

PENNANTPARK INVESTMENT CORP  
Form 10-Q  
August 07, 2017

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 JUNE 30, 2017

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)

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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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 7, 2017 was 71,060,836.

PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2017

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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% 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.

## Item 1. Consolidated Financial Statements

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

|  | June 30, 2017<br>(unaudited) | September 30,<br>2016 |
|--|------------------------------|-----------------------|
| <b>Assets</b>  |                              |                       |
| <b>Investments at fair value</b>   |                              |                       |
| Non-controlled, non-affiliated investments (cost—\$772,411,106 and \$805,189,545, respectively)      | \$ 788,252,925               | \$ 813,467,491        |
| Non-controlled, affiliated investments (cost—\$183,090,652 and \$262,476,906, respectively)          | 185,505,287                  | 215,192,547           |
| Controlled, affiliated investments (cost—\$199,972,502 and \$186,290,695, respectively)              | 125,166,048                  | 125,019,637           |
| Total of investments (cost—\$1,155,474,260 and \$1,253,957,146, respectively)                        | 1,098,924,260                | 1,153,679,675         |
| Cash and cash equivalents (cost—\$103,099,629 and \$75,617,133, respectively)                        | 103,196,132                  | 75,608,113            |
| Interest receivable  | 7,899,440                    | 7,032,858             |
| Receivable for investments sold  | 12,478,824                   | —                     |
| Prepaid expenses and other assets  | 5,150,297                    | 2,615,232             |
| <b>Total assets</b>  | <b>1,227,648,953</b>         | <b>1,238,935,878</b>  |
| <b>Liabilities</b>   |                              |                       |
| Distributions payable  | 12,790,950                   | 19,897,034            |
| Credit Facility payable (cost—\$82,105,300 and \$50,339,700, respectively) (See Notes 5 and 10)      | 75,908,513                   | 39,551,187            |
| 2019 Notes payable (par—\$250,000,000) (See Notes 5 and 10)  | 253,375,000                  | 254,175,000           |
| 2025 Notes payable (par—zero and \$71,250,000, respectively) (See Notes 5 and 10)                    | —                            | 72,618,000            |
| SBA debentures payable, net (par—\$225,000,000 and \$197,500,000, respectively) (See Notes 5 and 10) | 220,590,278                  | 193,244,534           |
| Base management fee payable, net (See Note 3)  | 4,907,784                    | 5,074,830             |
| Performance-based incentive fee payable, net (See Note 3)  | 1,140,859                    | 2,865,444             |
| Interest payable on debt   | 5,962,316                    | 7,520,113             |
| Accrued other expenses   | 797,471                      | 622,880               |
| <b>Total liabilities</b>   | <b>575,473,171</b>           | <b>595,569,022</b>    |
| <b>Commitments and contingencies (See Note 11)</b>   |                              |                       |
| <b>Net assets</b>  |                              |                       |
| <b>Common stock, 71,060,836 shares issued and outstanding</b>  |                              |                       |
| 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           |
| Undistributed net investment income  | 1,310,399                    | 3,119,380             |

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|  |                 |                 |
|--|-----------------|-----------------|
| Accumulated net realized loss on investments | (115,562,130 )  | (84,771,820 )   |
| Net unrealized depreciation on investments   | (56,449,011 )   | (100,280,954 )  |
| Net unrealized depreciation on debt          | 2,821,787       | 5,245,513       |
| Total net assets                             | \$652,175,782   | \$643,366,856   |
| Total liabilities and net assets             | \$1,227,648,953 | \$1,238,935,878 |
| Net asset value per share                    | \$9.18          | \$9.05          |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

|  | Three Months Ended June |              | Nine Months Ended June 30, |                |
|--|-------------------------|--------------|----------------------------|----------------|
|  | 30,<br>2017             | 2016         | 2017                       | 2016           |
| Investment income:   |                         |              |                            |                |
| From non-controlled, non-affiliated investments:                             |                         |              |                            |                |
| Interest   | \$21,366,729            | \$26,432,244 | \$67,329,174               | \$81,300,064   |
| Other income   | 946,587                 | 2,151,427    | 4,614,740                  | 9,679,096      |
| From non-controlled, affiliated investments:                                 |                         |              |                            |                |
| Interest   | 3,750,616               | 3,458,232    | 12,416,683                 | 8,956,381      |
| Other income   | 1,587,435               | 61,094       | 1,609,935                  | 80,521         |
| From controlled, affiliated investments:                                     |                         |              |                            |                |
| Interest   | 3,432,952               | 3,436,797    | 10,697,690                 | 9,895,449      |
| Total investment income  | 31,084,319              | 35,539,794   | 96,668,222                 | 109,911,511    |
| Expenses:  |                         |              |                            |                |
| Base management fee (See Note 3)   | 5,842,601               | 6,190,579    | 18,449,890                 | 18,811,434     |
| Performance-based incentive fee (See Note 3)                                 | 1,358,165               | 4,039,292    | 8,375,564                  | 12,607,547     |
| Interest and expenses on debt (See Note 10)                                  | 6,723,980               | 7,005,077    | 20,638,611                 | 20,674,327     |
| Administrative services expenses (See Note 3)                                | 894,000                 | 898,167      | 2,682,000                  | 2,666,167      |
| Other general and administrative expenses                                    | 665,653                 | 899,508      | 2,002,643                  | 2,721,700      |
| Expenses before Management Fees waiver and provision for taxes               | 15,484,399              | 19,032,623   | 52,148,708                 | 57,481,175     |
| Management Fees waiver (See Note 3)  | (1,152,123 )            | (1,636,779 ) | (4,292,073 )               | (5,027,041 )   |
| Provision for taxes  | 425,000                 | 350,000      | 1,275,000                  | 2,000,000      |
| Credit Facility amendment costs (See Notes 5 and 10)                         | 3,866,633               | —            | 3,866,633                  | —              |
| Net expenses   | 18,623,909              | 17,745,844   | 52,998,268                 | 54,454,134     |
| Net investment income  | 12,460,410              | 17,793,950   | 43,669,954                 | 55,457,377     |
| Realized and unrealized gain (loss) on investments and debt:                 |                         |              |                            |                |
| Net realized gain (loss) on investments                                      | 10,147,761              | (45,507,467) | (30,790,310)               | (82,092,448 )  |
| Net change in unrealized (depreciation) appreciation on:                     |                         |              |                            |                |
| Non-controlled, non-affiliated investments                                   | (5,731,239 )            | 50,184,115   | 7,625,092                  | 27,230,048     |
| Non-controlled and controlled, affiliated investments                        | 4,039,995               | 7,770,408    | 36,206,851                 | (25,134,320 )  |
| Debt (appreciation) depreciation (See Notes 5 and 10)                        | (2,137,862 )            | (2,408,132 ) | (2,423,726 )               | 15,566,671     |
| Net change in unrealized (depreciation) appreciation on investments and debt | (3,829,106 )            | 55,546,391   | 41,408,217                 | 17,662,399     |
| Net realized and unrealized gain (loss) from investments and debt            | 6,318,655               | 10,038,924   | 10,617,907                 | (64,430,049 )  |
| Net increase (decrease) in net assets resulting from operations              | \$18,779,065            | \$27,832,874 | \$54,287,861               | \$(8,972,672 ) |

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|   |        |        |        |          |
|---|--------|--------|--------|----------|
| Net increase (decrease) in net assets resulting from operations per common share (See Note 7) | \$0.26 | \$0.39 | \$0.77 | \$(0.12) |
| Net investment income per common share  | \$0.18 | \$0.25 | \$0.61 | \$0.77   |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

|  | Nine Months Ended June 30, |                 |
|--|----------------------------|-----------------|
|  | 2017                       | 2016            |
| Net increase (decrease) in net assets from operations:                             |                            |                 |
| Net investment income  | \$43,669,954               | \$55,457,377    |
| Net realized loss on investments   | (30,790,310 )              | (82,092,448 )   |
| Net change in unrealized appreciation on investments                               | 43,831,943                 | 2,095,728       |
| Net change in unrealized (appreciation) depreciation on debt                       | (2,423,726 )               | 15,566,671      |
| Net increase (decrease) in net assets resulting from operations                    | 54,287,861                 | (8,972,672 )    |
| Distributions to stockholders:   | (45,478,935 )              | (59,882,867 )   |
| Capital transactions:  |                            |                 |
| Repurchase of common stock   | —                          | (12,180,491 )   |
| Net increase (decrease) in net assets  | 8,808,926                  | (81,036,030 )   |
| Net assets:  |                            |                 |
| Beginning of period  | 643,366,856                | 716,590,542     |
| End of period  | \$652,175,782              | \$635,554,512   |
| Undistributed (distributions in excess of) net investment income, at end of period | \$1,310,399                | \$(17,850,376 ) |
| Capital share activity:  |                            |                 |
| Shares of common stock repurchased   | —                          | (1,905,207 )    |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

|  | Nine Months Ended June 30, |                |
|--|----------------------------|----------------|
|  | 2017                       | 2016           |
| Cash flows from operating activities:  |                            |                |
| Net increase (decrease) in net assets resulting from operations  | \$54,287,861               | \$(8,972,672 ) |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by operating activities: |                            |                |
| Net change in net unrealized appreciation on investments   | (43,831,943 )              | (2,095,728 )   |
| Net change in unrealized appreciation (depreciation) on debt   | 2,423,726                  | (15,566,671 )  |
| Net realized loss on investments   | 30,790,310                 | 82,092,448     |
| Net accretion of discount and amortization of premium  | (2,327,068 )               | (3,992,102 )   |
| Purchases of investments   | (378,816,543)              | (307,264,571)  |
| Payment-in-kind income   | (17,060,002 )              | (10,392,583 )  |
| Proceeds from dispositions of investments  | 465,353,962                | 304,104,246    |
| Amortization of deferred financing costs   | 512,619                    | 455,540        |
| (Increase) decrease in interest receivable   | (866,582 )                 | 193,400        |
| Increase in receivable for investments sold  | (12,478,824 )              | —              |
| (Increase) decrease in prepaid expenses and other assets   | (2,535,065 )               | 5,226,264      |
| Decrease in payable for investments purchased  | —                          | (3,591,177 )   |
| Decrease in interest payable on debt   | (1,557,797 )               | (1,260,933 )   |
| Decrease in base management fee payable, net   | (167,046 )                 | (1,401,942 )   |
| Decrease in performance-based incentive fee payable, net   | (1,724,585 )               | (1,614,787 )   |
| Increase (decrease) in accrued other expenses  | 174,591                    | (1,711,098 )   |
| Net cash provided by operating activities  | 92,177,614                 | 34,207,634     |
| Cash flows from financing activities:  |                            |                |
| Repurchase of common stock   | —                          | (12,180,491 )  |
| Distributions paid to stockholders   | (52,585,018 )              | (60,416,325 )  |
| Borrowings under SBA debentures  | 27,500,000                 | 47,500,000     |
| Repayments under 2025 Notes  | (71,250,000 )              | —              |
| Capitalized borrowing costs  | (666,875 )                 | (1,151,875 )   |
| Borrowings under Credit Facility   | 363,760,000                | 365,664,923    |
| Repayments under Credit Facility   | (331,994,400)              | (385,385,300)  |
| Net cash used in financing activities  | (65,236,293 )              | (45,969,068 )  |
| Net increase (decrease) in cash equivalents  | 26,941,321                 | (11,761,434 )  |
| Effect of exchange rate changes on cash  | 646,698                    | 15,032         |
| Cash and cash equivalents, beginning of period   | 75,608,113                 | 49,619,256     |
| Cash and cash equivalents, end of period   | \$103,196,132              | \$37,872,854   |
| Supplemental disclosure of cash flow information:  |                            |                |
| Interest paid  | \$21,683,789               | \$21,479,719   |

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|                                    |              |              |
|------------------------------------|--------------|--------------|
| Taxes paid                         | \$1,280,898  | \$2,154,226  |
| Non-cash exchanges and conversions | \$37,712,296 | \$60,438,396 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2017

(Unaudited)

| Issuer Name   | Maturity / Expiration | Industry                                  | Current Coupon | Basis Point Spread         |       | Par / Shares | Cost        | Fair Value <sup>(3)</sup> |
|---|-----------------------|---|----------------|----------------------------|-------|--------------|-------------|---------------------------|
|   |                       |   |                | Above Index <sup>(4)</sup> | Par / |              |             |                           |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies—120.9% <sup>(2)</sup> |                       |   |                |                            |       |              |             |                           |
| First Lien Secured Debt—46.1%   |                       |   |                |                            |       |              |             |                           |
| ACC of Tamarac, LLC   | 06/20/2021            | Telecommunications                        | 10.77 %        | L+950                      |       | 7,500,000    | \$7,350,868 | \$7,350,000               |
| Bottom Line Systems, LLC  | 02/13/2021            | Healthcare, Education and Childcare       | 8.80 %         | L+750                      |       | 19,900,000   | 19,614,550  | 19,675,001                |
| Broder Bros., Co., Tranche A  | 06/03/2021            | Consumer Products                         | 7.05 %         | L+575                      |       | 8,454,352    | 8,327,362   | 8,475,488                 |
| Broder Bros., Co., Tranche B  | 06/03/2021            | Consumer Products                         | 13.55 %        | L+1,225                    |       | 8,761,235    | 8,623,984   | 8,783,138                 |
| Cano Health, LLC  | 12/23/2021            | Healthcare, Education and Childcare       | 11.06 %        | L+1,000                    |       | 19,522,688   | 19,058,944  | 19,522,688                |
| Cano Health, LLC (Revolver) <sup>(8)</sup>  | 12/22/2021            | Healthcare, Education and Childcare       | —              | —                          |       | 900,000      | —           | —                         |
| DermaRite Industries LLC  | 03/03/2022            | Manufacturing / Basic Industries          | 8.30 %         | L+700                      |       | 9,975,000    | 9,832,201   | 9,893,191                 |
| Hollander Sleep Products, LLC   | 06/09/2021            | Consumer Products                         | 9.10 %         | L+800                      |       | 22,500,000   | 22,051,999  | 22,050,000                |
| Home Town Cable TV, LLC   | 06/20/2021            | Telecommunications                        | 10.77 %        | L+950                      |       | 10,000,000   | 9,800,809   | 9,800,000                 |
| Interior Specialists, Inc.  | 06/30/2021            | Building Materials                        | 9.06 %         | L+800                      |       | 24,599,092   | 24,439,441  | 24,599,092                |
| Juniper Landscaping of Florida, LLC   | 12/22/2021            | Personal, Food and Miscellaneous Services | 10.56 %        | L+950                      |       | 14,083,875   | 13,824,916  | 14,048,665                |
| Juniper Landscaping of Florida, LLC   | 12/22/2021            | Personal, Food and Miscellaneous Services | 10.61 %        | L+950                      |       | 720,000      | 720,000     | 720,000                   |

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|   |            |   |         |           |             |             |             |
|---|------------|---|---------|-----------|-------------|-------------|-------------|
| (Revolver)  |            |   |         |           |             |             |             |
| Juniper Landscaping of Florida, LLC (Revolver) <sup>(8)</sup> | 12/22/2020 | Personal, Food and Miscellaneous Services   | —       | —         | 2,880,000   | —           | —           |
| K2 Pure Solutions NoCal, L.P.                                 | 02/19/2020 | Chemicals, Plastics and Rubber              | 10.23   | % L+900   | 14,522,529  | 14,285,881  | 14,359,545  |
| One Sixty Over Ninety, LLC                                    | 03/03/2020 | Media                                       | 10.51   | % L+921   | 16,250,000  | 15,940,214  | 16,087,500  |
| Prince Mineral Holding Corp. <sup>(5)</sup>                   | 12/16/2019 | Mining, Steel, Iron and Non-Precious Metals | 11.50   | % —       | 14,250,000  | 14,178,706  | 14,606,250  |
| Robertshaw US Holding Corp.                                   | 06/18/2020 | Electronics                                 | 8.50    | % L+700   | 15,631,457  | 15,578,747  | 15,616,373  |
| Sunborn Oy, Sunborn Saga Oy <sup>(9), (11), (12)</sup>        | 06/28/2020 | Hotels, Motels, Inns and Gaming             | 11.50   | % L+1,050 | €29,885,887 | 30,881,670  | 34,171,564  |
|   |            |   | (PIK %) |           |             |             |             |
|   |            |   | 3.50    |           |             |             |             |
| Triad Manufacturing, Inc.                                     | 12/28/2020 | Manufacturing / Basic Industries            | 12.48   | % L+1,125 | 25,337,545  | 24,956,129  | 25,337,545  |
| Trust Inns Limited <sup>(9), (11), (12)</sup>                 | 02/12/2020 | Buildings and Real Estate                   | 10.80   | % L+1,050 | £20,820,895 | 33,487,114  | 27,315,839  |
| US Med Acquisition, Inc.                                      | 08/13/2020 | Healthcare, Education and Childcare         | 10.30   | % L+900   | 8,585,938   | 8,585,938   | 8,414,219   |
| Total First Lien Secured Debt                                 |            |   |         |           |             | 301,539,473 | 300,826,098 |
| Second Lien Secured Debt—57.6%                                |            |   |         |           |             |             |             |
| Acre Operating Company, LLC                                   | 12/12/2020 | Electronics                                 | 10.67   | % L+950   | 38,800,000  | 38,149,962  | 38,800,000  |
| Balboa Capital Corporation <sup>(12)</sup>                    | 03/04/2020 | Financial Services                          | 13.75   | % —       | 28,500,000  | 28,279,535  | 28,500,000  |
| Harbortouch Payments, LLC                                     | 10/11/2020 | Financial Services                          | 10.73   | % L+950   | 18,900,000  | 18,574,663  | 18,900,000  |
| Howard Berger Co. LLC   | 09/30/2020 | Distribution                                | 11.30   | % L+1,000 | 42,375,000  | 40,828,535  | 40,256,250  |
|   |            |   | (PIK %) |           |             |             |             |
|   |            |   | 5.25    |           |             |             |             |
| Infogroup, Inc.   | 04/03/2020 | Other Media                                 | 10.40   | % L+925   | 20,400,000  | 20,003,304  | 20,196,000  |
| Intermediate Transportation 100, LLC <sup>(5)</sup>           | 03/01/2020 | Chicago Transport                           | 11.00   | % —       | 409,672     | 298,661     | 409,672     |
|   |            |   | (PIK %) |           |             |             |             |
|   |            |   | 11.00   |           |             |             |             |
| MailSouth, Inc.   | 10/22/2020 | Printing and Publishing                     | 11.65   | % L+1,050 | 26,425,000  | 25,984,206  | 26,689,250  |
| Novitex Acquisition, LLC                                      | 07/07/2020 | Business Services                           | 12.32   | % L+1,100 | 44,625,000  | 44,157,954  | 43,732,500  |
| Parq Holdings Limited Partnership <sup>(9), (12)</sup>        | 12/17/2020 | Hotels, Motels, Inns and Gaming             | 13.23   | % L+1,200 | 75,000,000  | 75,000,000  | 76,642,695  |
|   | 07/01/2020 |   | 10.25   | % L+900   | 62,750,000  | 62,264,429  | 62,985,312  |

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|   |            |   |         |         |            |             |             |  |
|---|------------|---|---------|---------|------------|-------------|-------------|--|
| Pre-Paid Legal Services, Inc.   |            | Personal, Food and Miscellaneous Services |         |         |            |             |             |  |
| Veritext Corp.  | 01/30/2013 | Business Services                         | 10.30 % | L+900   | 18,834,375 | 18,335,071  | 18,457,689  |  |
| Total Second Lien Secured Debt  |            |   |         |         |            | 371,876,320 | 375,569,368 |  |
| Subordinated Debt/Corporate Notes—10.5%   |            |   |         |         |            |             |             |  |
| Cascade Environmental LLC   | 08/20/2011 | Environmental Services                    | 12.00 % | —       | 32,675,553 | 32,132,274  | 32,430,486  |  |
| Credit Infonet, Inc.  | 10/26/2010 | Personal, Food and Miscellaneous Services | 13.00 % | —       | 11,131,090 | 10,919,090  | 11,045,140  |  |
|   |            |   | (PIK %) |         |            |             |             |  |
|   |            |   | 0.75    |         |            |             |             |  |
| Goldsun Trading Limited (9), (11), (12)   | 02/19/2011 | Healthcare, Education and Childcare       | 18.50 % | L+1,400 | £8,872,798 | 12,959,460  | 11,525,356  |  |
|   |            |   | (PIK %) |         |            |             |             |  |
|   |            |   | 10.00   |         |            |             |             |  |
| Sonny's Enterprises, LLC  | 06/01/2012 | Manufacturing / Basic Industries          | 11.00 % | —       | 13,300,000 | 13,044,965  | 13,300,000  |  |
| Total Subordinated Debt/Corporate Notes Preferred Equity/Partnership Interests—0.9% |            |   |         |         |            | 69,055,789  | 68,300,982  |  |
| AH Holdings, Inc.   | —          | Healthcare, Education and Childcare       | 6.00 %  | —       | 211        | 500,000     | 337,664     |  |
| Alegeus Technologies Holdings Corp.   | —          | Financial Services                        | —       | —       | 949        | 949,050     | 1,138,219   |  |
| Convergint Technologies Holdings, LLC   | —          | Electronics                               | 8.00 %  | —       | 2,375      | 2,088,121   | 2,509,939   |  |
| HW Holdco, LLC  | —          | Other Media                               | 8.00 %  | —       | 3,591      | —           | 33,580      |  |
| Roto Holdings, Inc.   | —          | Manufacturing / Basic Industries          | 9.00 %  | —       | 1,197      | 1,197,000   | 1,469,970   |  |
| Total Preferred Equity/Partnership Interests  |            |   |         |         |            | 4,734,171   | 5,489,372   |  |
| SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS                                      |            |   |         |         |            |             |             |  |

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)

JUNE 30, 2017

(Unaudited)

| Issuer Name   | Maturity / Expiration | Industry                            | Current Coupon | Basis Point |   | Cost                      | Fair Value <sup>(3)</sup> |
|---|-----------------------|-------------------------------------|----------------|-------------|---|---------------------------|---------------------------|
|   |                       |                                     |                | Spread      | Above Par / Index <sup>(4)</sup> Shares |                           |                           |
| Common Equity/Partnership Interests/Warrants—5.8%         |                       |                                     |                |             |   |                           |                           |
| AH Holdings, Inc. (Warrants)                              | 03/23/2016            | Healthcare, Education and Childcare | —              | —           | 753                                     | \$—                       | \$—                       |
| Alegeus Technologies Holdings Corp.                       | —                     | Financial Services                  | —              | —           | 1                                       | 950                       | 1,139                     |
| ASP LCG Holdings, Inc. (Warrants)                         | 05/05/2016            | Education                           | —              | —           | 933                                     | 586,975                   | 1,661,384                 |
| Autumn Games, LLC   | —                     | Broadcasting and Entertainment      | —              | —           | 1,333,330                               | 3,000,000                 | —                         |
| Cardinal Logistics Holdings LLC <sup>(10)</sup>           | —                     | Cargo Transport                     | —              | —           | —                                       | <sup>(13)</sup> 5,411,024 | 3,299,444                 |
| (Intermediate Transportation 100, LLC)                    |                       |                                     |                |             |   |                           |                           |
| Cascade Environmental LLC <sup>(10)</sup>                 | —                     | Environmental Services              | —              | —           | 24,382                                  | 2,518,909                 | 3,790,035                 |
| CI (Galls) Prime Investment Holdings, LLC <sup>(10)</sup> | —                     | Distribution                        | —              | —           | 1,745,639                               | 1,745,639                 | 3,938,004                 |
| Convergent Technologies                                   | —                     | Electronics                         | —              | —           | 2,375                                   | —                         | 3,845,311                 |

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|  |            |   |         |              |            |             |             |           |
|--|------------|---|---------|--------------|------------|-------------|-------------|-----------|
| Holdings, LLC  |            |   |         |              |            |             |             |           |
| Faraday Holdings, LLC (Interior Specialists, Inc.)                                 | —          | Building Materials  | —       | —            | 4,277      | 217,635     | 718,665     |           |
| HW Holdco, LLC   | —          | Other Media   | —       | —            | 388,378    | —           | 3,631,765   |           |
| Infogroup Parent Holdings, Inc.  | —          | Other Media   | —       | —            | 181,495    | 2,040,000   | 2,040,000   |           |
| ITC Rumba, LLC (Cano Health, LLC) <sup>(10)</sup>                                  | —          | Healthcare, Education and Childcare                         | —       | —            | 180,000    | 1,800,000   | 1,967,092   |           |
| Kadmon Holdings, Inc.  | —          | Healthcare, Education and Childcare                         | —       | —            | 252,014    | 2,265,639   | 980,334     |           |
| LaMi Acquisition, LLC <sup>(10)</sup>  | —          | Distribution  | —       | —            | 19         | 493,280     | 817,441     |           |
| Lariat ecoserv Co-Invest Holdings, LLC <sup>(10)</sup>                             | —          | Environmental Services                                      | —       | —            | 1,000,000  | 1,000,000   | —           |           |
| MidOcean PPL Holdings, Corp. (Pre-Paid Legal Services, Inc.)                       | —          | Personal, Food and Miscellaneous Services                   | —       | —            | 3,000      | 3,000,000   | 8,449,091   |           |
| Patriot National, Inc.   | —          | Insurance   | —       | —            | 100,885    | 238,038     | 213,876     |           |
| Roto Holdings, Inc.  | —          | Manufacturing / Basic Industries                            | —       | —            | 1,330      | 133,000     | 1,969,930   |           |
| ZS Juniper L.P. (Juniper Landscaping of Florida, LLC) <sup>(10)</sup>              | —          | Personal, Food and Miscellaneous Services                   | —       | —            | 754        | 754,264     | 743,594     |           |
| Total Common Equity/Partnership Interests/Warrants                                 |            |   |         |              |            | 25,205,353  | 38,067,105  |           |
| Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies            |            |   |         |              |            | 772,411,106 | 788,252,925 |           |
| Investments in Non-Controlled, Affiliated Portfolio Companies—28.4% <sup>(2)</sup> |            |   |         |              |            |             |             |           |
| First Lien Secured Debt—9.4%   |            |   |         |              |            |             |             |           |
| American Gilsonite Company   | 12/31/2021 | Diversified Natural Resources, Precious Metals and Minerals | 15.00 % | (PIK 5.00 %) | —          | 3,339,401   | 3,245,185   | 3,506,372 |
| Corfin Industries LLC  | 11/25/2020 | Aerospace and Defense                                       | 10.80 % | L+975        | 22,593,352 | 22,260,014  | 22,310,936  |           |
| Corfin Industries LLC (Revolver) <sup>(8)</sup>                                    | 11/25/2020 | Aerospace and Defense                                       | —       | —            | 1,942,623  | —           | —           |           |
| TRAK Acquisition Corp.   | 04/30/2018 | Business Services   | 12.00 % | L+1,050      | 21,639,911 | 21,544,008  | 21,639,911  |           |
| TRAK Acquisition Corp. (Revolver)  | 08/25/2017 | Business Services   | 12.00 % | L+1,050      | 3,000,000  | 3,000,000   | 3,000,000   |           |

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|  |            |   |       |    |         |            |            |            |
|--|------------|---|-------|----|---------|------------|------------|------------|
| U.S. Well Services, LLC                                  | 02/02/2007 | Oil and Gas   | 12.23 | %  | L+1,100 | 9,450,666  | 9,369,465  | 9,450,666  |
|  |            |   | (PIK  | %) |         |            |            |            |
|  |            |   | 12.23 |    |         |            |            |            |
| U.S. Well Services, LLC (Revolver)                       | 02/02/2007 | Oil and Gas   | 7.23  | %  | L+600   | 1,208,314  | 1,208,314  | 1,208,314  |
| U.S. Well Services, LLC (Revolver) <sup>(8)</sup>        | 02/02/2007 | Oil and Gas   | —     |    | —       | 984,106    | —          | —          |
| Total First Lien Secured Debt                            |            |   |       |    |         |            | 60,626,986 | 61,116,199 |
| Second Lien Secured Debt—1.4%                            |            |   |       |    |         |            |            |            |
| EnviroSolutions Real Property Holdings, Inc. - Tranche A | 12/23/2010 | Environmental Services                                      | 9.30  | %  | L+800   | 4,856,640  | 4,832,614  | 4,856,640  |
| EnviroSolutions Real Property Holdings, Inc. - Tranche B | 08/03/2010 | Environmental Services                                      | 9.30  | %  | L+800   | 4,553,100  | 4,530,561  | 4,553,100  |
|  |            |   | (PIK  | %) |         |            |            |            |
|  |            |   | 9.30  |    |         |            |            |            |
| Total Second Lien Secured Debt                           |            |   |       |    |         |            | 9,363,175  | 9,409,740  |
| Subordinated Debt/Corporate Notes—8.1%                   |            |   |       |    |         |            |            |            |
| American Gilsonite Company <sup>(5)</sup>                | 12/31/2011 | Diversified Natural Resources, Precious Metals and Minerals | 17.00 | %  | —       | 9,407,407  | 9,407,407  | 9,642,592  |
|  |            |   | (PIK  | %) |         |            |            |            |
|  |            |   | 17.00 |    |         |            |            |            |
| ETX Energy, LLC, Convertible Note <sup>(5)</sup>         | 05/03/2007 | Oil and Gas   | 12.50 | %  | —       | 27,744,207 | 37,159,703 | 43,003,521 |
|  |            |   | (PIK  | %) |         |            |            |            |
|  |            |   | 12.50 |    |         |            |            |            |
| Total Subordinated Debt/Corporate Notes                  |            |   |       |    |         |            | 46,567,110 | 52,646,113 |
| Common Equity/Partnership Interests/Warrants—9.5%        |            |   |       |    |         |            |            |            |
| Affinion Group Holdings, Inc.                            | —          | Consumer Products   | —     |    | —       | 859,496    | 30,503,493 | 20,321,545 |
| Affinion Group Holdings, Inc., Series C and Series D     | —          | Consumer Products   | —     |    | —       | 37,181     | 10,265,972 | 70,963     |
| American Gilsonite Company                               | —          | Diversified Natural Resources, Precious Metals and Minerals | —     |    | —       | 25,400     | 5,465,627  | 8,053,381  |
| Corfin InvestCo, L.P.                                    | —          | Aerospace and Defense                                       | —     |    | —       | 11,250     | 1,125,000  | 1,194,993  |
| Corfin InvestCo, L.P. <sup>(8)</sup>                     | —          | Aerospace and Defense                                       | —     |    | —       | 11,250     | —          | —          |
| EnviroSolutions Holdings, Inc.                           | —          | Environmental Services                                      | —     |    | —       | 143,668    | 11,960,702 | 14,766,453 |

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|  |   |                   |   |   |           |             |             |
|--|---|-------------------|---|---|-----------|-------------|-------------|
| ETX Energy, LLC<br>(10)  | — | Oil and Gas       | — | — | 113,610   | —           | 2,936,958   |
| ETX Energy<br>Management<br>Company, LLC (10)                          | — | Oil and Gas       | — | — | 119,603   | —           | 154,594     |
| TRAK Acquisition<br>Corp.  | — | Business Services | — | — | 491,755   | 188,837     | 5,272,366   |
| USWS Holdings,<br>LLC - Class A and<br>Class B                         | — | Oil and Gas       | — | — | 8,190,817 | 7,023,750   | 9,561,982   |
| Total Common Equity/Partnership<br>Interests/Warrants                  |   |                   |   |   |           | 66,533,381  | 62,333,235  |
| Total Investments in Non-Controlled, Affiliated<br>Portfolio Companies |   |                   |   |   |           | 183,090,652 | 185,505,287 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)

JUNE 30, 2017

(Unaudited)

| Issuer Name  | Maturity / Expiration | Industry             | Current Coupon | Basis Point Spread         |            | Par / Shares | Cost         | Fair Value <sup>(3)</sup> |  |
|--|-----------------------|----------------------|----------------|----------------------------|------------|--------------|--------------|---------------------------|--|
|  |                       |                      |                | Above Index <sup>(4)</sup> | Par /      |              |              |                           |  |
| Investments in Controlled, Affiliated Portfolio Companies—19.2% <sup>(2)</sup> |                       |                      |                |                            |            |              |              |                           |  |
| First Lien Secured Debt—15.7%  |                       |                      |                |                            |            |              |              |                           |  |
| RAM Energy LLC   | 07/18/2018            | Energy and Utilities | 10.00 %        | L+800                      | 91,160,870 | \$90,440,351 | \$73,156,598 |                           |  |
|  |                       |                      | (PIK 10.00 %)  |                            |            |              |              |                           |  |
| Superior Digital Displays, LLC   | 12/31/2018            | Media                | 10.30 %        | L+900                      | 29,386,130 | 28,085,580   | 29,386,130   |                           |  |
|  |                       |                      | (PIK 10.30 %)  |                            |            |              |              |                           |  |
| Total First Lien Secured Debt  |                       |                      |                |                            |            |              | 118,525,931  | 102,542,728               |  |
| Preferred Equity—3.2% <sup>(2)</sup>   |                       |                      |                |                            |            |              |              |                           |  |
| MidOcean JF Holdings Corp.   | —                     | Distribution         | —              | —                          | 143,183    | 14,318,325   | 17,916,213   |                           |  |
| Superior Digital Displays Holdings, Inc.                                       | —                     | Media                | 15.00 %        | —                          | 516,204    | 19,331,027   | 3,050,353    |                           |  |
| Total Preferred Equity   |                       |                      |                |                            |            |              | 33,649,352   | 20,966,566                |  |
| Common Equity—0.3% <sup>(2)</sup>  |                       |                      |                |                            |            |              |              |                           |  |
| MidOcean JF Holdings Corp.   | —                     | Distribution         | —              | —                          | 65,933     | 24,761,831   | 1,656,754    |                           |  |
| RAM Energy Holdings LLC  | —                     | Energy and Utilities | —              | —                          | 23,141     | 20,824,388   | —            |                           |  |
| Superior Digital Displays Holdings, Inc.                                       | —                     | Media                | —              | —                          | 11,100     | 2,211,000    | —            |                           |  |
| Total Common Equity  |                       |                      |                |                            |            |              | 47,797,219   | 1,656,754                 |  |
|  |                       |                      |                |                            |            |              | 199,972,502  | 125,166,048               |  |

|   |                  |                  |
|---|------------------|------------------|
| Total Investments in Controlled, Affiliated Portfolio Companies |                  |                  |
| Total Investments—168.5%  | 1,155,474,260    | 1,098,924,260    |
| Cash and Cash Equivalents—15.8%                                 |                  |                  |
| BlackRock Federal FD Institutional 30                           | 33,492,976       | 33,492,976       |
| BNY Mellon Cash Reserve and Cash                                | 69,606,653       | 69,703,156       |
| Total Cash and Cash Equivalents                                 | 103,099,629      | 103,196,132      |
| Total Investments and Cash Equivalents—184.3%                   | \$ 1,258,573,889 | \$ 1,202,120,392 |
| Liabilities in Excess of Other Assets—(84.3%)                   |                  | (549,944,610 )   |
| Net Assets—100.0%   |                  | \$652,175,782    |

- (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. As of June 30, 2017, qualifying assets represent 85% of the Company’s total assets and non-qualifying assets represent 15% of the Company’s total assets.
- (13) Share amount is 70,443,882,243.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2016

| Issuer Name  | Maturity / Expiration | Industry                                    | Current Coupon | Basis Point |                            | Par / Shares | Cost         | Fair Value <sup>(3)</sup> |
|--|-----------------------|---|----------------|-------------|----------------------------|--------------|--------------|---------------------------|
|  |                       |   |                | Spread      | Above Index <sup>(4)</sup> |              |              |                           |
| Investments in Non-Controlled, Non-Affiliated Portfolio Companies—126.4%<br>(1), (2) |                       |   |                |             |                            |              |              |                           |
| First Lien Secured Debt—38.7%  |                       |   |                |             |                            |              |              |                           |
| 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   | 06/03/2020            | Consumer Products                           | 7.00 %         | L+575       | 9,150,000                  | 8,989,610    | 9,085,577    |                           |
| Broder Bros., Co., Tranche B   | 06/03/2020            | 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.  | 02/19/2020            | Chemicals, Plastics and Rubber              | 10.00 %        | L+900       | 14,522,529                 | 14,273,869   | 14,244,486   |                           |
| LSF9 Atlantis Holdings, LLC  | 01/15/2020            | Retail                                      | 10.00 %        | L+900       | 38,391,045                 | 37,888,445   | 38,391,045   |                           |
| Prince Mineral Holding Corp. <sup>(5)</sup>  | 12/16/2020            | Mining, Steel, Iron and Non-Precious Metals | 11.50 %        | —           | 14,250,000                 | 14,156,176   | 13,359,375   |                           |
| Robertshaw US Holding Corp.  | 06/18/2020            | Electronics                                 | 8.50 %         | L+700       | 15,948,113                 | 15,875,684   | 15,970,121   |                           |
| Sotera Defense Solutions, Inc.   | 04/21/2020            | 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     | 28,859,421                 | 28,349,720   | 28,859,421   |                           |
|  | 02/12/2020            |   | 10.88 %        | L+1,050     | £22,512,751                | 35,990,065   | 28,703,752   |                           |

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|  |  |       |   |                  |            |             |             |  |
|--|--|-------|---|------------------|------------|-------------|-------------|--|
| Trust Inns Limited<br>(9), (11), (12)                        | Buildings and<br>Real Estate   |       |   |                  |            |             |             |  |
| US Med<br>Acquisition, Inc.                                  | 08/13/2019<br>Healthcare,<br>Education and<br>Childcare                                      | 10.00 | % | L+900            | 8,651,563  | 8,651,563   | 8,651,563   |  |
| U.S. Well<br>Services, LLC                                   | 05/02/2019<br>Oil and Gas  | 14.02 | % | L+1,350          | 14,988,321 | 14,796,715  | 12,912,527  |  |
|  |  |       |   | (PIK 14.02%)     |            |             |             |  |
| Total First Lien Secured Debt                                |  |       |   |                  |            | 258,288,303 | 249,033,317 |  |
| Second Lien Secured Debt—61.0%                               |  |       |   |                  |            |             |             |  |
| American<br>Gilsonite<br>Company <sup>(5)</sup>              | 09/01/2019<br>Diversified<br>Natural<br>Resources,<br>Precious<br><br>Metals and<br>Minerals | —     |   | <sup>(6)</sup> — | 25,400,000 | 25,400,000  | 17,780,000  |  |
| Balboa Capital<br>Corporation <sup>(12)</sup>                | 03/04/2019<br>Financial<br>Services  | 13.75 | % | —                | 28,500,000 | 28,253,554  | 28,500,000  |  |
| Bennu Oil & Gas,<br>LLC                                      | 11/01/2019<br>Oil and Gas  | —     |   | <sup>(6)</sup> — | 26,979,281 | 25,422,260  | 8,633,370   |  |
| Howard Berger<br>Co. LLC                                     | 09/30/2019<br>Distribution   | 11.00 | % | L+1,000          | 41,250,000 | 39,419,316  | 37,125,000  |  |
| Intermediate<br>Transportation<br>100, LLC <sup>(5)</sup>    | 03/01/2019<br>Air Cargo Transport  | —     |   | <sup>(6)</sup> — | 4,887,760  | 3,739,797   | 2,932,656   |  |
| Jacobs<br>Entertainment,<br>Inc.                             | 10/29/2019<br>Hotels, Motels,<br>Inns and Gaming   | 13.00 | % | L+1,175          | 51,775,000 | 51,362,786  | 51,775,000  |  |
| MailSouth, Inc.  | 10/22/2019<br>Printing and<br>Publishing   | 11.50 | % | L+1,050          | 26,425,000 | 25,926,258  | 26,425,000  |  |
| Novitex<br>Acquisition, LLC                                  | 07/07/2019<br>Business Services  | 12.25 | % | L+1,100          | 41,250,000 | 40,929,816  | 41,250,000  |  |
| Parq Holdings<br>Limited<br>Partnership <sup>(9), (12)</sup> | 12/17/2019<br>Hotels, Motels,<br>Inns and Gaming   | 13.00 | % | L+1,200          | 75,000,000 | 75,000,000  | 76,229,058  |  |
| Penton Media,<br>Inc.  | 10/02/2019<br>Media  | 9.00  | % | L+775            | 18,270,159 | 18,101,798  | 18,201,646  |  |
| Pre-Paid Legal<br>Services, Inc.                             | 07/01/2019<br>Personal, Food<br>and<br>Miscellaneous<br>Services                             | 10.25 | % | L+900            | 56,750,000 | 56,202,295  | 56,087,727  |  |
| Prime Security<br>Services<br>Borrower, LLC                  | 07/01/2019<br>Personal, Food<br>and<br>Miscellaneous<br>Services                             | 9.75  | % | L+875            | 14,798,077 | 14,613,655  | 15,029,371  |  |
| VT Buyer<br>Acquisition Corp.                                | 01/30/2019<br>Business Services  | 10.75 | % | L+975            | 12,862,500 | 12,441,130  | 12,862,500  |  |
| Total Second Lien Secured Debt                               |  |       |   |                  |            | 416,812,665 | 392,831,328 |  |
| Subordinated Debt/Corporate Notes—15.9%                      |  |       |   |                  |            |             |             |  |
|  | 02/15/2019   | 13.00 | % | L+1,200          | 8,930,000  | 8,844,669   | 8,831,201   |  |

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|  |            |   |       |   |              |            |             |             |
|--|------------|---|-------|---|--------------|------------|-------------|-------------|
| Alegeus Technologies, LLC                          |            | Financial Services                        |       |   |              |            |             |             |
| Cascade Environmental LLC                          | 08/20/2018 | 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                                | 04/15/2018 | Other Media                               | 12.00 | % | —            | 26,500,000 | 26,617,239  | 26,309,750  |
| Roto Holdings, Inc.                                | 05/13/2018 | Manufacturing / Basic Industries          | 11.00 | % | —            | 13,300,000 | 13,090,281  | 13,300,000  |
| Total Subordinated Debt/Corporate Notes            |            |   |       |   |              |            | 103,851,033 | 102,510,981 |
| Preferred Equity/Partnership Interests—0.8%        |            |   |       |   |              |            |             |             |
| 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   |
| Total Preferred Equity/Partnership Interests       |            |   |       |   |              |            | 4,734,171   | 5,044,402   |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)

SEPTEMBER 30, 2016

| Investor Name   | Maturity /<br>Expiration                                | Current<br>Coupon | Basis<br>Point<br>Spread<br>Above<br>Par /<br>Index<br>(4) | Shares    | Cost      | Fair Value |
|---|---|-------------------|--|-----------|-----------|------------|
| Common Equity/Partnership Interests/Warrants—10.0%    |   |                   |  |           |           |            |
| Holdings, Inc. (Warrants)                             | 03/15/2016<br>Healthcare,<br>Education and<br>Childcare | —                 | —  | 753       | \$—       | \$—        |
| geus Technologies Holdings Corp.                      | —<br>Financial<br>Services                              | —                 | —  | 1         | 950       | 1,083      |
| P LCG Holdings, Inc. (Warrants)                       | 05/05/2016<br>Telecom                                   | —                 | —  | 933       | 586,975   | 1,192,535  |
| umn Games, LLC  | —<br>Broadcasting<br>and<br>Entertainment               | —                 | —  | 1,333,330 | 3,000,000 | —          |
| dinal Logistics Holdings LLC <sup>(10)</sup>          | —<br>Cargo<br>Transport                                 | —                 | —  | 137,923   | 2,111,588 | —          |
| Intermediate Transportation 100, LLC)                 |   |                   |  |           |           |            |
| cade Environmental LLC <sup>(10)</sup>                | —<br>Environmental<br>Services                          | —                 | —  | 23,600    | 2,360,000 | 5,194,738  |
| Galls) Prime Investment Holdings, LLC <sup>(10)</sup> | —<br>Distribution                                       | —                 | —  | 1,745,639 | 1,745,639 | 3,637,907  |
| vergent Technologies Holdings, LLC                    | —<br>Electronics  | —                 | —  | 2,375     | —         | 2,671,422  |
| Beauty, Inc.  | —<br>Consumer<br>Products                               | —                 | —  | 938,399   | 2,513,193 | 25,141,222 |
| day Holdings, LLC (Interior Specialists, Inc.)        | —<br>Building<br>Materials                              | —                 | —  | 4,277     | 217,635   | 354,555    |
| Holdco, LLC   | —<br>Other Media  | —                 | —  | 388,378   | —         | 3,512,420  |
| mon Holdings, Inc.                                    | —<br>Healthcare,<br>Education and<br>Childcare          | —                 | —  | 252,014   | 2,265,639 | 1,849,783  |
| ti Acquisition, LLC <sup>(10)</sup>                   | —<br>Distribution                                       | —                 | —  | 19        | 493,280   | 526,382    |
| at ecoserv Co-Invest Holdings, LLC <sup>(10)</sup>    | —<br>Environmental<br>Services                          | —                 | —  | 1,000,000 | 1,000,000 | —          |
| Ocean PPL Holdings, Corp.                             | —<br>Personal, Food<br>and                              | —                 | —  | 3,000     | 3,000,000 | 5,959,292  |

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|   |                                   |       |   |                  |               |             |           |
|---|-----------------------------------|-------|---|------------------|---------------|-------------|-----------|
| Pre-Paid Legal Services, Inc.)  | Miscellaneous Services            |       |   |                  |               |             |           |
| riot National, Inc.   | —Insurance                        | —     |   | —                | 100,885       | 238,038     | 908,974   |
| er Products Holdings, LLC, Class A Units <sup>(10)</sup>                          | —Electronics                      | —     |   | —                | 1,350,000     | 901,263     | 1,223,409 |
| er Products Holdings, LLC, Class B Units <sup>(10)</sup>                          | —Electronics                      | —     |   | —                | 150,000       | 142,300     | 2,800,010 |
| o Holdings, Inc.  | —Manufacturing / Basic Industries | —     |   | —                | 1,330         | 133,000     | 1,022,594 |
| icom Parent Holdings, Inc.  | —Printing and Publishing          | —     |   | —                | 211,797       | 793,873     | 8,051,139 |
| al Common Equity/Partnership Interests/Warrants                                   |                                   |       |   |                  |               | 21,503,373  | 64,047,46 |
| al Investments in Non-Controlled, Non-Affiliated Portfolio Companies              |                                   |       |   |                  |               | 805,189,545 | 813,467,4 |
| estments in Non-Controlled, Affiliated Portfolio Companies—33.5% <sup>(2)</sup>   |                                   |       |   |                  |               |             |           |
| st Lien Secured Debt—8.3%   |                                   |       |   |                  |               |             |           |
| Fin Industries LLC  | 11/25/2019<br>Defense and Defense | 10.75 | % | L+925            | 2,522,250     | 23,114,058  | 23,522,25 |
| Fin Industries LLC (Revolver) <sup>(8)</sup>                                      | 11/25/2019<br>Defense and Defense | —     |   | —                | 1,942,623     | —           | —         |
| S Technologies, Inc.  | 03/21/2017<br>Defense and Defense | 6.01  | % | L+500            | 434,295       | 3,357,949   | 3,946,523 |
|   |                                   |       |   |                  | (PIK 1.00 %)  |             |           |
| AK Acquisition Corp.  | 04/10/2018<br>Services            | 12.00 | % | L+125            | 764,911       | 22,613,930  | 22,764,91 |
| AK Acquisition Corp. (Revolver)   | 11/23/2016<br>Services            | 12.00 | % | L+130            | 600,000       | 3,000,000   | 3,000,000 |
| al First Lien Secured Debt  |                                   |       |   |                  |               | 52,085,937  | 53,233,68 |
| ond Lien Secured Debt—3.9%  |                                   |       |   |                  |               |             |           |
| ion Group, Inc.   | 10/01/2018<br>Consumer Products   | 8.50  | % | L+700            | 8,000,000     | 16,960,967  | 15,825,06 |
| iroSolutions Real Property Holdings, Inc.   | 12/26/2017<br>Mental Services     | 9.00  | % | L+800            | 409,740       | 9,307,548   | 9,409,740 |
| al Second Lien Secured Debt   |                                   |       |   |                  |               | 26,268,515  | 25,234,80 |
| ordinated Debt/Corporate Notes—11.7%  |                                   |       |   |                  |               |             |           |
| ion International Holdings Limited <sup>(5), (9), (12)</sup>                      | 07/30/2018<br>Consumer Products   | 7.50  | % | —                | 9,858,025     | 8,946,674   | 8,995,448 |
|   |                                   |       |   |                  | (PIK 4.00 %)  |             |           |
| ectBuy Holdings, Inc.   | 11/05/2019<br>Consumer Products   | —     |   | <sup>(6)</sup> — | 14,735,238    | 12,340,534  | 2,799,695 |
| AK Energy, LLC (f/k/a New Gulf Resources, LLC),<br>onvertible Note <sup>(5)</sup> | 05/01/2021<br>Gas                 | 12.50 | % | —                | 25,297,664    | 36,473,119  | 35,416,73 |
|   |                                   |       |   |                  | (PIK 12.50 %) |             |           |
| vice Champ, Inc.  | 10/02/2017<br>Sector              | 12.50 | % | —                | 28,000,000    | 27,841,741  | 27,908,66 |
| al Subordinated Debt/Corporate Notes  |                                   |       |   |                  |               | 85,602,068  | 75,120,53 |
| ferred Equity—0.7%  |                                   |       |   |                  |               |             |           |
| S International Holdings, Inc.  | —Aerospace and Defense            | —     |   | —                | 53,071        | 20,059,340  | 4,287,107 |
| ommon Equity/Partnership Interests/Warrants—8.9%                                  |                                   |       |   |                  |               |             |           |
| ion Group Holdings, Inc.  | —Consumer Products                | —     |   | —                | 859,496       | 30,503,493  | 32,115,04 |
| ion Group Holdings, Inc., Series C and Series D                                   | —Consumer Products                | —     |   | —                | 37,181        | 10,265,972  | 173,844   |
| Fin InvestCo, L.P.  | —                                 | —     |   | —                | 11,250        | 1,125,000   | 2,330,813 |

|   |                                     |   |   |         |             |             |
|---|-------------------------------------|---|---|---------|-------------|-------------|
|   | Aerospace and<br>Defense            |   |   |         |             |             |
| Fin InvestCo, L.P. <sup>(8)</sup>                                   | —Aerospace and<br>Defense           | — | — | 11,250  | —           | —           |
| ectBuy Holdings, Inc.   | —Consumer<br>Products               | — | — | 104,719 | 21,492,822  | —           |
| ectBuy Holdings, Inc. (Warrants)                                    | 11/05/2022<br>—Consumer<br>Products | — | — | 15,486  | —           | —           |
| iroSolutions Holdings, Inc.   | —Environmental<br>Services          | — | — | 143,668 | 11,960,702  | 13,112,200  |
| K Energy, LLC (f/k/a New Gulf Resources, LLC) <sup>(10)</sup>       | —Oil and Gas                        | — | — | 113,610 | —           | —           |
| K Energy Management Company, LLC                                    | —Oil and Gas                        | — | — | 119,603 | —           | —           |
| k/a NGR Management Company LLC) <sup>(10)</sup>                     |                                     |   |   |         |             |             |
| y Service Champ Holdings, Inc.                                      | —Auto Sector                        | — | — | 16,800  | 2,721,600   | 6,989,362   |
| S International Holdings, Inc.                                      | —Aerospace and<br>Defense           | — | — | 53,071  | 202,620     | —           |
| AK Acquisition Corp.  | —Business<br>Services               | — | — | 491,755 | 188,837     | 2,595,099   |
| Total Common Equity/Partnership Interests/Warrants                  |                                     |   |   |         | 78,461,046  | 57,316,420  |
| Total Investments in Non-Controlled, Affiliated Portfolio Companies |                                     |   |   |         | 262,476,906 | 215,192,500 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED SCHEDULE OF INVESTMENTS – (Continued)

SEPTEMBER 30, 2016

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