

PENNANTPARK INVESTMENT CORP  
Form 10-Q  
February 08, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2016**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO**

**COMMISSION FILE NUMBER: 814-00736**

**PENNANTPARK INVESTMENT CORPORATION**

**(Exact name of registrant as specified in its charter)**

**MARYLAND**

**20-8250744**

**(State or other jurisdiction of incorporation or organization)**

**(I.R.S. Employer Identification No.)**

**590 Madison Avenue, 15<sup>th</sup> Floor**

**New York, N.Y.**

**10022**

**(Address of principal executive offices)**

**(Zip Code)**

**(212) 905-1000**

**(Registrant's Telephone Number, Including Area Code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of February 8, 2017 was 71,060,836.

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**PENNANTPARK INVESTMENT CORPORATION**  
**FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2016**

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**PART I CONSOLIDATED FINANCIAL INFORMATION**

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission, or the SEC. In this Report, Company, we, our or us refer to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. PennantPark Investment refers to only PennantPark Investment Corporation; our SBIC Funds refers collectively to our consolidated subsidiaries, PennantPark SBIC LP, or SBIC I, and its general partner, PennantPark SBIC GP, LLC, and PennantPark SBIC II LP, or SBIC II, and its general partner, PennantPark SBIC GP II, LLC; Taxable Subsidiaries refers to PNNT Cascade Environmental Holdings, LLC, PNNT CI (Galls) Prime Investment Holdings, LLC, PNNT ecoserve, LLC, PNNT Investment Holdings, LLC and PNNT New Gulf Resources, LLC; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC; SBA refers to the Small Business Administration; SBIC refers to a small business investment company under the Small Business Investment Act of 1958, as amended, or the 1958 Act ; Credit Facility refers to our multi-currency, senior secured revolving credit facility, as amended and restated; 2025 Notes refers to our 6.25% senior notes due 2025; 2019 Notes refers to our 4.50% notes due 2019; our Notes refers, collectively, to our 2025 Notes and our 2019 Notes; BDC refers to a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act ; Code refers to the Internal Revenue Code of 1986, as amended; and RIC refers to a regulated investment company under the Code. References to our portfolio or investments include investments we make through our SBIC Funds and other consolidated subsidiaries.

**Table of Contents****Item 1. Consolidated Financial Statements****PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

	<b>December 31, 2016</b> <b>(unaudited)</b>	<b>September 30, 2016</b>
<b>Assets</b>		
Investments at fair value		
Non-controlled, non-affiliated investments (cost \$918,332,509 and \$805,189,545, respectively)	\$ 946,232,162	\$ 813,467,491
Non-controlled, affiliated investments (cost \$292,491,050 and \$262,476,906, respectively)	266,795,326	215,192,547
Controlled, affiliated investments (cost \$189,639,082 and \$186,290,695, respectively)	112,516,291	125,019,637
Total of investments (cost \$1,400,462,641 and \$1,253,957,146, respectively)	1,325,543,779	1,153,679,675
Cash and cash equivalents (cost \$45,335,225 and \$75,617,133, respectively)	45,340,576	75,608,113
Interest receivable	12,749,323	7,032,858
Prepaid expenses and other assets	1,978,725	2,615,232
<b>Total assets</b>	<b>1,385,612,403</b>	<b>1,238,935,878</b>
<b>Liabilities</b>		
Distributions payable	19,897,034	19,897,034
Payable for investments purchased	50,399,000	
Credit Facility payable (cost \$148,118,700 and \$50,339,700, respectively) (See Notes 5 and 10)	136,122,503	39,551,187
2019 Notes payable (par \$250,000,000) (See Notes 5 and 10)	250,635,000	254,175,000
SBA debentures payable, net (par \$197,500,000) (See Notes 5 and 10)	193,413,169	193,244,534
2025 Notes payable (par \$71,250,000) (See Notes 5 and 10)	71,535,000	72,618,000
Base management fee payable, net (See Note 3)	5,270,817	5,074,830
Performance-based incentive fee payable, net (See Note 3)	2,834,336	2,865,444
Interest payable on debt	6,568,212	7,520,113
Accrued other expenses	1,418,383	622,880
<b>Total liabilities</b>	<b>738,093,454</b>	<b>595,569,022</b>
Commitments and contingencies (See Note 11)		
<b>Net assets</b>		

Common stock, 71,060,836 shares issued and outstanding, respectively			
Par value \$0.001 per share and 100,000,000 shares authorized	71,061		71,061
Paid-in capital in excess of par value	819,983,676		819,983,676
(Distributions in excess of) undistributed net investment income	(1,736,977)		3,119,380
Accumulated net realized loss on investments	(106,967,154)		(84,771,820)
Net unrealized depreciation on investments	(74,907,854)		(100,280,954)
Net unrealized depreciation on debt	11,076,197		5,245,513
<b>Total net assets</b>	\$ 647,518,949	\$	643,366,856
<b>Total liabilities and net assets</b>	\$ 1,385,612,403	\$	1,238,935,878
<b>Net asset value per share</b>	\$ 9.11	\$	9.05

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Investment income:</b>		
From non-controlled, non-affiliated investments:		
Interest	\$ 21,872,130	\$ 28,218,030
Other income	2,102,536	1,667,653
From non-controlled, affiliated investments:		
Interest	4,225,681	2,180,576
Other income	22,500	
From controlled, affiliated investments:		
Interest	3,646,064	3,197,033
<b>Total investment income</b>	<b>31,868,911</b>	<b>35,263,292</b>
<b>Expenses:</b>		
Base management fee (See Note 3)	6,274,782	6,505,780
Performance-based incentive fee (See Note 3)	3,374,210	3,795,782
Interest and expenses on debt (See Note 10)	6,735,574	6,726,325
Administrative services expenses (See Note 3)	894,000	867,500
Other general and administrative expenses	668,507	884,629
<b>Expenses before Management Fees waiver and provision for taxes</b>	<b>17,947,073</b>	<b>18,780,016</b>
Management Fees waiver (See Note 3)	(1,543,839)	(1,648,254)
Provision for taxes	425,000	1,300,000
<b>Net expenses</b>	<b>16,828,234</b>	<b>18,431,762</b>
<b>Net investment income</b>	<b>15,040,677</b>	<b>16,831,530</b>
<b>Realized and unrealized gain (loss) on investments and debt:</b>		
Net realized loss on investments	(22,195,334)	(25,374,963)
Net change in unrealized appreciation (depreciation) on:		
Non-controlled, non-affiliated investments	19,636,201	(16,742,815)
Non-controlled and controlled, affiliated investments	5,736,899	(23,129,710)
Debt depreciation (See Notes 5 and 10)	5,830,684	7,660,775
<b>Net change in unrealized appreciation (depreciation) on investments and debt</b>	<b>31,203,784</b>	<b>(32,211,750)</b>

<b>Net realized and unrealized gain (loss) from investments and debt</b>	9,008,450	(57,586,713)
<b>Net increase (decrease) in net assets resulting from operations</b>	\$ 24,049,127	\$ (40,755,183)
Net increase (decrease) in net assets resulting from operations per common share (See Note 7)	\$ 0.34	\$ (0.56)
Net investment income per common share	\$ 0.21	\$ 0.23

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS****(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Net increase (decrease) in net assets from operations:</b>		
Net investment income	\$ 15,040,677	\$ 16,831,530
Net realized loss on investments	(22,195,334)	(25,374,963)
Net change in unrealized appreciation (depreciation) on investments	25,373,100	(39,872,525)
Net change in debt depreciation	5,830,684	7,660,775
<b>Net increase (decrease) in net assets resulting from operations</b>	<b>24,049,127</b>	<b>(40,755,183)</b>
<b>Distributions to stockholders:</b>	<b>(19,897,034)</b>	<b>(20,088,799)</b>
<b>Capital transactions:</b>		
Repurchase of common stock		(8,437,161)
<b>Net increase (decrease) in net assets</b>	<b>4,152,093</b>	<b>(69,281,143)</b>
<b>Net assets:</b>		
Beginning of period	643,366,856	716,590,542
End of period	\$ 647,518,949	\$ 647,309,399
Distributions in excess of net investment income, at end of period	\$ (1,736,977)	\$ (16,682,155)
<b>Capital share activity:</b>		
Shares of common stock repurchased		(1,220,333)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	<b>Three Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net increase (decrease) in net assets resulting from operations	\$ 24,049,127	\$ (40,755,183)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used in operating activities:		
Net change in net unrealized (appreciation) depreciation on investments	(25,373,100)	39,872,525
Net change in unrealized depreciation on debt	(5,830,684)	(7,660,775)
Net realized loss on investments	22,195,334	25,374,963
Net accretion of discount and amortization of premium	(938,502)	(1,554,643)
Purchases of investments	(229,234,313)	(130,317,861)
Payment-in-kind income	(2,914,692)	(4,512,413)
Proceeds from dispositions of investments	64,209,266	108,068,736
Amortization of deferred financing costs	168,635	142,975
(Increase) decrease in interest receivable	(5,716,465)	586,198
Decrease in prepaid expenses and other assets	636,507	4,414,695
Increase in payable for investments purchased	50,399,000	8,157,322
Decrease in interest payable on debt	(951,901)	(1,399,934)
Increase (decrease) in management fee payable, net	195,987	(1,137,173)
Decrease in performance-based incentive fee payable, net	(31,108)	(1,819,340)
Increase in accrued other expenses	795,503	1,680,036
Net cash used in operating activities	(108,341,406)	(859,872)
<b>Cash flows from financing activities:</b>		
Repurchase of common stock		(8,437,161)
Distributions paid to stockholders	(19,897,034)	(20,430,492)
Borrowings under Credit Facility	160,260,000	202,316,923
Repayments under Credit Facility	(62,481,000)	(196,185,900)
Net cash provided by (used in) financing activities	77,881,966	(22,736,630)
Net decrease in cash and cash equivalents	(30,459,440)	(23,596,502)
Effect of exchange rate changes on cash	191,903	232,165
Cash and cash equivalents, beginning of period	75,608,113	49,619,256
Cash and cash equivalents, end of period	\$ 45,340,576	\$ 26,254,919

**Supplemental disclosure of cash flow information:**

Interest paid	\$	7,518,840	\$	7,983,284
Taxes paid	\$	86,349	\$	4,760
Non-cash exchanges and conversions	\$	18,026,006	\$	39,438,420

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2016

(Unaudited)

Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index <sup>(4)</sup>	Par / Shares	Cost	Fair Value
<b>Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>			<b>146.1%<sup>(1), (2)</sup></b>				
<b>Unsecured Debt</b>			<b>55.4%</b>				
...ing I, LLC	12/21/2020	Hotels, Motels, Inns and Gaming	9.25%	L+825	23,273,378	\$ 23,009,381	\$ 23,1
... Bros., Co.,	06/03/2021	Consumer Products	7.00%	L+575	9,093,750	8,942,169	9,0
... A							
... Bros., Co.,	06/03/2021	Consumer Products	13.50%	L+1,225	9,187,500	9,029,482	9,1
... B							
...lley Tourist	01/17/2022	Hotels, Motels, Inns and Gaming	9.00%	L+800	15,000,000	14,625,000	15,0
...ment							
...ty							
...er Sleep	10/21/2020	Consumer Products	9.00%	L+800	4,372,074	4,326,685	4,2
...s, LLC							
...Specialists,	06/30/2020	Building Materials	9.00%	L+800	24,856,494	24,672,205	24,8
...Landscaping	12/22/2021	Personal, Food and Miscellaneous Services	10.50%	L+950	14,445,000	14,157,343	14,1
...da, LLC							
...Landscaping	12/22/2021	Personal, Food and Miscellaneous Services			3,600,000		
...da, LLC							
...er) <sup>(8)</sup>							
...Solutions	02/19/2021	Chemicals, Plastics and Rubber	10.00%	L+900	14,522,529	14,277,953	14,2
...L.P.							
...atlantis	01/15/2021	Retail	10.00%	L+900	37,898,852	37,422,706	37,8
...s, LLC							
...ign Operating	01/24/2023	Hotels, Motels, Inns and Gaming	9.25%	L+825	23,800,000	23,324,000	23,9
...y, LLC							
...Mineral	12/16/2019	Mining, Steel, Iron and Non-Precious Metals	11.50%		14,250,000	14,162,605	13,9
...Corp. <sup>(5)</sup>							
...haw US	06/18/2019	Electronics	8.50%	L+700	15,921,316	15,855,578	15,7
...Corp.							
...Defense	04/21/2017	Aerospace and Defense	9.00%	L+750	37,929,343	37,718,698	36,9
...s, Inc.							
...Oy,	07/01/2019	Hotels, Motels, Inns and Gaming	11.50%	L+1,050	38,300,000	39,444,336	39,9
...n Saga Oy <sup>(9)</sup> .							
			(PIK 3.50%)				
	12/28/2020	Manufacturing / Basic Industries	12.02%	L+1,125 <sup>(7)</sup>	27,036,269	26,581,806	27,0

Manufacturing,							
ns Limited (2)	02/12/2020	Buildings and Real Estate	10.87%	L+1,050 <sup>(7)</sup>	£ 22,083,433	35,343,737	27,2
Acquisition,	08/13/2021	Healthcare, Education and Childcare	10.00%	L+900	8,629,688	8,629,688	8,6
ell Services,	05/02/2019	Oil and Gas	14.11%	L+1,350 <sup>(7)</sup>	15,340,831	15,166,283	13,1
			(PIK 14.11%)				
<b>First Lien Total Debt</b>						366,689,655	358,5
<b>Lien Total Debt 63.3%</b>							
Operating y, LLC	12/12/2023	Electronics	10.50%	L+950	38,800,000	38,125,000	38,1
Capital tion <sup>(12)</sup>	03/04/2022	Financial Services	13.75%		28,500,000	28,263,183	28,5
ouch ts, LLC	10/11/2024	Financial Services	10.50%	L+950	22,500,000	22,104,967	22,1
Berger Co.	09/30/2020	Distribution	11.00%	L+1,000	41,250,000	39,513,616	36,7
mediate rtation 100,	03/01/2017	Cargo Transport	<sup>(6)</sup>		4,887,760	3,739,797	2,9
	10/29/2019	Hotels, Motels, Inns and Gaming	13.00%	L+1,175	51,775,000	51,341,138	50,7
ment, Inc.	10/22/2021	Printing and Publishing	11.50%	L+1,050	26,425,000	25,946,574	26,4
Acquisition,	07/07/2021	Business Services	12.25%	L+1,100	44,625,000	44,114,836	44,6
Buildings Partnership	12/17/2021	Hotels, Motels, Inns and Gaming	13.00%	L+1,200	75,000,000	75,000,000	77,6
l Legal s, Inc.	07/01/2020	Personal, Food and Miscellaneous Services	10.25%	L+900	62,750,000	62,216,097	62,9
er tion Corp.	01/30/2023	Business Services	10.75%	L+975	12,862,500	12,453,113	12,8
olverine s, LLC	10/17/2024	Healthcare, Education and Childcare	10.50%	L+950	6,750,000	6,480,000	6,4
<b>Second Lien Total Debt</b>						409,298,321	410,1
<b>Financed Corporate 7.8%</b>							
ologies, LLC	02/15/2019	Financial Services	13.00%	L+1,200	8,930,000	8,854,997	8,8
e mental LLC	08/20/2021	Environmental Services	12.00%		32,675,553	32,081,286	32,6

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Infonet, Inc.	10/26/2018	Personal, Food and Miscellaneous Services	13.25%		11,089,580	10,877,580	10,7
			(PIK 2.00%)				
Trading (9), (11), (12)	02/19/2018	Healthcare, Education and Childcare	14.50%	L+1,000	£ 8,502,267	12,467,484	10,5
			(PIK 6.00%)				
Reilly, LLC	04/15/2020	Other Media	12.50%		26,500,000	26,612,526	26,3
Holdings, Inc.	05/13/2021	Manufacturing / Basic Industries	11.00%		13,300,000	13,100,184	13,3
s Enterprises,	06/01/2023	Manufacturing / Basic Industries	11.00%		13,300,000	13,037,195	13,0
<b>Subordinated Corporate</b>						117,031,252	115,5
<b>Preferred Partnership</b>							
<b>(Less 0.8%<sup>(6)</sup>)</b>							
Holdings, Inc.		Healthcare, Education and Childcare	6.00%		211	500,000	2
		Financial Services			949	949,050	1,1
ologies s Corp.		Electronics	8.00%		2,375	2,088,121	2,4
ologies s, LLC		Other Media	8.00%		3,591		
ldco, LLC		Manufacturing / Basic Industries	9.00%		1,197	1,197,000	1,4
<b>Preferred Partnership</b>						4,734,171	5,2

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

DECEMBER 31, 2016

(Unaudited)

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index <sup>(4)</sup>	Par / Shares	Cost	Fair Value <sup>(3)</sup>
<b>Common Equity/Partnership Interests/Warrants 8.8%<sup>(6)</sup></b>							
Health Holdings, Inc. (Warrants)	03/23/2021	Healthcare, Education and Childcare			753	\$	\$
Gegeus Technologies Holdings Corp.		Financial Services			1	950	1,145
SP LCG Holdings, Inc. (Warrants)	05/05/2026	Education			933	586,975	1,349,018
Autumn Games, LLC		Broadcasting and Entertainment			1,333,330	3,000,000	
Cardinal Logistics Holdings LLC (9)		Cargo Transport			137,923	2,111,588	
Intermediate Transportation (10), LLC							
Cascade Environmental LC <sup>(10)</sup>		Environmental Services			24,382	2,518,909	5,755,707
Prime Investment Holdings, LLC (10)		Distribution			1,745,639	1,745,639	4,002,115
Convergent Technologies Holdings, LLC		Electronics			2,375		3,044,483
L.f. Beauty, Inc.		Consumer Products			938,399	2,513,193	26,371,234
Paraday Holdings, LLC		Building Materials			4,277	217,635	415,322
Interior Specialists,							

nc.)							
W Holdco, LC		Other Media			388,378		3,881,630
admon Holdings, Inc.		Healthcare, Education and Childcare			252,014	2,265,639	1,348,275
aMi Acquisition, LC <sup>(10)</sup>		Distribution			19	493,280	532,622
ariat ecoserv o-Invest Holdings, LLC <sup>(9)</sup>		Environmental Services			1,000,000	1,000,000	
MidOcean PPL Holdings, Corp.		Personal, Food and Miscellaneous Services			3,000	3,000,000	7,455,412
Pre-Paid Legal Services, Inc.)							
atriot National, Inc.		Insurance			100,885	238,038	469,115
oto Holdings, Inc.		Manufacturing /Basic Industries			1,330	133,000	1,451,913
S Juniper L.P. Juniper Landscaping of Florida, LLC <sup>(9)</sup>		Personal, Food and Miscellaneous Services			754	754,264	754,264
<b>Total Common Equity/Partnership Interests/Warrants</b>						20,579,110	56,832,255
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>						918,332,509	946,232,162
<b>Investments in Non-Controlled, Affiliated Portfolio Companies 41.2%</b>							
<sup>(2)</sup>							
<b>First Lien Secured Debt 10.3%</b>							
American Silsonite Company	12/31/2021	Diversified Natural Resources, Precious Metals and Minerals	15.00%		3,257,511	3,153,140	3,257,511
			(PIK 5.00%)				
ano Health, LC	12/23/2021	Healthcare, Education and Childcare	10.76%	L+1,000	10,260,000	10,005,198	10,003,500
ano Health, LC (Revolver)	12/23/2021	Healthcare, Education and Childcare			900,000		
orfin Industries LLC	11/25/2020	Aerospace and Defense	10.75%	L+975	23,463,000	23,076,650	23,463,000
orfin Industries LLC (Revolver) <sup>(8)</sup>	11/25/2020	Aerospace and Defense			1,942,623		
AS Technologies, Inc.	03/21/2017	Aerospace and Defense	6.01%	L+500	4,437,215	3,906,107	4,437,215
			(PIK 1.00%)				
	04/30/2018	Business Services	12.00%	L+1,050	22,514,911	22,393,383	22,514,911

RAK Acquisition Corp.	08/25/2017	Business Services	12.00%	L+1,050	3,000,000	3,000,000	3,000,000
RAK Acquisition Corp. (Revolver)							
<b>Total First Lien Secured Debt</b>						65,534,478	66,676,137
<b>Second Lien Secured Debt 4.1%</b>							
Affinion Group, Inc.	10/31/2018	Consumer Products	8.50%	L+700	18,000,000	17,078,401	17,442,000
EnviroSolutions Real Property Holdings, Inc.	12/26/2017	Environmental Services	9.00%	L+800	9,409,740	9,321,997	9,409,740
<b>Total Second Lien Secured Debt</b>						26,400,398	26,851,740
<b>Subordinated Debt/Corporate Notes 14.1%</b>							
Affinion International Holdings Limited <sup>(5)</sup> , (12)	07/30/2018	Consumer Products	7.50%		10,055,185	9,265,571	9,652,978
			(PIK 4.00%)				
American Wilsonite Company <sup>(5)</sup>	12/31/2021	Diversified Natural Resources, Precious Metals and Minerals	17.00%		9,407,407	9,407,407	9,407,407
			(PIK 17.00%)				
DirectBuy Holdings, Inc.	11/05/2019	Consumer Products	<sup>(6)</sup>		15,177,295	12,340,534	1,669,502
TX Energy, LC, convertible note <sup>(5)</sup>	05/03/2021	Oil and Gas	12.50%		25,297,664	35,876,111	42,500,076
			(PIK 12.50%)				
Service Champ, Inc.	10/02/2017	Auto Sector	12.50%		28,000,000	27,880,538	27,970,495
<b>Total Subordinated Debt/Corporate Notes</b>						94,770,161	91,200,458
<b>Preferred Equity 0.8%<sup>(6)</sup></b>							
AS International Holdings, Inc.		Aerospace and Defense			53,071	20,059,340	5,254,029
<b>Common Equity/Partnership Interests/Warrants 11.9%<sup>(6)</sup></b>							
Affinion Group Holdings, Inc.		Consumer Products			859,496	30,503,493	33,758,336
Affinion Group Holdings, Inc., Series C and Series D		Consumer Products			37,181	10,265,972	247,769

American Wilsonite Company	Diversified Natural Resources, Precious Metals and Minerals	25,400	5,465,627	5,465,627
Corfin InvestCo, L.P.	Aerospace and Defense	11,250	1,125,000	2,606,202
Corfin InvestCo, L.P. )	Aerospace and Defense	11,250		

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****DECEMBER 31, 2016****(Unaudited)**

<b>Issuer Name</b>	<b>Maturity / Expiration</b>	<b>Industry</b>	<b>Current Coupon</b>	<b>Basis Point Spread Above Index <sup>(4)</sup></b>	<b>Par / Shares</b>	<b>Cost</b>	<b>Fair Value <sup>(3)</sup></b>
DirectBuy Holdings,		Consumer Products			104,719	\$ 21,492,822	\$
DirectBuy Holdings,	11/05/2022	Consumer Products			15,486		
(Warrants)							
ViroSolutions Holdings, Inc.		Environmental Services			143,668	11,960,702	13,350,93
EX Energy, LLC		Oil and Gas			113,610		3,080,59
EX Energy Management Company, LLC <sup>(10)</sup>		Oil and Gas			119,603		162,15
EC Rumba, LLC (no Health, LLC)		Healthcare, Education and Childcare			180,000	1,800,000	1,800,00
Law Service Champ Holdings, Inc.		Auto Sector			16,800	2,721,600	7,567,26
AS International Holdings, Inc.		Aerospace and Defense			53,071	202,620	5,832,53
PAK Acquisition Corp.		Business Services			491,755	188,837	2,941,55
<b>Total Common Equity/Partnership Interests/Warrants</b>						<b>85,726,673</b>	<b>76,812,96</b>
<b>Total Investments in Non-Controlled, Affiliated Portfolio Companies</b>						<b>292,491,050</b>	<b>266,795,32</b>
<b>Investments in Controlled, Affiliated Portfolio Companies 17.4%<sup>(1), (2)</sup></b>							
<b>First Lien Secured Debt 15.0%</b>							
EM Energy LLC	07/18/2019	Energy and Utilities	10.00%	L+800	86,744,720	85,875,642	70,480,08
			(PIK 10.00%)				
Superior Digital Plays, LLC	12/31/2018	Media	14.00%	L+1,300	26,516,321	24,942,081	26,516,32
			(PIK 14.00%)				

<b>Total First Lien Secured Debt</b>						110,817,723	96,996,400
<b>Second Lien Secured Debt 0.9%</b>							
Superior Digital Displays, LLC	07/01/2019	Media	16.00%	L+1,500	6,105,815	6,105,815	5,920,160
(PIK 16.00%)							
<b>Preferred Equity 1.5%<sup>(6)</sup></b>							
MidOcean JF Holdings Corp.		Distribution			143,183	14,318,325	9,599,720
Superior Digital Displays Holdings, LLC		Media	15.00%		224,282	10,600,000	
<b>Total Preferred Equity</b>						24,918,325	9,599,720
<b>Common Equity 0.0%<sup>(6)</sup></b>							
MidOcean JF Holdings Corp.		Distribution			65,933	24,761,831	
MidEnergy Holdings LLC		Energy and Utilities			23,141	20,824,388	
Superior Digital Displays Holdings, LLC		Media			11,100	2,211,000	
<b>Total Common Equity</b>						47,797,219	
<b>Total Investments in Controlled, Affiliated Portfolio Companies</b>						189,639,082	112,516,290
<b>Total Investments 204.7%</b>							
<b>Cash and Cash Equivalents 7.0%</b>						9,893,987	9,893,987
Bank of America						9,893,987	
Wells Fargo							9,893,987
Y Mellon Cash Reserve and Cash						35,441,238	35,446,580
<b>Total Cash and Cash Equivalents</b>						45,335,225	45,340,567
<b>Total Investments and Cash Equivalents 211.7%</b>						\$ 1,445,797,866	\$ 1,370,884,350
<b>Liabilities in Excess of Other Assets (111.7%)</b>							(723,365,400)

t Assets 100.0%

\$ 647,518,94

- (1) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be non-controlled when we own 25% or less of the portfolio company's voting securities and controlled when we own more than 25% of the portfolio company's voting securities.
- (2) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as non-affiliated when we own less than 5% of a portfolio company's voting securities and affiliated when we own 5% or more of a portfolio company's voting securities (see Note 6).
- (3) Valued based on our accounting policy (see Note 2).
- (4) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or L, or Prime rate, or P. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act of 1933, as amended, or the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-income producing securities.
- (7) Coupon is not subject to a LIBOR or Prime rate floor.
- (8) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (9) Non-U.S. company or principal place of business outside the U.S.
- (10) Investment is held through our Taxable Subsidiaries (See Note 1).
- (11) Par amount is denominated in British Pounds (£) or in Euros (€) as denoted.
- (12) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets.

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index <sup>(4)</sup>	Par / Shares	Cost	Fair Value <sup>(3)</sup>
<b>Investments in Non-Controlled, Non-Affiliated Portfolio</b>							
<b>Companies 126.4%<sup>(1), (2)</sup></b>							
<b>First Lien Secured Debt 38.7%</b>							
AP Gaming I, LLC	12/21/2020	Hotels, Motels, Inns and Gaming	9.25%	L+825	23,333,361	\$ 23,071,460	\$ 22,210,559
Broder Bros., Co., Tranche A	06/03/2021	Consumer Products	7.00%	L+575	9,150,000	8,989,610	9,085,577
Broder Bros., Co., Tranche B	06/03/2021	Consumer Products	13.50%	L+1,225	9,225,000	9,058,699	9,160,048
Hollander Sleep Products, LLC	10/21/2020	Consumer Products	9.00%	L+800	4,372,074	4,323,938	4,284,632
Interior Specialists, Inc.	06/30/2020	Building Materials	9.00%	L+800	24,985,195	24,786,989	24,985,195
K2 Pure Solutions NoCal, L.P.	02/19/2021	Chemicals, Plastics and Rubber	10.00%	L+900	14,522,529	14,273,869	14,244,486
LSF9 Atlantis Holdings, LLC	01/15/2021	Retail	10.00%	L+900	38,391,045	37,888,445	38,391,045
Prince Mineral Holding Corp. <sup>(5)</sup>	12/16/2019	Mining, Steel, Iron and Non-Precious Metals	11.50%		14,250,000	14,156,176	13,359,375
Robertshaw US Holding Corp.	06/18/2019	Electronics	8.50%	L+700	15,948,113	15,875,684	15,970,121
Sotera Defense Solutions, Inc.	04/21/2017	Aerospace and Defense	9.00%	L+750	18,306,549	18,075,370	18,215,016
Triad Manufacturing, Inc.	12/28/2020	Manufacturing / Basic Industries	11.27%	L+1,075 <sup>(7)</sup>	28,859,421	28,349,720	28,859,421
Trust Inns Limited <sup>(9), (11), (12)</sup>	02/12/2020	Buildings and Real Estate	10.88%	L+1,050 <sup>(7)</sup>	£ 22,512,751	35,990,065	28,703,752
US Med Acquisition, Inc.	08/13/2021	Healthcare, Education and Childcare	10.00%	L+900	8,651,563	8,651,563	8,651,563
	05/02/2019	Oil and Gas	14.02%		14,988,321	14,796,715	12,912,527

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U.S. Well  
Services, LLC

(PIK 14.02%) L+1,350<sup>(7)</sup>

<b>Total First Lien Secured Debt</b>	258,288,303	249,033,317
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**Second Lien Secured Debt 61.0%**

American Gilsonite Company <sup>(5)</sup>	09/01/2017	Diversified Natural Resources, Precious Metals and Minerals	(6)		25,400,000	25,400,000	17,780,000
Balboa Capital Corporation <sup>(12)</sup>	03/04/2022	Financial Services	13.75%		28,500,000	28,253,554	28,500,000
Bennu Oil & Gas, LLC	11/01/2018	Oil and Gas	(6)		26,979,281	25,422,260	8,633,370
Howard Berger Co. LLC	09/30/2020	Distribution	11.00%	L+1,000	41,250,000	39,419,316	37,125,000
Intermediate Transportation 100, LLC <sup>(5)</sup>	03/01/2017	Cargo Transport	(6)		4,887,760	3,739,797	2,932,656
Jacobs Entertainment, Inc.	10/29/2019	Hotels, Motels, Inns and Gaming	13.00%	L+1,175	51,775,000	51,362,786	51,775,000
MailSouth, Inc.	10/22/2021	Printing and Publishing	11.50%	L+1,050	26,425,000	25,926,258	26,425,000
Novitex Acquisition, LLC	07/07/2021	Business Services	12.25%	L+1,100	41,250,000	40,929,816	41,250,000
Parq Holdings Limited Partnership <sup>(9)</sup> , <sup>(12)</sup>	12/17/2021	Hotels, Motels, Inns and Gaming	13.00%	L+1,200	75,000,000	75,000,000	76,229,058
Penton Media, Inc.	10/02/2020	Media	9.00%	L+775	18,270,159	18,101,798	18,201,646
Pre-Paid Legal Services, Inc.	07/01/2020	Personal, Food and Miscellaneous Services	10.25%	L+900	56,750,000	56,202,295	56,087,727
Prime Security Services Borrower, LLC	07/01/2022	Personal, Food and Miscellaneous Services	9.75%	L+875	14,798,077	14,613,655	15,029,371
VT Buyer Acquisition Corp.	01/30/2023	Business Services	10.75%	L+975	12,862,500	12,441,130	12,862,500

<b>Total Second Lien Secured</b>	416,812,665	392,831,328
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**Debt**

<b>Subordinated Debt/Corporate Notes 15.9%</b>							
Alegeus Technologies, LLC	02/15/2019	Financial Services	13.00%	L+1,200	8,930,000	8,844,669	8,831,201
Cascade Environmental LLC	08/20/2021	Environmental Services	12.00%		32,675,553	32,055,101	32,675,553
Credit Infonet, Inc.	10/26/2018	Personal, Food and Miscellaneous Services	13.00%		11,035,083	10,937,329	10,538,501
			(PIK 1.75%)				
Goldsun Trading Limited <sup>(9), (11), (12)</sup>	02/19/2018	Healthcare, Education and Childcare	14.50%	L+1,000	£ 8,375,600	12,306,414	10,855,976
			(PIK 6.00%)				
Randall-Reilly, LLC	04/15/2020	Other Media	12.00%		26,500,000	26,617,239	26,309,750
Roto Holdings, Inc.	05/13/2021	Manufacturing / Basic Industries	11.00%		13,300,000	13,090,281	13,300,000

<b>Total Subordinated Debt/Corporate Notes</b>						103,851,033	102,510,981
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**Preferred Equity/Partnership Interests 0.8%<sup>(6)</sup>**

AH Holdings, Inc.		Healthcare, Education and Childcare	6.00%		211	500,000	128,457
Alegeus Technologies Holdings Corp.		Financial Services			949	949,050	1,081,633
Convergint Technologies Holdings, LLC		Electronics	8.00%		2,375	2,088,121	2,396,892
HW Holdco, LLC		Other Media	8.00%		3,591		32,476
Roto Holdings, Inc.		Manufacturing / Basic Industries			1,197	1,197,000	1,404,944

<b>Total Preferred Equity/Partnership Interests</b>						4,734,171	5,044,402
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**Table of Contents****PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)****SEPTEMBER 30, 2016**

	<b>Maturity / Expiration</b>	<b>Industry</b>	<b>Current Coupon</b>	<b>Basis Point Spread Above Index <sup>(4)</sup></b>	<b>Par / Shares</b>
<b>Ownership Interests/Warrants 10.0%<sup>(6)</sup></b>					
( )	03/23/2021	Healthcare, Education and Childcare			753 \$
ings Corp.		Financial Services			1
arrants)	05/05/2026	Education			933
		Broadcasting and Entertainment			1,333,330
LLC <sup>(10)</sup>		Cargo Transport			137,923
100, LLC)		Environmental Services			23,600
<sup>(10)</sup>		Distribution			1,745,639
Holdings, LLC <sup>(10)</sup>		Electronics			2,375
ldings, LLC		Consumer Products			938,399
rior Specialists, Inc.)		Building Materials			4,277
		Other Media			388,378
		Healthcare, Education and Childcare			252,014
		Distribution			19
dings, LLC <sup>(10)</sup>		Environmental Services			1,000,000
orp.		Personal, Food and Miscellaneous Services			3,000
(.)		Insurance			100,885
LC, Class A Units <sup>(10)</sup>		Electronics			1,350,000
LC, Class B Units <sup>(10)</sup>		Electronics			150,000
		Manufacturing / Basic Industries			1,330
c.		Printing and Publishing			211,797
<b>Partnership Interests/Warrants</b>					
<b>Controlled, Non-Affiliated Portfolio Companies</b>					8
<b>Controlled, Affiliated Portfolio Companies 33.5%<sup>(1), (2)</sup></b>					
<b>3%</b>					
lver) <sup>(8)</sup>	11/25/2020	Aerospace and Defense	10.75%	L+975	23,522,250
	11/25/2020	Aerospace and Defense			1,942,623
	03/21/2017	Aerospace and Defense	6.01%	L+500	4,434,295
			(PIK 1.00%)		
	04/30/2018	Business Services	12.00%	L+1,050	22,764,911

evolver)	11/22/2016	Business Services	12.00%	L+1,050	3,000,000
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**Debt****3.9%**

	10/31/2018	Consumer Products	8.50%	L+700	18,000,000
ty Holdings, Inc.	12/26/2017	Environmental Services	9.00%	L+800	9,409,740

**Debt****ate Notes 11.7%**

gs Limited <sup>(5), (9), (12)</sup>	07/30/2018	Consumer Products	7.50%		9,858,025
			(PIK 4.00%)		
	11/05/2019	Consumer Products	<sup>(6)</sup>		14,735,238
v Gulf Resources, LLC),	05/03/2021	Oil and Gas	12.50%		25,297,664
			(PIK 12.50%)		
	10/02/2017	Auto Sector	12.50%		28,000,000

**Corporate Notes**

Inc.		Aerospace and Defense			53,071
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**ip Interests/Warrants 8.9%<sup>(6)</sup>**

c.		Consumer Products			859,496
c., Series C and Series D		Consumer Products			37,181
		Aerospace and Defense			11,250
		Aerospace and Defense			11,250
		Consumer Products			104,719
warrants)	11/05/2022	Consumer Products			15,486
nc.		Environmental Services			143,668
v Gulf Resources, LLC) <sup>(10)</sup>		Oil and Gas			113,610
ompany, LLC (f/k/a NGR		Oil and Gas			119,603
) <sup>(10)</sup>					
s, Inc.		Auto Sector			16,800
nc.		Aerospace and Defense			53,071
		Business Services			491,755

**nership Interests/Warrants****Controlled, Affiliated Portfolio Companies**

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)

SEPTEMBER 30, 2016

Issuer Name	Maturity / Expiration	Industry	Current Coupon	Basis Point Spread Above Index <sup>(4)</sup>	Par / Shares	Cost	Fair Value <sup>(3)</sup>
<b>Investments in Controlled, Affiliated Portfolio Companies 19.4%<sup>(1), (2)</sup></b>							
<b>First Lien</b>							
<b>Secured Debt 14.7%</b>							
RAM Energy LLC	07/18/2019	Energy and Utilities	10.00%  (PIK 10.00%)	L+800	84,606,067	\$ 83,653,689	\$ 68,319,399
Superior Digital Displays, LLC	12/31/2018	Media	14.00%  (PIK 14.00%)	L+1,300	26,516,321	24,845,647	26,516,321
<b>Total First Lien Secured Debt</b>						108,499,336	94,835,720
<b>Second Lien</b>							
<b>Secured Debt 1.2%</b>							
Superior Digital Displays, LLC	07/01/2019	Media	16.00%  (PIK 16.00%)	L+1,500	8,675,815	8,675,815	7,346,315
<b>Preferred Equity 3.1%</b> <sup>(6)</sup>							
MidOcean JF Holdings Corp.		Distribution			143,183	14,318,325	20,151,529
Superior Digital Displays Holdings, Inc.		Media	15.00%		103,916	7,000,000	

<b>Total Preferred Equity</b>			21,318,325	20,151,529
<b>Common Equity 0.4%</b> (6)				
MidOcean JF Holdings Corp.	Distribution	65,933	24,761,831	2,686,073
RAM Energy Holdings LLC	Energy and Utilities	23,141	20,824,388	
Superior Digital Displays Holdings, Inc.	Media	11,100	2,211,000	
				&nbsp;