarchy. Our investments in money market funds are classified as Level 2. See Note 2 and Note 4 within the accompanying consolidated financial statements for further discussion.

(3) Security, or portion thereof, is pledged as collateral for the revolving credit facility (See Note 5). The market values of these investments at June 30, 2011 and June 30, 2010 were $700,321 and $512,244, respectively; they represent 46.0% and 62.7% of total investments at fair value, respectively. Prospect Capital Funding, LLC (See Note 1), our wholly-owned subsidiary, holds an aggregate market value of $631,915 and $451,648 of these investments as of June 30, 2011 and June 30, 2010, respectively.

(4) Security, or portion thereof, has a floating interest rate which may be subject to a Libor floor. Stated interest rate was in effect at June 30, 2011 and June 30, 2010.

(5) There are several entities involved in the Biomass investment. We own 100 shares of common stock in Worcester Energy Holdings, Inc. ("WEHI"), representing 100% of the issued and outstanding common stock. WEHI, in turn, owns 51 membership certificates in Biochips LLC ("Biochips"), which represents a 51% ownership stake.

We own 282 shares of common stock in Worcester Energy Co., Inc. ("WECO"), which represents 51% of the issued and outstanding common stock. We own directly 1,665 shares of common stock in Change Clean Energy Inc. ("CCEI"), f/k/a Worcester Energy Partners, Inc., which represents 51% of the issued and outstanding common stock and the remaining 49% is owned by WECO. CCEI owns 100 shares of common stock in Precision Logging and Landclearing, Inc. ("Precision"), which represents 100% of the issued and outstanding common stock.

During the quarter ended March 31, 2009, we created two new entities in anticipation of the foreclosure proceedings against the co-borrowers (WECO, CCEI and Biochips) Change Clean Energy Holdings, Inc. ("CCEHI") and DownEast Power Company, LLC ("DEPC"). We own 1,000 shares of CCEHI, representing 100% of the issued and outstanding stock, which in turn, owns a 100% of the membership interests in DEPC.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

Endnote Explanations for the Consolidated Schedule of Investments as of June 30, 2011 and June 30, 2010 (Continued)

On March 11, 2009, we foreclosed on the assets formerly held by CCEI and Biochips with a successful credit bid of $6,000 to acquire the assets. As a result of the foreclosure our direct ownership in CCEI increased to 3,265 shares of common stock. The assets were subsequently assigned to DEPC. WECO, CCEI and Biochips are joint borrowers on the term note issued to Prospect Capital. Effective July 1, 2008, this loan was placed on non-accrual status.

Biochips, WECO, CCEI, Precision and WEHI currently have no material operations and no significant assets. As of June 30, 2009, our Board of Directors assessed a fair value of $0 for all of these equity positions and the loan position. We determined that the impairment of both CCEI and CCEHI as of June 30, 2009 was other than temporary and recorded a realized loss for the amount that the amortized cost exceeds the fair value at June 30, 2009. Our Board of Directors set value at zero for the CCEHI investment as of June 30, 2011 and June 30, 2010.

(6) During the quarter ended December 31, 2009, we created two new entities, Coalbed Inc. and Coalbed LLC, to foreclose on the outstanding senior secured loan and assigned rights and interests of Conquest Cherokee, LLC ("Conquest"), as a result of the deterioration of Conquest's financial performance and inability to service debt payments. We own 1,000 shares of common stock in Coalbed Inc., representing 100% of the issued and outstanding common stock. Coalbed Inc., in turn owns 100% of the membership interest in Coalbed LLC.

On October 21, 2009, Coalbed LLC foreclosed on the loan formerly made to Conquest. On January 19, 2010, as part of the Manx rollup, the Coalbed LLC assets and loan was assigned to Manx, the holding company. As of June 30, 2011, our Board of Directors assessed a fair value of zero for the loan position in Coalbed LLC, a decrease of $1,414 from the fair value as of June 30, 2010.

(7) In addition to the stated returns, the net profits interest held will be realized upon sale of the borrower or a sale of the interests.

(8) Gas Solutions Holdings, Inc. is a wholly-owned investment of us.

(9) Entity was formed as a result of the debt restructuring of ESA Environmental Specialist, Inc. In early 2009, we foreclosed on the two loans on non-accrual status and purchased the underlying personal and real property. We own 1,000 shares of common stock in The Healing Staff ("THS"), f/k/a Lisamarie Fallon, Inc. representing 100% ownership. We own 1,500 shares of Vets Securing America, Inc. ("VSA"), representing 100% ownership. VSA is a holding company for the real property of Integrated Contract Services, Inc. ("ICS") purchased during the foreclosure process.

(10) Loan is with THS an affiliate of ICS.

(11) On June 30, 2008, we consolidated our holdings in four coal companies into Yatesville Coal Holdings, Inc. ("Yatesville"), and consolidated the operations under one management team. As part of the transaction, the debt that we held of C&A Construction, Inc. ("C&A"), Genesis Coal Corp. ("Genesis"), North Fork Collieries LLC ("North Fork") and Unity Virginia Holdings LLC ("Unity") were exchanged for newly issued debt from Yatesville, and our ownership interests in

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

Endnote Explanations for the Consolidated Schedule of Investments as of June 30, 2011 and June 30, 2010 (Continued)

C&A, E&L Construction, Inc. ("E&L"), Whymore Coal Company Inc. ("Whymore") and North Fork were exchanged for 100% of the equity of Yatesville. This reorganization allows for a better utilization of the assets in the consolidated group.

At June 30, 2011 and at June 30, 2010, Yatesville owned 100% of the membership interest of North Fork. In addition, Yatesville held a $9,325 note receivable from North Fork as of those two respective dates.

At June 30, 2011 and at June 30, 2010, we owned 96% and 87%, respectively, of the common stock of Genesis and held a note receivable of $20,897 as of those two respective dates.

Yatesville held a note receivable of $4,261 from Unity at June 30, 2011 and at June 30, 2010.

There are several entities involved in Yatesville's investment in Whymore at June 30, 2009. As of June 30, 2009, Yatesville owned 10,000 shares of common stock or 100% of the equity and held a $14,973 senior secured debt receivable from C&A, which owns the equipment. Yatesville owned 10,000 shares of common stock or 100% of the equity of E&L, which leases the equipment from C&A, employs the workers, is listed as the operator with the Commonwealth of Kentucky, mines the coal, receives revenues and pays all operating expenses. Yatesville owned 4,900 shares of common stock or 49% of the equity of Whymore, which applies for and holds permits on behalf of E&L. Yatesville also owned 4,285 Series A convertible preferred shares in each of C&A, E&L and Whymore. Whymore and E&L are guarantors under the C&A credit agreement with Yatesville.

In August 2009, Yatesville sold its 49% ownership interest in the common shares of Whymore to the 51% holder of the Whymore common shares ("Whymore Purchaser"). All reclamation liability was transferred to the Whymore Purchaser. In September 2009, Yatesville completed an auction for all of its equipment.

Yatesville currently has no material operations. During the quarter ended December 31, 2009, our Board of Directors determined that the impairment of Yatesville was other than temporary and we recorded a realized loss for the amount that the amortized cost exceeds the fair value. Our Board of Directors set the value of the remaining Yatesville investment at zero and $808 as of June 30, 2011 and June 30, 2010, respectively.

(12)

On January 19, 2010, we modified the terms of our senior secured debt in AEH and Coalbed in conjunction with the formation of Manx Energy, a new entity consisting in the assets of AEH, Coalbed and Kinley Exploration. The assets of the three companies were brought under new common management. We funded $2,800 at closing to Manx to provide for working capital. A portion of our loans to AEH and Coalbed was exchanged for Manx preferred equity, while our AEH equity interest was converted into Manx common stock. There was no change to fair value at the time of restructuring, and we continue to fully reserve any income accrued for Manx.

(13)

On a fully diluted basis represents 10.00% of voting common shares.

(14)

Total common shares outstanding of 33,389,383 as of July 22, 2010 from Miller's Annual Report on Form 10-K filed on July 28, 2010 as applicable to our June 30, 2010 reporting date.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

Endnote Explanations for the Consolidated Schedule of Investments as of June 30, 2011 and June 30, 2010 (Continued)

(15) A portion of the positions listed were issued by an affiliate of the portfolio company.

(16) We own 99.9999% of AGC/PEP, LLC. AGC/PEP, LLC owns 2,037.65 out of a total of 83,818.69 shares (including 5,111 vested and unvested management options) of American Gilsonite Holding Company which owns 100% of American Gilsonite Company.

(17) Syndicated investment which had been originated by another financial institution and broadly distributed.

(18) At June 30, 2011 and June 30, 2010, Mistral Chip Holdings, LLC owns 44,800 shares of Chip Holdings, Inc. and Mistral Chip Holdings 2, LLC owns 11,975 shares in Chip Holdings, Inc. Chip Holdings, Inc. is the parent company of Shearer's Foods, Inc. and has 67,936 shares outstanding before adjusting for management options.

(19) The overriding royalty interests held receive payments at the stated rates based upon operations of the borrower.

(20) On December 31, 2009, we sold our investment in Aylward Enterprises, LLC. AWCNC, LLC is the remaining holding company with zero assets. Our remaining outstanding debt after the sale was written off on December 31, 2009 and no value has been assigned to the equity position as of June 30, 2011 and June 30, 2010.

(21) We own 100% of Freedom Marine Holding, Inc., which owns 82.94% of the common units of Freedom Marine Services LLC.

(22) We own warrants to purchase 33,750 shares of common stock in Metal Buildings Holding Corporation ("Metal Buildings"), the former holding company of Borga, Inc. Metal Buildings Holding Corporation owned 100% of Borga, Inc.

On March 8, 2010, we foreclosed on the stock in Borga, Inc. that was held by Metal Buildings, obtaining 100% ownership of Borga, Inc.

(23) We own 100% of C&J Cladding Holding Company, Inc., which owns 40% of the membership interests in C&J Cladding, LLC.

(24) On January 1, 2010, we restructured our senior secured and bridge loans investment in Iron Horse Coiled Tubing, Inc. ("Iron Horse") and we reorganized Iron Horse's management structure. The senior secured loan and bridge loan were replaced with three new tranches of senior secured debt. From June 30, 2009 to June 30, 2011, our total ownership of Iron Horse decreased from 80.0% to 57.8%, respectively, and we will continue to transfer ownership interests to Iron Horse's management as they repay our outstanding debt.

As of June 30, 2011 and June 30, 2010, our Board of Directors assessed a fair value in Iron Horse of $15,357 and $12,054, respectively.

(25) On May 6, 2011, we made a secured first-lien $24,250 debt investment to NMMB Acquisition, Inc., a $2,800 secured debt and $4,400 equity investment to NMMB Holdings, Inc. We own 100% of the

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

June 30, 2011 and June 30, 2010

(in thousands, except share data)

Endnote Explanations for the Consolidated Schedule of Investments as of June 30, 2011 and June 30, 2010 (Continued)

Series A Preferred Stock in NMMB Holdings, Inc. NMMB Holdings, Inc. owns 100% of the Convertible Preferred in NMMB Acquisition, Inc. NMMB Acquisition, Inc. has a 5.8% dividend rate which is paid to NMMB Holdings, Inc. Our fully diluted ownership in NMMB Holdings, Inc. is 100% as of June 30, 2011. Our fully diluted ownership in NMMB Acquisition, Inc. is 83.5% as of June 30, 2011.

(26) Undrawn committed revolvers incur commitment fees ranging from 0.50% to 2.00%. As of June 30, 2011 and June 30, 2010, we have $35,822 and $29,908 of undrawn revolver commitments to our portfolio companies, respectively.

(27) Stated interest rates are based on June 30, 2011 and June 30, 2010 one month Libor rates plus applicable spreads based on the respective credit agreements. Interest rates are subject to change based on actual elections by the borrower for a Libor rate contract or Base Rate contract when drawing on the revolver.

(28) On July 30, 2010, we made a secured first-lien $30,000 debt investment to AIRMALL USA, Inc., a $12,500 secured second-lien to AMU Holdings, Inc., and 100% of the Convertible Preferred Stock and Common stock of AMU Holdings, Inc. Our Convertible Preferred Stock in AMU Holdings, Inc. has a 12.0% dividend rate which is paid from the dividends received from the underlying operating company, AIRMALL USA Inc. AMU Holdings, Inc. owns 100% of the common stock in AIRMALL USA, Inc.

(29) Progrexion Marketing, Inc., Progrexion Teleservices, Inc., Progrexion ASG, Inc. Progrexion IP, Inc. and Efolks, LLC, are joint borrowers on our senior secured investment. Progrexion Holdings, Inc. and eFolks Holdings, Inc. are the guarantors of this debt investment.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share and per share data)

Note 1. Organization

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

We were formerly known as Prospect Energy Corporation, a Maryland corporation. We were organized on April 13, 2004 and were funded in an initial public offering ("IPO"), completed on July 27, 2004. We are a closed-end investment company that has filed an election to be treated as a Business Development Company ("BDC"), under the Investment Company Act of 1940 (the "1940 Act"). As a BDC, we have qualified and have elected to be treated as a regulated investment company ("RIC"), under Subchapter M of the Internal Revenue Code. We invest primarily in senior and subordinated debt and equity of companies in need of capital for acquisitions, divestitures, growth, development, recapitalizations and other purposes.

On May 15, 2007, we formed a wholly-owned subsidiary, Prospect Capital Funding, LLC, a Delaware limited liability company, for the purpose of holding certain of our loan investments in the portfolio which are used as collateral for our credit facility.

Note 2. Significant Accounting Policies

The following are significant accounting policies consistently applied by us:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the requirements for reporting on Form 10-Q and Regulation S-X. The financial results of our portfolio investments are not consolidated in the financial statements.

Use of Estimates

The preparation of GAAP financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Changes in the economic environment, financial markets, creditworthiness of our portfolio companies and any other parameters used in determining these estimates could cause actual results to differ, and these differences could be material.

Basis of Consolidation

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

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

Investment Classification

We are a non-diversified company within the meaning of the 1940 Act. We classify our investments by level of control. As defined in the 1940 Act, control investments are those where there is the ability or power to exercise a controlling influence over the management or policies of a company. Control is generally deemed to exist when a company or individual possesses or has the right to acquire within 60 days or less, a beneficial ownership of 25% or more of the voting securities of an investee company. Affiliated investments and affiliated companies are defined by a lesser degree of influence and are deemed to exist through the possession outright or via the right to acquire within 60 days or less, beneficial ownership of 5% or more of the outstanding voting securities of another person.

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains or losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Investments in other, non-security financial instruments are recorded on the basis of subscription date or redemption date, as applicable. Amounts for investments recognized or derecognized but not yet settled are reported as receivables for investments sold and payables for investments purchased, respectively, in the Consolidated Statements of Assets and Liabilities.

Investment Risks

The Company's investments are subject to a variety of risks. Those risks include the following:

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument.

Credit Risk

Credit risk represents the risk that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company.

Liquidity Risk

Liquidity risk represents the possibility that the Company may not be able to rapidly adjust the size of its positions in times of high volatility and financial stress at a reasonable price.

Interest Rate Risk

Interest rate risk represents a change in interest rates, which could result in an adverse change in the fair value of an interest-bearing financial instrument.

Prepayment Risk

Many of the Company's debt investments allow for prepayment of principal without penalty. Downward changes in interest rates may cause prepayments to occur at a faster than expected

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

rate, thereby effectively shortening the maturity of the security and making the security less likely to be an income producing instrument.

Investment Valuation

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

Investments for which market quotations are readily available are valued at such market quotations.

For most of our investments, market quotations are not available. With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our Board of Directors has approved a multi-step valuation process each quarter, as described below:

1) Each portfolio company or investment is reviewed by our investment professionals with the independent valuation firm;

2) the independent valuation firm engaged by our Board of Directors conducts independent appraisals and makes their own independent assessment;

3) the audit committee of our Board of Directors reviews and discusses the preliminary valuation by our Investment Adviser within the valuation range presented by the independent valuation firm; and

4) the Board of Directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the respective independent valuation firm and the audit committee.

Investments are valued utilizing a shadow bond approach, a market approach, an income approach, a liquidation approach, or a combination of approaches, as appropriate. The shadow bond and market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present value amount (discounted) calculated based on an appropriate discount rate. The measurement is based on the net present value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, the principal market and enterprise values, among other factors.

In September 2006, the Financial Accounting Standards Board ("FASB") issued ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). ASC 820 defines fair value, establishes a framework

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

for measuring fair value in GAAP, and expands disclosures about fair value measurements. We adopted ASC 820 on a prospective basis beginning in the quarter ended September 30, 2008.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. The changes to GAAP from the application of ASC 820 relate to the definition of fair value, framework for measuring fair value, and the expanded disclosures about fair value measurements. ASC 820 applies to fair value measurements already required or permitted by other standards. In accordance with ASC 820, the fair value of our investments is defined as the price that we would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market in which that investment is transacted.

In April 2009, the FASB issued ASC Subtopic 820-10-65, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly"* ("ASC 820-10"). This update provides further clarification for ASC 820 in markets that are not active and provides additional guidance for determining when the volume of trading level of activity for an asset or liability has significantly decreased and for identifying circumstances that indicate a transaction is not orderly. ASC 820-10-65 is effective for interim and annual reporting periods ending after June 15, 2009. The adoption of ASC 820-10-65 for the years ended June 30, 2011 and 2010, did not have any effect on our net asset value, financial position or results of operations as there was no change to the fair value measurement principles set forth in ASC 820.

Valuation of Other Financial Assets and Financial Liabilities

In February 2007, FASB issued ASC Subtopic 820-10-05-1, *The Fair Value Option for Financial Assets and Financial Liabilities* ("ASC 820-10-05-1"). ASC 820-10-05-1 permits an entity to elect fair value as the initial and subsequent measurement attribute for many of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. We adopted this statement on July 1, 2008 and have elected not to value other assets and liabilities at fair value as would be permitted by ASC 820-10-05-1.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

Senior Convertible Notes

We have recorded the Senior Convertible Notes (See Note 6) at their contractual amounts. The Senior Convertible Notes were analyzed for any features that would require its accounting to be bifurcated and they were determined to be immaterial.

Revenue Recognition

Realized gains or losses on the sale of investments are calculated using the specific identification method.

Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Accretion of such purchase discounts or premiums is calculated by the effective interest method as of the purchase date and adjusted only for material amendments or prepayments. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination, closing and commitment fees are recorded as interest income. The purchase discount for portfolio investments acquired from Patriot was determined based on the difference between par value and fair market value as of December 2, 2009, and will continue to accrete until maturity or repayment of the respective loans.

Dividend income is recorded on the ex-dividend date.

Structuring fees and similar fees are recognized as income as earned, usually when paid. Structuring fees, excess deal deposits, net profits interests and overriding royalty interests are included in other income.

Loans are placed on non-accrual status when there is reasonable doubt that principal or interest will not be collected in accordance with the terms of the investment. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current.

Federal and State Income Taxes

We have elected to be treated as a regulated investment company and intend to continue to comply with the requirements of the Internal Revenue Code of 1986 (the "Code"), applicable to regulated investment companies. We are required to distribute at least 90% of our investment company taxable income and intend to distribute (or retain through a deemed distribution) all of our investment company taxable income and net capital gain to stockholders; therefore, we have made no provision for income taxes. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified to paid-in capital.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual taxable income in the calendar year it is earned, we will generally be required to pay an excise tax equal to 4% of the amount by which 98% of our annual taxable income exceeds the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated excess taxable income as taxable income is earned using an annual effective excise tax rate. The annual effective excise tax rate is determined by dividing the estimated annual excise tax by the estimated annual taxable income.

If we fail to satisfy the Annual Distribution Requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would we be required to make distributions. Distributions would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate for taxable years beginning before 2013 (but not for taxable years beginning thereafter, unless the relevant provisions are extended by legislation) to the extent of our current and accumulated earnings and profits, provided certain holding period and other requirements are met. Subject to certain limitations under the Code, corporate distributions would be eligible for the dividends-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our shareholders our accumulated earnings and profits attributable to non-RIC years reduced by an interest charge of 50% of such earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years.

We follow ASC 740, *Income Taxes* ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Adoption of ASC 740 was applied to all open tax years as of July 1, 2007. The adoption of ASC 740 did not have an effect on our net asset value, financial condition or results of operations as there was no liability for unrecognized tax benefits and no change to our beginning net asset value. As of June 30, 2011 and for the year then ended, we did not have a liability for any unrecognized tax benefits. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount, if any, to be paid as a monthly dividend or distribution is approved by our Board of Directors

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

quarterly and is generally based upon our management's estimate of our earnings for the quarter. Net realized capital gains, if any, are distributed at least annually.

Financing Costs

We record origination expenses related to our credit facility and the Senior Convertible Notes as deferred financing costs. These expenses are deferred and amortized as part of interest expense using the straight-line method for our revolving credit facility and the effective interest method for our Senior Convertible Notes, over the respective expected life.

We record registration expenses related to shelf filings as prepaid assets. These expenses consist principally of Securities and Exchange Commission ("SEC") registration fees, legal fees and accounting fees incurred. These prepaid assets will be charged to capital upon the receipt of an equity offering proceeds or charged to expense if no offering completed.

Guarantees and Indemnification Agreements

We follow ASC 460, *Guarantees* ("ASC 460"). ASC 460 elaborates on the disclosure requirements of a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, for those guarantees that are covered by ASC 460, the fair value of the obligation undertaken in issuing certain guarantees.

Per Share Information

Net increase or decrease in net assets resulting from operations per common share are calculated using the weighted average number of common shares outstanding for the period presented. In accordance with ASC 946, *Financial Services Investment Companies*, convertible securities are not considered in the calculation of net assets per share.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASC 2010-06"). ASU 2010-06 amends ASC 820-10 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. ASU 2010-06 is effective December 15, 2009, except for the disclosure about purchase, sales, issuances and settlements in the roll forward of activity in level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010 (or July 1, 2011 for us) and for interim periods within those fiscal years. Our management does not believe that the adoption of the amended guidance in ASC 820-10 will have a significant effect on our financial statements.

In February 2011, the FASB issued Accounting Standards Update 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring* ("ASU 2011-02"). ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 2. Significant Accounting Policies (Continued)

be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 provides guidance to clarify whether the creditor has granted a concession and whether a debtor is experiencing financial difficulties. The new guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption or July 1, 2011 for us. We do not believe that the adoption of the amended guidance in ASU 2011-02 will have a significant effect on our financial statements.

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* ("ASU 2011-04"). ASU 2011-04 amends Accounting Standards Codification Topic 820, "Fair Value Measurements" ("ASC 820") by: (1) clarifying that the highest-and-best-use and valuation-premise concepts only apply to measuring the fair value of non-financial assets; (2) allowing a reporting entity to measure the fair value of the net asset or net liability position in a manner consistent with how market participants would price the net risk position, if certain criteria are met; (3) providing a framework for considering whether a premium or discount can be applied in a fair value measurement; (4) providing that the fair value of an instrument classified in a reporting entity's shareholders' equity is estimated from the perspective of a market participant that holds the identical item as an asset; and (5) expanding the qualitative and quantitative fair value disclosure requirements. The expanded disclosures include, for Level 3 items, a description of the valuation process and a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs if a change in those inputs would result in a significantly different fair value measurement. ASU 2011-4 also requires disclosures about the highest-and-best-use of a non-financial asset when this use differs from the asset's current use and the reasons for such a difference. In addition, this ASU amends Accounting Standards Codification 820, "Fair Value Measurements," to require disclosures to include any transfers between Level 1 and Level 2 of the fair value hierarchy. These amendments are effective for fiscal years beginning after December 15, 2011 and for interim periods within those fiscal years. The amendments of ASU 2011-04, when adopted, are not expected to have a material impact on our consolidated financial statements.

Note 3. Patriot Acquisition

On December 2, 2009, we acquired the outstanding shares of Patriot Capital Funding, Inc. ("Patriot") common stock for $201,083. Under the terms of the merger agreement, Patriot common shareholders received 0.363992 shares of our common stock for each share of Patriot common stock, resulting in 8,444,068 shares of common stock being issued by us. In connection with the transaction, we repaid all the outstanding borrowings of Patriot, in compliance with the merger agreement.

On December 2, 2009, Patriot made a final dividend payment equal to its undistributed net ordinary income and capital gains of $0.38 per share. In accordance with a recent IRS revenue procedure, the dividend was paid 10% in cash and 90% in newly issued shares of Patriot's common stock. The exchange ratio was adjusted to give effect to the final income distribution.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 3. Patriot Acquisition (Continued)

The merger has been accounted for as an acquisition of Patriot by Prospect Capital Corporation ("Prospect") in accordance with acquisition method of accounting as detailed in ASC 805, *Business Combinations* ("ASC 805"). The fair value of the consideration paid was allocated to the assets acquired and liabilities assumed based on their fair values as the date of acquisition. As described in more detail in ASC 805, goodwill, if any, would have been recognized as of the acquisition date, if the consideration transferred exceeded the fair value of identifiable net assets acquired. As of the acquisition date, the fair value of the identifiable net assets acquired exceeded the fair value of the consideration transferred, and we recognized the excess as a gain. A preliminary gain of $5,714 was recorded by Prospect in the quarter ended December 31, 2009 related to the acquisition of Patriot, which was revised in the fourth quarter of the fiscal year ended June 30, 2010 to $7,708, when we settled severance accruals related to certain members of Patriot's top management and finalized during the first quarter of the fiscal year ended June 30, 2011, to $8,632, when we settled the remaining severance accruals related to the last two members of Patriot's top management. Under ASC 805, the adjustments to our preliminary estimate were reflected in the three months ended December 31, 2009 (See Note 14). The acquisition of Patriot was negotiated in July 2009 with the purchase agreement being signed on August 3, 2009. Between July 2009 and December 2, 2009, our valuation of certain of the investments acquired from Patriot increased due to market improvement, which resulted in the recognition of the gain at closing.

Purchase Price Allocation

The purchase price has been allocated to the assets acquired and the liabilities assumed based on their estimated fair values as summarized in the following table:

Cash (to repay Patriot debt)	$ 107,313
Cash (to fund purchase of restricted stock from former Patriot employees)	970
Common stock issued(1)	92,800
Total purchase price	201,083
Assets acquired:	
Investments(2)	207,126
Cash and cash equivalents	1,697
Other assets	3,859
Assets acquired	212,682
Other liabilities assumed	(2,967)
Net assets acquired	209,715
Gain on Patriot acquisition(3)	$ 8,632

(1) The value of the shares of common stock exchanged with the Patriot common shareholders was based upon the closing price of our common stock on December 2, 2009, the price immediately prior to the closing of the transaction.

(2) The fair value of Patriot's investments were determined by the Board of Directors in conjunction with an independent valuation agent. This valuation resulted in a purchase

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 3. Patriot Acquisition (Continued)

price which was $98,150 below the amortized cost of such investments. For those assets which are performing, Prospect will record the accretion to par value in interest income over the remaining term of the investment.

(3) The gain has been determined after the final payments of certain liabilities have been settled.

Condensed Statement of Net Assets Acquired

The following condensed statement of net assets acquired reflects the values assigned to Patriot's net assets as of the acquisition date, December 2, 2009.

Investment securities	$ 207,126
Cash and cash equivalents	1,697
Other assets	3,859
Total assets	212,682
Other liabilities	(2,967)
Final fair value of net assets acquired	$ 209,715

The following unaudited pro forma condensed combined financial information does not purport to be indicative of actual financial position or results of our operations had the Patriot acquisition actually been consummated at the beginning of each year presented. Certain one-time charges have been eliminated. The pro forma adjustments reflecting the allocation of the purchase price of Patriot and the gain of $8,632 recognized on the Patriot Acquisition have been eliminated from all periods presented. Management expects to realize net operating synergies from this transaction. The pro forma condensed combined financial information does not reflect the potential impact of these synergies and does not reflect any impact of additional accretion which would have been recognized on the transaction, except for that which was recorded after the transaction was consummated on December 2, 2009. There are no applicable pro-forma adjustments to the operating results for the year ended June 30, 2011 as the Patriot acquisition was consummated prior to the beginning of the fiscal year ended June 30, 2011.

	Year ended June 30,	
	2010	**2009**
Total Investment Income	$ 119,258	$ 137,473
Net Investment Income	65,538	74,553
Net Increase (Decrease) in Net Assets Resulting from Operations	12,117	(7,302)
Net Increase (Decrease) in Net Assets Resulting from Operations per share	0.19	(0.14)

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments

At June 30, 2011, we had invested in 72 long-term portfolio investments, which had an amortized cost of $1,435,734 and a fair value of $1,463,010 and at June 30, 2010, we had invested in 58 long-term portfolio investments, which had an amortized cost of $728,759 and a fair value of $748,483.

As of June 30, 2011, we own controlling interests in AIRMALL USA, Inc., Ajax Rolled Ring & Machine, Inc. ("Ajax"), AWCNC, LLC, Borga, Inc. ("Borga"), C&J Cladding, LLC, Change Clean Energy Holdings, Inc., Freedom Marine Services LLC ("Freedom Marine"), Gas Solutions Holdings, Inc. ("GSHI"), Integrated Contract Services, Inc. ("ICS"), Iron Horse Coiled Tubing, Inc. ("Iron Horse"), Manx Energy, Inc. ("Manx"), NMMB Holdings, Inc., NRG Manufacturing, Inc., Nupla Corporation ("Nupla"), R-V Industries, Inc. and Yatesville Coal Holdings, Inc. ("Yatesville"). We also own an affiliated interest in Biotronic NeuroNetwork, Boxercraft Incorporated, Smart, LLC, and Sport Helmets Holdings, LLC.

The composition of our investments as of June 30, 2011 and June 30, 2010 at cost and fair value was as follows:

	June 30, 2011		June 30, 2010	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money Market Funds	$ 59,903	$ 59,903	$ 68,871	$ 68,871
Investments in debt securities	1,375,601	1,301,270	682,171	636,893
Investments in equity securities	60,133	161,740	46,588	111,590
Total Portfolio	$ 1,495,637	$ 1,522,913	$ 797,630	$ 817,354

The fair values of our portfolio investments as of June 30, 2011 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value				
Money Market Funds	$	$ 59,903	$	$ 59,903
Revolving Line of Credit			7,278	7,278
Senior Secured Debt			789,981	789,981
Subordinated Secured Debt			448,675	448,675
Subordinated Unsecured Debt			55,336	55,336
Equity	180		161,560	161,740
Total Portfolio	$ 180	$ 59,903	$ 1,462,830	$ 1,522,913

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

	Fair Value Hierarchy			
	Level 1	Level 2	Level 3	Total
Investments at fair value				
Control investments	$	$	$ 310,072	$ 310,072
Affiliate investments			72,337	72,337
Non-control/non-affiliate investments	180		1,080,421	1,080,601
	180		1,462,830	1,463,010
Investments in money market funds		59,903		59,903
Total assets reported at fair value	$ 180	$ 59,903	$ 1,462,830	$ 1,522,913

The fair values of our portfolio investments as of June 30, 2010 disaggregated into the three levels of the ASC 820 valuation hierarchy are as follows:

	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value				
Money Market Funds	$	$ 68,871	$	$ 68,871
Revolving Line of Credit			5,017	5,017
Senior Secured Debt			287,470	287,470
Subordinated Secured Debt			313,511	313,511
Subordinated Unsecured Debt			30,895	30,895
Equity	1,368		110,222	111,590
Total Portfolio	$ 1,368	$ 68,871	$ 747,115	$ 817,354

	Quoted Prices in Active Markets for Identical Securities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments at fair value				
Control investments	$	$	$ 195,958	$ 195,958
Affiliate investments			73,740	73,740
Non-control/Non-affiliate investments	1,368		477,417	478,785
	1,368		747,115	748,483
Investments in money market funds		68,871		68,871
Total assets reported at fair value	$ 1,368	$ 68,871	$ 747,115	$ 817,354

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

The aggregate values of Level 3 portfolio investments changed during the year ended June 30, 2011 as follows:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/ Non-Affiliate Investments	Total
Fair value as of June 30, 2010	$ 195,958	$ 73,740	$ 477,417	$ 747,115
Total realized (loss) gain, net	8,558	(549)	8,052	16,061
Change in unrealized appreciation (depreciation)	37,165	7,398	(23,160)	21,403(1)
Net realized and unrealized gain (loss)	45,723	6,849	(15,108)	37,464
Purchases of portfolio investments	92,662	1,380	840,464	934,506
Payment-in-kind interest	2,297	1,281	6,056	9,634
Accretion of purchase discount	244	2,630	20,161	23,035
Repayments and sales of portfolio investments	(22,774)	(13,543)	(252,607)	(288,924)(2)
Transfers within Level 3	(4,038)		4,038	
Transfers in (out) of Level 3				
Fair value as of June 30, 2011	$ 310,072	$ 72,337	$ 1,080,421	$ 1,462,830

(1) Relates to assets held at June 30, 2011

(2) Includes change in unrealized appreciation (depreciation) of $14,060.

	Fair Value Measurements Using Unobservable Inputs (Level 3)					
	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Equity	Total
Fair value as of June 30, 2010	$ 5,017	$ 287,470	$ 313,511	$ 30,895	$ 110,222	$ 747,115
Total realized (loss) gain, net		(1,072)			17,133	16,061
Change in unrealized (depreciation) appreciation(1)	(34)	(6,174)	(9,618)	(37)	37,266	21,403(1)
Net realized and unrealized (loss) gain	(34)	(7,246)	(9,618)	(37)	54,399	37,464
Purchases of portfolio investments	9,385	572,637	294,331	39,410	18,743	934,506
Payment-in-kind interest		1,406	7,834	394		9,634
Accretion of purchase discount	184	5,119	17,563	169		23,035
	(7,274)	(69,405)	(174,946)	(15,495)	(21,804)	(288,924)(2)

Repayments and sales of portfolio investments						
Transfers within Level 3						
Transfers in (out) of Level 3						
Fair value as of June 30, 2011	$ 7,278	$ 789,981	$ 448,675	$ 55,336	$ 161,560	$ 1,462,830

(1) Relates to assets held at June 30, 2011

(2) Includes change in unrealized appreciation (depreciation) of $14,060.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

The aggregate values of Level 3 portfolio investments changed during the twelve months ended June 30, 2010 as follows:

	Fair Value Measurements Using Unobservable Inputs (Level 3)			
	Control Investments	Affiliate Investments	Non-Control/ Non-Affiliate Investments	Total
Fair value as of June 30, 2009	$ 206,332	$ 32,254	$ 308,582	$ 547,168
Total realized losses	(51,228)			(51,228)
Change in unrealized (depreciation) appreciation	(8,403)	9,948	4,085	5,630(1)
Net realized and unrealized (loss) gain	(59,631)	9,948	4,085	(45,598)
Assets acquired in the Patriot acquisition	10,534	36,400	160,073	207,007
Purchases of portfolio investments	16,240	2,800	126,788	145,828
Payment-in-kind interest	2,871	775	3,905	7,552
Accretion of original issue discount	3,535	1,475	15,303	20,313
Dispositions of portfolio investments	(9,396)	(4,884)	(120,874)	(135,154)(2)
Transfers within Level 3	25,473	(5,028)	(20,445)	
Transfers in (out) of Level 3				
Fair value as of June 30, 2010	$ 195,958	$ 73,740	$ 477,417	$ 747,115

(1) Relates to assets held at June 30, 2010

(2) Includes change in unrealized appreciation (depreciation) of ($1,502).

	Fair Value Measurements Using Unobservable Inputs (Level 3)					
	Revolving Line of Credit	Senior Secured Debt	Subordinated Secured Debt	Subordinated Unsecured Debt	Equity/ Equivalents	Total
Fair value as of June 30, 2009	$	$ 220,993	$ 194,547	$ 16,331	$ 115,297	$ 547,168
Total realized (loss) gain, net		(8,965)	(41,836)		(427)	(51,228)
Change in unrealized (depreciation) appreciation(1)	263	(13,982)	37,871	(580)	(17,942)	5,630(1)
Net realized and unrealized (loss) gain	263	(22,947)	(3,965)	(580)	(18,369)	(45,598)
Assets acquired in the Patriot acquisition	8,979	98,310	94,369	14,902	5,349	207,007

Purchases of portfolio investments	3,745	31,607	86,195	232	9,379	145,828
Payment-in-kind interest		552	6,767	10		7,552
Accretion of purchase discount	2,526	9,793	7,984			20,313
Repayments and sales of portfolio investments	(10,496)	(50,838)	(72,386)		(1,434)	(135,154)(2)
Transfers within Level 3						
Transfers in (out) of Level 3						
Fair value as of June 30, 2010	$ 5,017	$ 287,470	$ 313,511	$ 30,895	$ 110,222	$ 747,115

(1) Relates to assets held at June 30, 2010

(2) Includes change in unrealized appreciation (depreciation) of ($1,502).

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

During the year ended June 30, 2010, the valuation methodology for Ajax changed from a discounted cash flow analysis to an enterprise and equity valuation. The independent valuation agent proposed this adjustment due to our controlling equity interest in Ajax. As a result, and combined with declining financial results, the fair market value of Ajax decreased from $31,638 to $30,904 as of June 30, 2009 and June 30, 2010, respectively. There were no other material changes to our valuation methodology.

At June 30, 2011, nine loan investments were on non-accrual status: Borga, Deb Shops, Inc. ("Deb Shops"), Freedom Marine, H&M Oil and Gas, LLC ("H&M"), ICS, Nupla, Manx, Wind River Resources Corp. and Wind River II Corp. ("Wind River"), and Yatesville. At June 30, 2010, nine loan investments were on non-accrual status: Borga, Deb Shops, ICS, Iron Horse, Nupla, Manx, Sidump'r Trailer Company, Inc., Wind River and Yatesville. The loan principal of these loans amounted to $154,752 and $163,653 as of June 30, 2011 and June 30, 2010, respectively. At June 30, 2011, H&M was placed on non-accrual status due to the inability of the company to service its debt and $2,407 of income recognized during the quarter ended March 31, 2011 was reversed. The fair values of these investments represent approximately 4.8% and 5.6% of our net assets as of June 30, 2011 and June 30, 2010, respectively. For the years ended June 30, 2011, June 30, 2010 and June 30, 2009, the income foregone as a result of not accruing interest on non-accrual debt investments amounted to $18,535, $19,764 and $18,746, respectively. At June 30, 2011, we held one asset on accrual status for which the payment of interest was past-due more than 60 days, Stryker Energy, LLC. The principal balance of this loan is $30,699 and the accrued interest receivable is $680 at June 30, 2011. The past due interest of $680 was collected in full on July 27, 2011. We expect full repayment of principal and interest on this loan.

GSHI has indemnified us against any legal action arising from its investment in Gas Solutions, LP. We have incurred approximately $2,093 from the inception of the investment in GSHI through June 30, 2011 for fees associated with a legal action, and GSHI has reimbursed us for the entire amount. Of the $2,093 reimbursement, $179 was reflected as dividend income: control investments in the Consolidated Statements of Operations for the year ended June 30, 2009. There were no such legal fees incurred or reimbursed for the years ended June 30, 2011 and June 30, 2010. Additionally, certain other expenses incurred by us which are attributable to GSHI have been reimbursed by GSHI and are reflected as dividend income: control investments in the Consolidated Statements of Operations. For the years ended June 30, 2011, June 30, 2010 and June 30, 2009, such reimbursements totaled as $9,850, $14,500 and $20,500, respectively.

On May 2, 2011, we sold our membership interests in Fischbein, LLC ("Fischbein") for $12,396 of gross proceeds, $1,479 of which is deferred revenue held in escrow, realizing a gain of $9,893, and received a repayment on the loan that was outstanding. We subsequently made a $3,334 senior secured second-lien term loan and invested $875 in the common equity of Fischbein with the new ownership group.

On December 3, 2010, we exercised our warrants in Miller Petroleum, Inc ("Miller") and received 2,013,814 shares of Miller common stock. On December 27, 2010, we sold 1,397,510 these shares receiving $3.95 of net proceeds per share, realizing a gain of $5,415. On January 10, 2011, we sold the remaining 616,304 shares of Miller common stock receiving $4.23 of net proceeds per share, realizing an additional gain of $2,561. The total gain was $7,976 on the sale of the Miller common stock.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 4. Portfolio Investments (Continued)

During the quarter ended March 31, 2009, we discontinued operations at CCEI. As of June 30, 2009, consistent with the decision to discontinue operations, we determined that the impairment of CCEI and CCEHI was other-than-temporary and recorded a realized loss of $41,134 for the amount that the amortized cost exceeded the fair market value. As of June 30, 2011 and June 30, 2010, we set the value of the CCEHI investment at zero.

During the quarter ended December 31, 2009, we discontinued operations at Yatesville. As of December 31, 2009, consistent with the decision to discontinue operations, we determined that the impairment of Yatesville was other-than-temporary and recorded a realized loss of $51,228 for the amount that the amortized cost exceeded the fair market value. As of June 30, 2011 and June 30, 2010, Yatesville is valued at zero and $808, respectively.

The original cost basis of debt placements and equity securities acquired, including follow-on investments for existing portfolio companies, totaled $953,337, $364,788 and $98,305 during the year ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. The $364,788 for the year ended June 30, 2010 includes $207,126 of portfolio investments acquired from Patriot. Debt repayments and sales of equity securities with a cost basis of approximately $285,862, $136,221and $27,007 were received during the year ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

During the year ended June 30, 2011, we recognized $22,084 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in the $22,084 is $4,912 of normal accretion, $12,035 of accelerated accretion resulting from the repayment of Impact Products, LLC, Label Corp Holdings Inc. ("LHC") and Prince Mineral Company, Inc. ("Prince"), and $4,968 of accelerated accretion resulting from the recapitalization of our debt investments in Arrowhead General Insurance Agency, Inc. ("Arrowhead"), The Copernicus Inc. ("Copernicus"), Fischbein and Northwestern Management Services, LLC ("Northwestern"). The restructured loans for Arrowhead, Copernicus, Fischbein and Northwestern were issued at market terms comparable other industry transactions. In accordance with ASC 320-20-35 the cost basis of the new loan was recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

During the period from the acquisition of Patriot on December 2, 2009 to June 30, 2010, we recognized $18,795 of interest income due to purchase discount accretion from the assets acquired from Patriot. Included in this amount $4,579 of normal accretion and $14,216 of accelerated accretion resulting from the early repayments of four loans, three revolving lines of credit, sale of one investment position and restructuring of our loans to Aircraft Fasteners International, LLC, EXL Acquisition Inc., LHC, Prince, ROM Acquisition Corporation. The revised terms were more favorable than the original terms and increased the present value of the future cash flows. In accordance with ASC 320-20-35 the cost basis of the new loans were recorded at par value, which precipitated the acceleration of original purchase discount from the loan repayment which was recognized as interest income.

As of June 30, 2011, $8,634 of purchase discount from the assets acquired from Patriot remains to be accreted as interest income, of which $837 is expected to be amortized during the three months ending September 30, 2011.

As of June 30, 2011, $963,163 of our loans bear interest at floating rates, $953,785 of which have Libor floors ranging from 1.00% to 6.00%.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 5. Revolving Credit Agreements

On June 6, 2007, we closed on a $200,000 three-year revolving credit facility (as amended on December 31, 2007) with Rabobank Nederland ("Rabobank") as administrative agent and sole lead arranger (the "Rabobank Facility").

On June 25, 2009, we completed a first closing on an expanded $250,000 revolving credit facility. The new Syndicated Facility, which had $175,000 total commitments as of June 30, 2009, included an accordion feature which allows the Syndicated Facility to accept up to an aggregate total of $250,000 of commitments for which we solicited additional commitments from other lenders for an additional $35,000 raising the commitments to $210,000. The revolving period ended on June 11, 2010, when we closed on our expanded revolving credit facility. On June 11, 2010, we closed an extension and expansion of our revolving credit facility with a syndicate of lenders (the "Syndicated Facility"). The lenders have extended commitments of $325,000 under the Syndicated Facility as of June 30, 2011; which was increased to $375,000 on July 8, 2011 and $400,000 on September 1, 2011. The Syndicated Facility includes an accordion feature which allows the facility to be increased to up to $400,000 of commitments in the aggregate, a limit that was met with the September 1, 2011 commitments. As we pledge additional investments to the Syndicated Facility, we will generate additional availability to the extent such investments are eligible to be placed into the borrowing base. The revolving period of the Syndicated Facility extends through June 2012, with an additional one year amortization period (with distributions allowed) after the completion of the revolving period. During such one year amortization period, all principal payments on the pledged assets will be applied to reduce the balance. At the end of the one year amortization period, the remaining balance will become due if required by the lenders.

The Syndicated Facility contains restrictions pertaining to the geographic and industry concentrations of funded loans, maximum size of funded loans, interest rate payment frequency of funded loans, maturity dates of funded loans and minimum equity requirements. The Syndicated Facility also contains certain requirements relating to portfolio performance, including required minimum portfolio yield and limitations on delinquencies and charge-offs, violation of which could result in the early termination of the Syndicated Facility. The Syndicated Facility also requires the maintenance of a minimum liquidity requirement. At June 30, 2011, we were in compliance with the applicable covenants.

Interest on borrowings under the Syndicated Facility is one-month Libor plus 325 basis points, subject to a minimum Libor floor of 100 basis points. Additionally, the lenders charge a fee on the unused portion of the Syndicated Facility equal to either 75 basis points if at least half of the credit facility is used or 100 basis points otherwise. The Syndicated Facility requires us to pledge assets as collateral in order to borrow under the credit facility. As of June 30, 2011 and June 30, 2010, we had $255,673 and $180,678 available to us for borrowing under our Syndicated Facility, of which $84,200 and $100,300 was outstanding, respectively. As we make additional investments which are eligible to be pledged under the Syndicated Facility, we will generate additional availability to the extent such investments are eligible to be placed into the borrowing base. At June 30, 2011, the investments used as collateral for the Syndicated Facility had an aggregate market value of $700,321 which represents 62.8% of net assets. Prospect Capital Funding, LLC, our wholly-owned subsidiary, holds $631,915 of these investments at market value as of June 30, 2011. The release of any assets from Prospect Capital Funding, LLC requires the approval of Rabobank as facility agent.

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 5. Revolving Credit Agreements (Continued)

In connection with the origination and amendments of the Syndicated Facility, we incurred $10,276 of fees, including $3,224 of fees carried over from the previous facility, which are being amortized over the term of the facility in accordance with ASC 470-50, *Debt Modifications and Extinguishments*, of which $5,430 remains to be amortized.

Note 6. Senior Convertible Notes

On December 21, 2010, we issued $150,000 in aggregate principal amount of our 6.25% senior convertible notes due 2015 ("2010 Notes") for net proceeds (after deducting underwriting expenses) of approximately $145,200. Interest on the 2010 Notes is paid semi-annually in arrears on June 15 and December 15, at a rate of 6.25% per year, commencing June 15, 2011. The 2010 Notes mature on December 15, 2015 unless converted earlier. The 2010 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2011 of 88.0902 and 88.0932 shares, respectively, of common stock per $1,000 principal amount of 2010 Notes, which is equivalent to a conversion price of approximately $11.352 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2010 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.101125 per share, subject to adjustment.

On February 18, 2011, we issued $172,500 in aggregate principal amount of our 5.50% senior convertible notes due 2016 ("2011 Notes") for net proceeds following underwriting expenses of approximately $167,325. Interest on the 2011 Notes is paid semi-annually in arrears on February 15 and August 15, at a rate of 5.50% per year, commencing August 15, 2011. The 2011 Notes mature on August 15, 2016 unless converted earlier. The 2011 Notes are convertible into shares of common stock at an initial conversion rate and conversion rate at June 30, 2011 of 78.3699 and 78.3717 shares, respectively, of common stock per $1,000 principal amount of 2011 Notes, which is equivalent to a conversion price of approximately $12.76 per share of common stock, subject to adjustment in certain circumstances. The conversion rate for the 2011 Notes will be increased when monthly cash dividends paid to common shares exceed the monthly dividend rate of $0.101150 per share.

In no event will the total number of shares of common stock issuable upon conversion exceed 96.8992 per $1,000 principal amount of the 2010 Notes (the "conversion rate cap"), except that, to the extent we receive written guidance or a no-action letter from the staff of the Securities and Exchange Commission (the "Guidance") permitting us to adjust the conversion rate in certain instances without regard to the conversion rate cap and to make the 2010 Notes convertible into certain reference property in accordance with certain reclassifications, business combinations, asset sales and corporate events by us without regard to the conversion rate cap, we will make such adjustments without regard to the conversion rate cap and will also, to the extent that we make any such adjustment without regard to the conversion rate cap pursuant to the Guidance, adjust the conversion rate cap accordingly. We will use our commercially reasonable efforts to obtain such Guidance as promptly as practicable.

Prior to obtaining the Guidance, we will not engage in certain transactions that would result in an adjustment to the conversion rate increasing the conversion rate beyond what it would have been in the absence of such transaction unless we have engaged in a reverse stock split or share combination transaction such that in our reasonable best estimation, the conversion rate following the adjustment for such transaction will not be any closer to the conversion rate cap than it would have been in the absence of such transaction.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 6. Senior Convertible Notes (Continued)

Upon conversion, unless a holder converts after a record date for an interest payment but prior to the corresponding interest payment date, the holder will receive a separate cash payment with respect to the Notes surrendered for conversion representing accrued and unpaid interest to, but not including the conversion date. Any such payment will be made on the settlement date applicable to the relevant conversion on the 2010 Notes and 2011 Notes (collectively, "Senior Convertible Notes").

No holder of Senior Convertible Notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to become, directly or indirectly, a beneficial owner (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder) of more than 5.0% of the shares of our common stock outstanding at such time. The 5.0% limitation shall no longer apply following the effective date of any fundamental change. We will not issue any shares in connection with the conversion or redemption of the Notes which would equal or exceed 20% of the shares outstanding at the time of the transaction in accordance with NASDAQ rules.

Subject to certain exceptions, holders may require us to repurchase, for cash, all or part of their Notes upon a fundamental change at a price equal to 100% of the principal amount of the Notes being repurchased plus any accrued and unpaid interest up to, but excluding, the fundamental change repurchase date. In addition, upon a fundamental change that constitutes a non-stock change of control we will also pay holders an amount in cash equal to the present value of all remaining interest payments (without duplication of the foregoing amounts) on such Senior Convertible Notes through and including the maturity date.

In connection with the issuance of the Senior Convertible Notes, we incurred $10,562 of fees which are being amortized over the term of the facility in accordance with ASC 470-50, *Debt Modifications and Extinguishments,* of which $9,845 remains to be amortized and is included within deferred financing costs of $15,275 on the consolidated statements of assets and liabilities.

During the year ended June 30, 2011, we recorded $17,598 of interest costs and amortization of financing costs as interest expense.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 7. Equity Offerings, Offering Expenses, and Distributions

We issued 38,519,828 and 16,683,197 shares of our common stock during the years ended June 30, 2011 and June 30, 2010, respectively. The proceeds raised, the related underwriting fees, the offering expenses and the prices at which these shares were issued are as follows:

Issuances of Common Stock	Number of Shares Issued	Gross Proceeds Raised	Underwriting Fees	Offering Expenses	Average Offering Price
During the year ended June 30, 2011:					
June 24, 2011	10,000,000	$ 101,500	$ 1,100	$ 227	$ 10.150
April 7, 2011	9,000,000	$ 102,600	$	$ 436	$ 11.400
November 16, 2010 - December15, 2010(1)	4,513,920	$ 45,147	$ 904	$ 459	$ 10.000
September 29, 2010 - November 3, 2010(2)	5,231,956	$ 51,597	$ 1,033	$ 163	$ 9.861
July 22, 2010 - September 28, 2010(3)	6,000,000	$ 58,403	$ 1,156	$ 103	$ 9.734
July 1, 2010 - July 21, 2010(4)	2,748,600	$ 26,799	$ 536	$	$ 9.749
During the year ended June 30, 2010:					
March 23, 2010 - June 30, 2010(4)	5,251,400	$ 60,378	$ 1,210	$ 624	$ 11.500
September 24, 2009(5)	2,807,111	$ 25,264	$	$ 840	$ 9.000
August 20, 2009(5)	3,449,686	$ 29,322	$	$ 117	$ 8.500
July 7, 2009	5,175,000	$ 46,575	$ 2,329	$ 200	$ 9.000

(1) On November 10, 2010, we established a fourth at-the-market program through which we could sell, from time to time and at our sole discretion 9,750,000 shares of our common stock. Through this program we issued 4,513,920 shares of our common stock at an average price of $10.00 per share, raising $45,147 of gross proceeds, from November 16, 2010 through December 15, 2010.

(2) On September 24, 2010, we established a third at-the-market program through which we sold 5,231,956 shares of our common stock at an average price of $9.86 per share, raising $51,597 of gross proceeds, from September 29, 2010 through November 3, 2010.

(3) On July 19, 2010, we established a second at-the-market program through which we sold 6,000,000 shares of our common stock at an average price of $9.73 per share, raising $58,403 of gross proceeds, from July 22, 2010 through September 28, 2010.

(4) On March 17, 2010, we established an at-the-market program through which we sold 8,000,000 shares of our common stock. Through this program we issued 811,500 shares of our common stock at an average price of $12.60 per share, raising $10,230 of gross proceeds, from March 23, 2010 through March 31, 2010. Through this program we also issued 2,748,600 shares of our common stock at an average price of $9.75 per share, raising $26,799 of gross proceeds, from July 1, 2010 through July 21, 2010.

(5) Concurrent with the sale of these shares, we entered into a registration rights agreement in which we granted the purchasers certain registration rights with respect to the shares. We have filed with the SEC a post-effective amendment to the registration statement on Form N-2 which has been declared effective by the SEC.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 7. Equity Offerings, Offering Expenses, and Distributions (Continued)

Our shareholders' equity accounts at June 30, 2011 and June 30, 2010 reflect cumulative shares issued as of those respective dates. Our common stock has been issued through public offerings, a registered direct offering, the exercise of over-allotment options on the part of the underwriters and our dividend reinvestment plan. When our common stock is issued, the related offering expenses have been charged against paid-in capital in excess of par. All underwriting fees and offering expenses were borne by us.

On December 2, 2009, we issued 8,444,068 shares of common stock to acquire Patriot. This transaction is described in further detail in Note 3.

On October 9, 2008, our Board of Directors approved a share repurchase plan under which we may repurchase up to $20,000 of our common stock at prices below our net asset value as reported in our financial statements published for the year ended June 30, 2008. We have not made any purchases of our common stock during the period from October 9, 2008 to June 30, 2011 pursuant to this plan.

On May 9, 2011, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.101225 per share for May 2011 to holders of record on May 31, 2011 with a payment date of June 24, 2011;
- $0.101250 per share for June 2011 to holders of record on June 30, 2011 with a payment date of July 22, 2011;
- $0.101275 per share for July 2011 to holders of record on July 29, 2011 with a payment date of August 26, 2011;
- $0.101300 per share for August 2011 to holders of record on August 31, 2011 with a payment date of September 23, 2011.

During the years ended June 30, 2011 and June 30, 2010, we issued 1,025,352 and 1,016,513 shares, respectively, of our common stock in connection with the dividend reinvestment plan.

Our Board of Directors, pursuant to the Maryland General Corporation Law, executed Articles of Amendment to increase the number of shares authorized for issuance from 100,000,000 to 200,000,000 in the aggregate. The amendment became effective August 31, 2010.

At June 30, 2011, we have reserved 26,732,449 shares of our common stock for issuance upon conversion of the Senior Convertible Notes (See Note 6).

Note 8. Other Investment Income

Other investment income consists of structuring fees, overriding royalty interests, settlement of net profit interests, deal deposits, administrative agent fee, and other miscellaneous and sundry cash

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 8. Other Investment Income (Continued)

receipts. Income from such sources was $19,930, $12,675 and $14,762 for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

	For The Year Ended		
Income Source	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**
Gain on Patriot acquisition (Note 3)	$	$ 8,632	$
Structuring and amendment fees	19,589	3,749	1,506
Overriding royalty interests	154	194	550
Settlement of net profits interests			12,651
Administrative agent fee	187	100	55
Other Investment Income	$ 19,930	$ 12,675	$ 14,762

Note 9. Net Increase in Net Assets per Common Share

The following information sets forth the computation of net increase in net assets resulting from operations per common share for the years ended June 30, 2011, 2010 and 2009, respectively.

	For The Year Ended		
	June 30, 2011	**June 30, 2010**	**June 30, 2009**
Net increase in net assets resulting from operations	$ 118,238	$ 19,625	$ 35,104
Weighted average common shares outstanding	85,978,757	59,429,222	31,559,905
Net increase in net assets resulting from operations per common share	$ 1.38	$ 0.33	$ 1.11

Note 10. Related Party Agreements and Transactions

Investment Advisory Agreement

We have entered into an investment advisory and management agreement with Prospect Capital Management (the "Investment Advisory Agreement") under which the Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, us. Under the terms of the Investment Advisory Agreement, our Investment Adviser: (i) determines the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes, (ii) identifies, evaluates and negotiates the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and (iii) closes and monitors investments we make.

Prospect Capital Management's services under the Investment Advisory Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired. For providing these services the Investment Adviser receives a fee from us, consisting of two components: a base management fee and an incentive fee. The base management fee is calculated at an annual rate of 2.00% on our gross assets (including amounts borrowed). For services currently

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 10. Related Party Agreements and Transactions (Continued)

rendered under the Investment Advisory Agreement, the base management fee is payable quarterly in arrears. The base management fee is calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters and appropriately adjusted for any share issuances or repurchases during the current calendar quarter.

The total base management fees earned by and paid to Prospect Capital Management for the years ended June 30, 2011, June 30, 2010 and June 30, 2009 were $22,496, $13,929 and $11,915, respectively.

The incentive fee has two parts. The first part, the income incentive fee, is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees and other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement described below, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with payment in kind interest and zero coupon securities), accrued income that we have not yet received in cash. Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to a "hurdle rate" of 1.75% per quarter (7.00% annualized).

The net investment income used to calculate this part of the incentive fee is also included in the amount of the gross assets used to calculate the 2.00% base management fee. We pay the Investment Adviser an income incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows:

- no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate;

- 100.00% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate); and

- 20.00% of the amount of our pre-incentive fee net investment income, if any, that exceeds 125.00% of the quarterly hurdle rate in any calendar quarter (8.75% annualized assuming a 7.00% annualized hurdle rate).

These calculations are appropriately prorated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee, the capital gains incentive fee, is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date), and equals 20.00% of our realized capital gains for the

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 10. Related Party Agreements and Transactions (Continued)

calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation at the end of such year. In determining the capital gains incentive fee payable to the Investment Adviser, we calculate the aggregate realized capital gains, aggregate realized capital losses and aggregate unrealized capital depreciation, as applicable, with respect to each investment that has been in its portfolio. For the purpose of this calculation, an "investment" is defined as the total of all rights and claims which maybe asserted against a portfolio company arising from our participation in the debt, equity, and other financial instruments issued by that company. Aggregate realized capital gains, if any, equal the sum of the differences between the aggregate net sales price of each investment and the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate realized capital losses equal the sum of the amounts by which the aggregate net sales price of each investment is less than the aggregate cost basis of such investment when sold or otherwise disposed. Aggregate unrealized capital depreciation equals the sum of the differences, if negative, between the aggregate valuation of each investment and the aggregate cost basis of such investment as of the applicable calendar year-end. At the end of the applicable calendar year, the amount of capital gains that serves as the basis for our calculation of the capital gains incentive fee involves netting aggregate realized capital gains against aggregate realized capital losses on a since-inception basis and then reducing this amount by the aggregate unrealized capital depreciation. If this number is positive, then the capital gains incentive fee payable is equal to 20.00% of such amount, less the aggregate amount of any capital gains incentive fees paid since inception.

Income incentive fees totaling $23,555, $16,798 and $14,790 were earned for the years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. No capital gains incentive fees were earned for years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

Administration Agreement

We have also entered into an Administration Agreement with Prospect Administration, LLC ("Prospect Administration") under which Prospect Administration, among other things, provides (or arranges for the provision of) administrative services and facilities for us. For providing these services, we reimburse Prospect Administration for our allocable portion of overhead incurred by Prospect Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of our chief compliance officer and chief financial officer and his staff. For the years ended June 30, 2011, 2010 and 2009, the reimbursement was approximately $4,979, $3,361 and $2,856, respectively. Under this agreement, Prospect Administration furnishes us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Prospect Administration also performs, or oversees the performance of, our required administrative services, which include, among other things, being responsible for the financial records that we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Prospect Administration assists us in determining and publishing our net asset value, overseeing the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversees the payment of our expenses and the performance of administrative and professional services rendered to us by others. Under the Administration Agreement, Prospect Administration also provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. The Administration

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 10. Related Party Agreements and Transactions (Continued)

Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. Prospect Administration is a wholly owned subsidiary of our Investment Adviser.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from us for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration's services under the Administration Agreement or otherwise as administrator for us.

Prospect Administration, pursuant to the approval of our Board of Directors, engaged Vastardis Fund Services LLC ("Vastardis") to serve as our sub-administrator to perform certain services required of Prospect Administration. Under the sub-administration agreement, Vastardis provided us with office facilities, equipment, clerical, bookkeeping and record keeping services at such facilities. Vastardis also conducted relations with custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable.

On April 30, 2009 we gave a 60-day notice to Vastardis of termination of our agreement to provide sub-administration services effective June 30, 2009. We entered into a new consulting services agreement for the period from July 1, 2009 until the filing of our Form 10-K for the year ended June 30, 2009. We paid Vastardis a total of $30 for services rendered in conjunction with preparation of Form 10-K under the new agreement. All services previously provided by Vastardis were assumed by Prospect Administration beginning on July 1, 2009.

Managerial Assistance

As a business development company, we offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We billed $1,325, $892, and $846 of managerial assistance fees for the years ended June 30, 2011, June 30, 2010, and June 30, 2009, respectively, of which $128 and $247 remains on the consolidated statement of assets and liabilities as of June 30, 2011, and June 30, 2010, respectively. These fees are paid to the Administrator so we simultaneously accrue a payable to the Administrator for the same amounts, which remain on the consolidated statements of assets and liabilities.

Note 11. Merger Proposal to Allied Capital Corporation

In January 2010, we delivered a proposal letter to Allied Capital Corporation ("Allied") noting our opposition to Allied's proposed merger with Ares Capital Corporation ("Ares") and containing an offer to acquire each outstanding Allied share in exchange for 0.385 of a share of our common stock. Allied expressed that our offer did not constitute a "Superior Proposal" as defined in their Merger Agreement

PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 11. Merger Proposal to Allied Capital Corporation (Continued)

with Ares and declined our January 2010 offer. In February 2010, we increased our offer to 0.4416 of a share of our common stock. This final offer was also declined by Allied. On March 5, 2010, following Allied's announcement of a special dividend to shareholders, we terminated our solicitation in opposition of the proposed merger with Ares. We incurred $852 of administrative and legal expense for advice relating to this potential acquisition for the year ended June 30, 2010.

Note 12. Litigation

From time to time, we may become involved in various investigations, claims and legal proceedings that arise in the ordinary course of our business. These matters may relate to intellectual property, employment, tax, regulation, contract or other matters. The resolution of these matters as they arise will be subject to various uncertainties and, even if such claims are without merit, could result in the expenditure of significant financial and managerial resources. We are not aware of any such litigation as of June 30, 2011.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 13. Financial Highlights

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007
Per Share Data(1):					
Net asset value at beginning of period	$ 10.30	$ 12.40	$ 14.55	$ 15.04	$ 15.31
Costs related to the secondary public offering				(0.07)	(0.06)
Net investment income	1.10	1.13	1.87	1.91	1.47
Realized gain (loss)	0.19	(0.87)	(1.24)	(0.69)	0.12
Net unrealized appreciation (depreciation)	0.09	0.07	0.48	(0.05)	(0.52)
Net (decrease) increase in net assets as a result of public offering	(0.08)	(0.85)	(2.11)		0.26
Net increase in net assets as a result of shares issued for Patriot acquisition		0.12			
Dividends to shareholders	(1.24)	(1.70)	(1.15)	(1.59)	(1.54)
Net asset value at end of period	$ 10.36	$ 10.30	$ 12.40	$ 14.55	$ 15.04
Per share market value at end of period	$ 10.11	$ 9.65	$ 9.20	$ 13.18	$ 17.47
Total return based on market value(2)	17.22%	17.66%	(18.60)%	(15.90)%	12.65%
Total return based on net asset value(2)	12.54%	(6.82)%	(0.61)%	7.84%	7.62%
Shares outstanding at end of period	107,606,690	69,086,862	42,943,084	29,520,379	19,949,065
Average weighted shares outstanding for period	85,978,757	59,429,222	31,559,905	23,626,642	15,724,095
Ratio / Supplemental Data:					
Net assets at end of period (in thousands)	$ 1,114,357	$ 711,424	$ 532,596	$ 429,623	$ 300,048
Annualized ratio of operating expenses to average net assets	8.47%	7.54%	9.03%	9.62%	7.36%
Annualized ratio of net investment income to average net assets	10.60%	10.69%	13.14%	12.66%	9.71%

(1) Financial highlights are based on weighted average shares.

(2) Total return based on market value is based on the change in market price per share between the opening and ending market prices per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan. Total return based on net asset value is based upon the change in net asset value per share between the opening and ending net asset values per share in each period and assumes that dividends are reinvested in accordance with our dividend reinvestment plan.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 14. Selected Quarterly Financial Data (Unaudited)

	Investment Income		Net Investment Income		Net Realized and Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets from Operations	
Quarter Ended	Total	Per Share(1)	Total	Per Share(1)	Total	Per Share(1)	Total	Per Share(1)
September 30, 2007	15,391	0.77	7,865	0.39	685	0.04	8,550	0.43
December 31, 2007	18,563	0.80	10,660	0.46	(14,346)	(0.62)	(3,686)	(0.16)
March 31, 2008	22,000	0.92	12,919	0.54	(14,178)	(0.59)	(1,259)	(0.05)
June 30, 2008	23,448	0.85	13,669	0.50	10,317	0.38	23,986	0.88
September 30, 2008(2)	35,799	1.21	23,502	0.80	(9,504)	(0.33)	13,998	0.47
December 31, 2008	22,213	0.75	11,960	0.40	(5,436)	(0.18)	6,524	0.22
March 31, 2009	20,669	0.69	11,720	0.39	3,611	0.12	15,331	0.51
June 30, 2009	21,800	0.59	11,981	0.32	(12,730)	(0.34)	(749)	(0.02)
September 30, 2009	21,517	0.43	12,318	0.25	(18,696)	(0.38)	(6,378)	(0.13)
December 31, 2009(3)	31,801	0.55	19,258	0.33	(33,778)	(0.59)	(14,520)	(0.25)
March 31, 2010	32,005	0.50	18,974	0.30	6,966	0.11	25,940	0.41
June 30, 2010	29,236	0.44	16,640	0.25	(2,057)	(0.03)	14,583	0.22
September 30, 2010	35,212	0.47	20,995	0.28	4,585	0.06	25,580	0.34
December 31, 2010	33,300	0.40	19,080	0.23	12,861	0.16	31,940	0.38
March 31, 2011	44,573	0.51	23,956	0.27	9,803	0.11	33,759	0.38
June 30, 2011	56,391	0.58	30,190	0.31	(3,232)	(0.03)	26,959	0.28

(1) Per share amounts are calculated using weighted average shares during period.

(2) Additional income for this quarter was driven by other investment income from the settlement of net profits interests on IEC-Systems, LP and Advanced Rig Services, LLC for $12,576.

(3) As adjusted for increase in earnings from Patriot. See Note 3.

Note 15. Subsequent Events

On July 1, 2011, we made a senior secured follow-on investment of $2,500 in Boxercraft to support the acquisition of Jones & Mitchell, a supplier of college-licensed apparel.

On July 8, 2011, we made a secured senior lien investment of $39,000 to support the recapitalization of Totes Isotoner Corporation.

On July 11, 2011, we announced an increase in commitments to our credit facility of $50,000 to $375,000 raising the total commitments in the aggregate.

On July 18, 2011, we issued 1,500,000 shares in connection with the exercise of an overallotment option granted with the June 21, 2011 offering of 10,000,000 shares which were delivered June 24, 2011, raising an additional $15,225 of gross proceeds and $15,060 of net proceeds.

On July 22, 2011, we issued 102,890 shares of our common stock in connection with the dividend reinvestment plan.

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PROSPECT CAPITAL CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except share and per share data)

Note 15. Subsequent Events (Continued)

On August 5, 2011, we made a senior secured follow-on investment of $3,850 in ROM to support the acquisition of Havis Lighting Solutions, a supplier of products primarily used by emergency response and police vehicles.

On August 9, 2011, we provided a $15,000 term loan to support the acquisition of Nobel Learning Communities, Inc., a leading national operator of private schools.

On August 9, 2011, we made an investment of $32,116 to purchase 66% of the unrated subordinated notes in Babson CLO Ltd. 2011-I.

On August 24, 2011, our Board of Directors approved a share repurchase plan under which we may repurchase up to $100,000 of our common stock at prices below our net asset value.

On August 24, 2011, we announced the declaration of monthly dividends in the following amounts and with the following dates:

- $0.101325 per share for September 2011 to holders of record on September 30, 2011 with a payment date of October 25, 2011; and

- $0.101350 per share for October 2011 to holders of record on October 31, 2011 with a payment date of November 22, 2011.

On August 26, 2011, we issued 106,869 shares of our common stock in connection with the dividend reinvestment plan.

On September 1, 2011, we announced an increase in commitments to our credit facility of $25,000 to $400,000 raising the total commitments in the aggregate to the maximum of the accordian feature of the credit facility.

PROSPECTUS SUPPLEMENT
August 27, 2012

Incapital LLC