

PENNANTPARK INVESTMENT CORP
Form 10-Q
August 03, 2011
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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 QUARTER ENDED JUNE 30, 2011

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, 15thFloor 10022
New York, N.Y. (Zip Code)
(Address of principal executive offices)
(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 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, or a non-accelerated filer. See definition of "accelerated filer" and large accelerated filer" 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

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 issuer's common stock, \$0.001 par value, outstanding as of August 3, 2011 was 45,689,781.

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this form 10-Q (the “Report”) in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission (“SEC”). In this Report, “we,” “our” or “us” refer to PennantPark Investment Corporation and its consolidated subsidiaries unless the context suggests otherwise. References to “PennantPark Investment” refer to only PennantPark Investment Corporation. References to “subsidiaries” or “our SBIC” refer to PennantPark SBIC LP (“SBIC LP”) and its general partner PennantPark SBIC GP, LLC (“SBIC GP”), which are wholly owned and consolidated. References to our portfolio, our investments, and our business include investments and activities of our subsidiaries.

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Item 1. Consolidated Financial Statements

PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2011 (unaudited)	September 30, 2010
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost—\$734,760,589 and \$631,280,755, respectively)	\$753,258,773	\$641,290,626
Non-controlled, affiliated investments, at fair value (cost—\$18,116,807 and \$17,427,648, respectively)	14,685,185	15,433,680
Controlled, affiliated investments, at fair value (cost—\$11,000,100 and 8,000,100, respectively)	11,000,000	8,000,100
Total of Investments, at fair value (cost—\$763,877,496 and \$656,708,503, respectively)	778,943,958	664,724,406
Cash equivalents (See Note 8)	28,808,966	1,814,451
Interest receivable	6,258,266	12,814,096
Receivable for investments sold	—	30,254,774
Prepaid expenses and other assets	3,581,765	1,886,119
Total assets	817,592,955	711,493,846
Liabilities		
Distributions payable	12,306,893	9,401,281
Payable for investments purchased	42,680,270	52,785,000
Unfunded investments	18,633,872	22,203,434
Credit facility payable (cost: \$157,700,000 and \$233,100,000, respectively) (See Notes 5 and 10)	155,649,500	219,141,125
SBA debentures payable (See Note 10)	75,000,000	14,500,000
Interest payable on credit facility and SBA debentures	794,953	215,135
Management fee payable (See Note 3)	3,805,619	3,286,816
Performance-based incentive fee payable (See Note 3)	3,295,098	2,239,011
Accrued other expenses	487,659	1,146,821
Total liabilities	312,653,864	324,918,623
Net Assets		
Common stock, 45,581,083 and 36,158,772 shares are issued and outstanding, respectively. Par value is \$0.001 per share and 100,000,000 shares are authorized.	45,581	36,159
Paid-in capital in excess of par value	539,419,632	428,675,184
Undistributed net investment income	5,532,780	1,800,646
Accumulated net realized loss on investments	(57,175,864)	(65,911,544)
Net unrealized appreciation on investments	15,066,462	8,015,903
Net unrealized depreciation on credit facility	2,050,500	13,958,875
Total net assets	\$504,939,091	\$386,575,223
Total liabilities and net assets	\$817,592,955	\$711,493,846
Net asset value per share	\$11.08	\$10.69

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2011	2010	2011	2010
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$21,046,388	\$15,404,934	\$60,441,750	\$41,140,098
Other	1,157,228	594,978	3,237,675	1,327,063
From non-controlled, affiliated investments:				
Interest	389,709	335,159	1,134,363	991,388
From controlled, affiliated investments:				
Interest	315,000	—	785,167	—
Total investment income	22,908,325	16,335,071	65,598,955	43,458,549
Expenses:				
Base management fee (See Note 3)	3,803,994	3,035,172	10,891,930	8,331,957
Performance-based incentive fee (See Note 3)	3,256,341	2,205,310	9,387,769	5,779,297
Interest and expenses on the credit facility and SBA debentures (See Note 10)	1,329,441	962,597	3,551,391	2,619,555
Administrative services expenses (See Note 3)	583,215	709,737	1,812,932	1,806,860
Other general and administrative expenses	680,322	601,011	2,211,349	1,705,400
Expenses before taxes	9,653,313	7,513,827	27,855,371	20,243,069
Excise tax (See Note 2)	35,000	—	193,824	97,890
Total expenses	9,688,313	7,513,827	28,049,195	20,340,959
Net investment income	13,220,012	8,821,244	37,549,760	23,117,590
Realized and unrealized gain (loss) on investments and credit facility:				
Net realized gain (loss) on non-controlled, non-affiliated investments	6,155,867	100,295	8,735,680	(16,644,556)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	(14,977,901)	(1,732,131)	8,486,459	32,257,205
Non-controlled, affiliated investments	(1,474,634)	279,017	(1,435,799)	74,918
Controlled, affiliated investments	—	—	(100)	—
Credit facility unrealized appreciation (See Note 5)	(604,929)	(3,208,992)	(11,908,375)	(28,900,620)
Net change in unrealized (depreciation) appreciation	(17,057,464)	(4,662,106)	(4,857,815)	3,431,503
Net realized and unrealized gain (loss) from investments and credit facility	(10,901,597)	(4,561,811)	3,877,865	(13,213,053)
Net increase in net assets resulting from operations	\$2,318,415	\$4,259,433	\$41,427,625	\$9,904,537
Net increase in net assets resulting from operations per common share (See Note 7)	\$0.05	\$0.13	\$1.01	\$0.35
Net investment income per common share	\$0.29	\$0.28	\$0.92	\$0.82

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)

	Nine Months Ended June 30,	
	2011	2010
Increase in net assets from operations:		
Net investment income	\$37,549,760	\$23,117,590
Net realized gain (loss) on investments	8,735,680	(16,644,556)
Net change in unrealized appreciation on investments	7,050,560	32,332,123
Net change in unrealized appreciation on credit facility	(11,908,375)	(28,900,620)
Net increase in net assets resulting from operations	41,427,625	9,904,537
Distributions to Stockholders:		
Distributions from net investment income	(34,011,451)	(22,862,755)
Capital Transactions:		
Public offering	114,080,000	61,020,000
Offering costs	(5,743,800)	(3,376,000)
Reinvestment of dividends	2,611,494	—
Total increase in net assets	118,363,868	44,685,782
Net Assets:		
Beginning of period	386,575,223	300,580,268
End of period	\$504,939,091	\$345,266,050
Undistributed net investment income, end of period	5,532,780	2,242,960
Capital Share Activity:		
Public offering	9,200,000	6,190,000
Reinvestment of dividends	222,312	—

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$41,427,625	\$9,904,537
Adjustments to reconcile net increase in net assets resulting from operations to net cash used for operating activities:		
Net change in unrealized appreciation on investments	(7,050,560)	(32,332,123)
Net change in unrealized appreciation on credit facility	11,908,375	28,900,620
Net realized (gain) loss on investments	(8,735,680)	16,644,556
Net accretion of discount and amortization of premium	(5,325,234)	(3,155,823)
Purchase of investments	(342,020,866)	(212,794,556)
Payment-in-kind interest	(7,500,291)	(4,495,644)
Proceeds from dispositions of investments	256,413,079	82,716,065
Decrease (Increase) in interest receivable	6,555,830	(2,094,127)
Decrease (Increase) in receivable for investments sold	30,254,774	(546,905)
Decrease (Increase) in prepaid expenses and other assets	436,479	(542,757)
(Decrease) in payable for investments purchased	(10,104,730)	(814,525)
(Decrease) Increase in unfunded investments	(3,569,562)	15,989,003
Increase in interest payable on credit facility and SBA debentures	579,818	76,639
Increase in management fee payable	518,803	815,062
Increase in performance-based incentive fee payable	1,056,087	697,147
(Decrease) in accrued expenses	(659,162)	(541,354)
Net cash used for operating activities	(35,815,215)	(101,574,185)
Cash flows from financing activities:		
Public offering	114,080,000	61,020,000
Offering costs	(5,743,800)	(3,376,000)
Distributions paid to stockholders, net of dividends reinvested	(28,494,345)	(19,713,979)
Borrowings under SBA debentures (See Note 10)	60,500,000	—
Capitalized borrowing costs	(2,132,125)	—
Borrowings under credit facility (See Note 10)	347,800,000	189,300,000
Repayments under credit facility (See Note 10)	(423,200,000)	(157,600,000)
Net cash provided by financing activities	62,809,730	69,630,021
Net increase (decrease) in cash equivalents	26,994,515	(31,944,164)
Cash equivalents, beginning of period	1,814,451	33,247,666
Cash equivalents, end of period	\$28,808,966	\$1,303,502
Supplemental disclosure of cash flow information and non-cash financing activity (See Note 5):		
Interest paid	\$2,476,198	\$2,304,517
Income taxes paid	\$123,824	\$97,890
Dividends reinvested	\$2,611,494	\$—

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

JUNE 30, 2011

(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies – 149.2 % ^{(1),(2)}							
First Lien Secured Debt – 57.6%							
Affinity Group Holdings, Inc. ⁽⁵⁾	12/01/2016	Consumer Products	11.50 %	—	\$12,000,000	\$11,765,928	\$12,600,000
American Surgical Holdings, Inc.	03/23/2015	Healthcare, Education and Childcare	14.00 %	L+1,000 ⁽⁸⁾	21,000,000	20,398,587	21,000,000
CEVA Group PLC ^{(5),(10)}	10/01/2016	Logistics	11.63 %	—	7,500,000	7,322,463	8,156,250
CEVA Group PLC ^{(5),(10)}	04/01/2018	Logistics	11.50 %	—	1,000,000	988,583	1,052,500
Chester Downs and Marina, LLC Columbus	07/31/2016	Hotels, Motels, Inns and Gaming	12.38 %	L+988 ⁽⁸⁾	11,671,853	11,325,615	11,851,798
International, Inc. ^{(5),(10)}	11/20/2014	Communications	11.50 %	—	10,000,000	10,000,000	11,362,500
Covad Communications Group, Inc. ⁽⁵⁾	11/03/2015	Telecommunications	12.00 %	L+1,000 ⁽⁸⁾	6,650,000	6,529,167	6,691,563
EnviroSolutions, Inc. ⁽⁹⁾	07/29/2013	Environmental Services	—	—	6,666,666	6,666,666	6,666,666
Hanley-Wood, L.L.C.	03/08/2014	Other Media	2.56 %	L+225	8,685,000	8,685,000	4,769,515
Instant Web, Inc.	08/07/2014	Printing and Publishing Home and Office	14.50 %	L+950 ⁽⁸⁾	24,687,500	24,268,164	25,921,875
Jacuzzi Brands Corp.	02/07/2014	Furnishings, Housewares and Durable Consumer Products	2.50 %	L+225	9,689,865	9,689,865	7,396,594
K2 Pure Solutions NoCal, L.P.	09/10/2015	Chemicals, Plastics and Rubber	10.00 %	P+675 ⁽⁸⁾	18,952,500	17,957,971	18,857,738
Learning Care Group, Inc.	04/27/2016	Education	12.00 %	—	26,052,632	25,538,529	25,792,105
Penton Media, Inc.	08/01/2014	Other Media	5.00 % ⁽⁶⁾	L+400 ⁽⁸⁾	37,793,140	31,844,065	30,021,925
Pre-Paid Legal Services, Inc.,	12/30/2016	Personal, Food and Miscellaneous Services	7.50 % ⁽⁶⁾	L+600 ⁽⁸⁾	2,000,000	1,970,000	1,970,000

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Tranche A Pre-Paid Legal Services, Inc.,	12/30/2016	Personal, Food and Miscellaneous Services	11.00 % ⁽⁶⁾	L+950 ⁽⁸⁾	35,000,000	33,950,000	33,950,000
Tranche B Questex Media Group LLC ⁽⁹⁾	12/16/2012	Other Media	—	—	267,205	267,205	267,205
Survey Sampling International, L.L.C.	12/31/2012	Business Services	10.90 % ⁽⁶⁾	L+790 ⁽⁸⁾	8,365,396	6,951,937	8,365,396
Three Rivers Pharmaceutical, L.L.C.	10/22/2012	Healthcare, Education and Childcare	15.00 %	L+1,300 ⁽⁸⁾	30,000,000	28,563,955	31,800,000
VPSI, Inc.	12/23/2015	Personal Transportation	12.00 %	L+1,000 ⁽⁸⁾	17,645,833	17,374,091	17,645,833
Yonkers Racing Corp. ⁽⁵⁾	07/15/2016	Hotels, Motels, Inns and Gaming	11.38 %	—	4,500,000	4,388,745	4,882,500
Total First Lien Secured Debt						\$286,446,536	\$291,021,963

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

JUNE 30, 2011

(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾
Second Lien Secured Debt – 23.7%							
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.31 %	L+600	\$ 13,600,000	\$ 13,276,669	\$ 12,240,000
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.31 %	L+700	12,000,000	11,806,946	10,800,000
DirectBuy Holdings, Inc. ⁽⁵⁾	02/01/2017	Consumer Products	12.00%	—	34,000,000	31,883,227	13,260,000
EnviroSolutions, Inc.	07/29/2014	Environmental Services	8.00 %	L+600 ⁽⁸⁾	5,870,416	5,870,416	5,870,416
Greatwide Logistics Services, L.L.C.	03/01/2014	Cargo Transport	11.00% ⁽⁶⁾	L+700 ⁽⁸⁾	2,711,726	2,711,727	2,738,841
Questex Media Group LLC, Term Loan A	12/15/2014	Other Media	9.50 %	L+650 ⁽⁸⁾	2,979,559	2,979,559	2,753,113
Questex Media Group LLC, Term Loan B	12/15/2015	Other Media	11.50% ⁽⁶⁾	L+750 ⁽⁸⁾	1,933,775	1,933,775	1,736,530
RAM Energy Resources, Inc.	09/13/2016	Oil and Gas	11.00%	L+900 ⁽⁸⁾	17,000,000	16,671,937	16,830,000
Realty Corp.	10/15/2017	Buildings and Real Estate	13.50%	—	10,000,000	10,000,000	10,550,000
Sheridan Holdings, Inc.	06/15/2015	Healthcare, Education and Childcare	6.00 % ⁽⁶⁾	L+575	13,500,000	11,771,408	13,297,500
Specialized Technology Resources, Inc.	12/15/2014	Chemicals, Plastics and Rubber	7.19 % ⁽⁶⁾	L+700	22,500,000	22,491,671	22,500,000
TransFirst Holdings, Inc.	06/15/2015	Financial Services	6.25 % ⁽⁶⁾	L+600	7,811,488	7,399,220	7,293,977
Total Second Lien Secured Debt Subordinated Debt/Corporate Notes – 54.8%						138,796,555	119,870,377
	11/15/2015	Consumer Products	11.63 %	—	26,345,000	26,391,650	26,345,000

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Affinion Group Holdings, Inc. ⁽⁵⁾							
Aquilex Holdings, LLC ⁽⁵⁾	12/15/2016	Diversified / Conglomerate Services	11.13 %	—	18,885,000	18,424,350	18,365,663
Consolidated Foundries, Inc.	04/17/2015	Aerospace and Defense	14.25 % ⁽⁶⁾	—	8,109,468	7,991,436	8,190,563
Escort Inc.	06/01/2016	Electronics	14.75 % ⁽⁶⁾	—	24,388,743	23,771,939	24,388,743
Last Mile Funding, Corp. (3PD, Inc.)	06/30/2016	Cargo Transport	14.50 % ⁽⁶⁾	—	44,174,167	43,090,630	44,174,167
Learning Care Group (US) Inc.	06/30/2016	Education	15.00 % ⁽⁶⁾	—	4,566,982	3,871,161	4,190,206
MailSouth, Inc.	05/15/2018	Printing and Publishing	14.50 %	—	15,000,000	14,575,142	15,000,000
MedQuist, Inc. PAS	10/15/2016	Business Services	13.00 % ⁽⁶⁾	—	19,000,000	18,480,575	19,522,500
Technologies, Inc.	05/12/2017	Aerospace and Defense	14.02 % ⁽⁶⁾	—	16,785,000	16,389,126	16,785,000
Prince Mineral Holding Corp.	12/03/2016	Mining, Steel, Iron and Non-Precious Metals	13.50 % ⁽⁶⁾	—	26,039,000	25,520,831	25,518,220
Realogy Corp. TRAK	04/15/2018	Buildings and Real Estate	11.00 %	—	10,000,000	9,138,488	10,500,000
Acquisition Corp.	12/29/2015	Business Services	15.00 % ⁽⁶⁾	—	11,944,637	11,603,723	11,896,858
UP Support Services, Inc.	02/08/2015	Oil and Gas	17.00 % ⁽⁶⁾	—	25,084,554	24,808,385	24,708,286
Veritext Corp.	12/31/2015	Business Services	14.00 % ⁽⁶⁾	—	15,000,000	14,673,029	15,000,000
Veritext Corp. ⁽⁹⁾	12/31/2012	Business Services	—	—	12,000,000	11,700,000	12,000,000
Total Subordinated Debt/Corporate Notes						270,430,465	276,585,206

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

JUNE 30, 2011

(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Par/Shares Above Index ⁽⁴⁾	Cost	Fair Value ⁽³⁾
Preferred Equity Partnership Interests – 2.9%						
AH Holdings, Inc. (American Surgical Holdings, Inc.)	—	Healthcare, Education and Childcare	6.00 %	— \$211	\$500,000	\$508,345
AHC Mezzanine, LLC (Advanstar Inc.)	—	Other Media	—	— 7,505	318,896	—
CFHC Holdings, Inc., Class A (Consolidated Foundries, Inc.)	—	Aerospace and Defense	12.00 %	— 909	909,248	1,289,388
i2 Holdings Ltd. ⁽¹⁰⁾	—	Aerospace and Defense	12.00 %	— 4,137,240	4,137,240	5,846,730
PAS Tech Holdings, Inc. Series A-1	—	Aerospace and Defense	8.00 %	— 20,000	1,980,000	2,080,208
TZ Holdings, L.P., Series A (Trizetto Group, Inc.)	—	Insurance	—	— 686	685,820	685,820
TZ Holdings, L.P., Series B (Trizetto Group, Inc.)	—	Insurance	6.50 %	— 1,312	1,312,006	1,559,670
Universal Pegasus International, Inc. (UP Support Services, Inc.)	—	Oil and Gas	8.00 %	— 101,175	2,738,050	818,326
Verde Parent Holdings, Inc. (VPSI, Inc.)	—	Personal Transportation	8.00 %	— 1,824,167	1,824,167	1,849,365
Total Preferred Equity/Partnership Interests					14,405,427	14,637,852
Common Equity/ Warrants/Partnership Interests – 10.1 %						
AH Holdings, Inc. (Warrants) (American Surgical Holdings, Inc.)	03/23/2021	Healthcare, Education and Childcare	—	— 753	—	—
CEA Autumn Management, L.L.C.	—	Broadcasting and Entertainment	—	— 1,333	3,000,000	3,000,000
CFHC Holdings, Inc. (Consolidated Foundries, Inc.)	—	Aerospace and Defense	—	— 1,856	18,556	652,519
CT Technologies Holdings, LLC (CT Technologies Intermediate	—	Business Services	—	— 5,556	2,277,210	8,528,499

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Holdings, Inc.)							
DirectBuy Investors L.P. (DirectBuy Holdings, Inc.)	—	Consumer Products	—	—	30,000	1,350,000	978,000
EnviroSolutions, Inc.	—	Environmental Services	—	—	24,375	1,506,075	3,760,262
EnviroSolutions, Inc. (Warrants)	—	Environmental Services	—	—	49,005	3,027,906	7,559,372
i2 Holdings Ltd. ⁽¹⁰⁾	—	Aerospace and Defense	—	—	457,322	454,030	946,295
Kadmon Holdings, L.L.C., Class A (Three Rivers Pharmaceutical, L.L.C.)	—	Healthcare, Education and Childcare	—	—	10,799	1,236,832	1,611,458
Kadmon Holdings, L.L.C., Class D (Three Rivers Pharmaceutical, L.L.C.)	—	Healthcare, Education and Childcare	—	—	10,799	1,028,807	1,028,807
Learning Care Group (US) Inc. (Warrants)	04/27/2020	Education	—	—	1,267	779,920	320,888
Magnum Hunter Resources Corporation	—	Oil and Gas	—	—	1,055,932	2,464,999	7,138,100
PAS Tech Holdings, Inc.	—	Aerospace and Defense	—	—	20,000	20,000	345,131
QMG HoldCo, LLC, Class A (Questex Media Group, Inc.)	—	Other Media	—	—	4,325	1,306,167	1,863,336
QMG HoldCo, LLC, Class B (Questex Media Group, Inc.)	—	Other Media	—	—	531	—	228,770
TRAK Acquisition Corp. (Warrants)	12/29/2019	Business Services	—	—	3,500	29,400	527,761
Transportation 100 Holdco, L.L.C. (Greatwide Logistics Services, L.L.C.)	—	Cargo Transport	—	—	137,923	2,111,588	4,156,823
TZ Holdings, L.P. (Trizetto Group, Inc.)	—	Insurance	—	—	2	9,843	1,594,542
Universal Pegasus International, Inc. (UP Support Services, Inc.)	—	Oil and Gas	—	—	110,742	1,107	—
Verde Parent Holdings, Inc. (VPSI, Inc.)	—	Personal Transportation	—	—	9,166	9,166	—
VText Holdings, Inc. (Veritext Corp.)	—	Business Services	—	—	35,526	4,050,000	6,902,812
Total Common Equity/Warrants/Partnership Interests						24,681,606	51,143,375
Investments in Non-Controlled, Non-Affiliated Portfolio Companies						734,760,589	753,258,773

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS - (Continued)

JUNE 30, 2011

(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾
Investments in Non-Controlled, Affiliated Portfolio Companies – 2.9% ^{(1),(2)}							
Second Lien							
Secured Debt – 1.5%							
Performance, Inc. (Performance Holdings, Inc.)	01/16/2015	Leisure, Amusement, Motion Pictures and Entertainment	7.25 %	146.25	\$8,000,000	\$8,000,000	\$7,412,000
Subordinated Debt/Corporate Notes – 1.2%							
Performance Holdings, Inc.	07/16/2015	Leisure, Amusement, Motion Pictures and Entertainment	15.00 % ⁽⁶⁾	—	6,531,076	6,366,807	6,253,512
Common Equity/Partnership Interest – 0.2% ⁽⁷⁾							
NCP-Performance (Performance Holdings, Inc.)	—	Leisure, Amusement, Motion Pictures and Entertainment	—	—	375,000	3,750,000	1,019,673
Investments in Non-Controlled, Affiliated Portfolio Companies						18,116,807	14,685,185
Investments in Controlled, Affiliated Portfolio Companies – 2.2% ^{(1),(2)}							
First Lien Secured Debt – 1.6%							
SuttonPark Holdings, Inc.	06/30/2020	Business Services	14.00 % ⁽⁶⁾	—	7,200,000	7,200,000	7,985,961
Subordinated Debt/Corporate Notes – 0.3%							
SuttonPark Holdings, Inc.	06/30/2020	Business Services	14.00 % ⁽⁶⁾	—	1,800,000	1,800,000	1,711,887
Preferred Equity – 0.3% ⁽⁷⁾							
SuttonPark Holdings, Inc.	—	Business Services	14.00 %	—	2,000	2,000,000	1,302,152
Common Equity – 0.0% ⁽⁷⁾							
SuttonPark Holdings, Inc.	—	Business Services	—	—	100	100	—
Investments in Controlled, Affiliated Portfolio Companies						11,000,100	11,000,000
Total Investments – 154.3%						\$763,877,496	\$778,943,958
						28,808,966	28,808,966

Cash Equivalents –

5.7%

Total Investments and Cash Equivalents – 160.0%

792,686,462 807,752,924

Liabilities in Excess of Other Assets – (60.0%)

(302,813,833)

Net Assets – 100.0%

\$ 504,939,091

(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 deemed as “non-controlled” when we own less than 25% of a portfolio company’s voting securities and “controlled” when we own 25% or more of a 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 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.

(3) Valued based on our valuation 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 Offer Rate (LIBOR or “L”) or Prime Rate (Prime or “P”).

(5) Security is exempt from or not subject to registration under Rule 144A promulgated under the Securities Act of 1933. The security may be resold in transactions that are exempt from registration, usually to qualified institutional buyers.

(6) Coupon is payable in cash and/or payable in-kind (“PIK”).

(7) Non-income producing securities.

(8) Coupon is subject to a LIBOR or a Prime rate floor or cap, as applicable.

(9) Represents the purchase of a security with delayed settlement (unfunded investment). This security does not have a basis point spread above an index.

(10) Non-U.S. company or principal place of business outside the United States.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2010

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Index ⁽⁴⁾	Par/Shares	Cost	Fair Value ⁽³⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies – 165.9% ^{(1),(2)}							
First Lien Secured Debt – 59.3%							
Airvana Networks Solution, Inc.	08/27/2014	Communications	11.00 %	L+900 ⁽⁸⁾	\$ 13,583,333	\$ 13,316,337	\$ 13,447,500
Birch Communications, Inc.	06/21/2015	Telecommunications	15.00 %	L+1,300 ⁽⁸⁾	16,363,636	15,786,257	16,363,636
Birch Communications, Inc.	01/31/2011	Telecommunications	—	—	3,636,364	3,636,364	3,636,364
CEVA Group PLC ^{(5),(10)}	10/01/2016	Logistics	11.63 %	—	7,500,000	7,305,603	7,912,500
CEVA Group PLC ^{(5),(10)}	04/01/2018	Logistics	11.50 %	—	1,000,000	987,774	1,045,000
Chester Downs and Marina, LLC	07/31/2016	Hotels, Motels, Inns and Gaming	12.38 %	L+988 ⁽⁸⁾	9,250,000	8,765,468	9,296,250
Columbus International, Inc. ^{(5),(10)}	11/20/2014	Communications	11.50 %	—	10,000,000	10,000,000	11,048,000
EnviroSolutions, Inc. ⁽⁹⁾	07/29/2013	Environmental Services	—	—	6,666,666	6,666,666	6,666,666
Fairway Group Acquisition Company	10/01/2014	Grocery	12.00 %	L+950 ⁽⁸⁾	11,905,025	11,650,744	11,845,500
Hanley-Wood, L.L.C.	03/08/2014	Other Media	2.62 %	L+225	8,752,500	8,752,500	3,894,863
Instant Web, Inc.	08/07/2014	Printing and Publishing Home and Office Furnishings,	14.50 %	L+950 ⁽⁸⁾	24,875,000	24,402,321	24,875,000
Jacuzzi Brands Corp.	02/07/2014	Housewares and Durable Consumer Products	2.71 %	L+225	9,744,595	9,744,595	7,874,850
K2 Pure Solutions NoCal, L.P.	09/10/2015	Chemicals, Plastics and Rubber	10.00 %	L+675 ⁽⁸⁾	19,000,000	17,866,826	18,240,000
Learning Care Group, Inc.	04/27/2016	Education	12.00 %	—	26,052,631	25,481,512	26,052,631
Mattress Holding, Corp.	01/18/2014	Home and Office Furnishings,	2.54 %	—	3,844,931	3,844,931	3,345,090

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		Housewares and Durable Consumer Products							
Penton Media, Inc.	08/01/2014	Other Media	5.00 % ⁽⁶⁾	L+400	⁽⁸⁾	9,829,738	8,432,037	6,995,500	
Questex Media Group LLC	12/16/2012	Other Media	10.50%	L+650	⁽⁸⁾	66,801	66,801	64,263	
Questex Media Group LLC ⁽⁹⁾	12/16/2012	Other Media	—	—		200,404	200,404	192,789	
Sugarhouse HSP Gaming Prop.	09/23/2014	Hotels, Motels, Inns and Gaming	11.25%	L+825	⁽⁸⁾	29,500,000	28,756,343	29,702,813	
Three Rivers Pharmaceutical, L.L.C.	10/22/2011	Healthcare, Education and Childcare	15.25%	L+1,300 P+1,200	⁽⁸⁾	25,000,000	21,861,968	21,861,968	
Yonkers Racing Corp. ⁽⁵⁾	07/15/2016	Hotels, Motels, Inns and Gaming	11.38%	—		4,500,000	4,381,967	4,882,500	
Total First Lien Secured Debt							231,907,418	229,243,683	

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS - (continued)
SEPTEMBER 30, 2010

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾
Second Lien Secured Debt – 38.6 %							
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.43 %	L+600	\$13,600,000	\$13,216,845	\$11,696,000
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.39 %	L+700	12,000,000	11,776,589	10,410,000
EnviroSolutions, Inc.	07/29/2014	Environmental Services	8.00 %	L+600 ⁽⁸⁾	6,237,317	6,237,317	5,950,400
Generics International (U.S.), Inc.	04/30/2015	Healthcare, Education and Childcare	7.79 %	L+750	12,000,000	11,958,469	11,940,000
Greatwide Logistics Services, L.L.C.	03/01/2014	Cargo Transport	11.00% ⁽⁶⁾	L+700 ⁽⁸⁾	2,570,357	2,570,357	2,594,775
Mohegan Tribal Gaming Authority	11/01/2017	Hotels, Motels, Inns and Gaming	11.50%	—	5,000,000	4,825,762	4,475,000
Questex Media Group LLC, Term Loan A	12/15/2014	Other Media	9.50 %	L+650 ⁽⁸⁾	3,219,319	3,219,319	2,675,254
Questex Media Group LLC, Term Loan B	12/15/2015	Other Media	11.50% ⁽⁶⁾	L+850 ⁽⁸⁾	1,773,703	1,773,703	1,349,788
Realogy Corp. Saint Acquisition Corp. ⁽⁵⁾	10/15/2017	Buildings and Real Estate	13.50%	—	10,000,000	10,000,000	10,600,000
Saint Acquisition Corp. ⁽⁵⁾	05/15/2015	Transportation	8.13 %	L+775	10,000,000	9,950,907	9,325,000
Saint Acquisition Corp. ⁽⁵⁾	05/15/2017	Transportation	12.50%	—	19,000,000	17,039,991	19,118,750
Sheridan Holdings, Inc.	06/15/2015	Healthcare, Education and Childcare	6.05 % ⁽⁶⁾	L+575	21,500,000	19,211,412	19,887,500
Specialized Technology Resources, Inc.	12/15/2014	Chemical, Plastics and Rubber	7.26 % ⁽⁶⁾	L+700	22,500,000	22,490,129	22,500,000
TransFirst Holdings, Inc.	06/15/2015	Financial Services	6.29 % ⁽⁶⁾	L+600	17,811,488	17,341,134	16,564,684

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Total Second Lien Secured Debt						151,611,934	149,087,151
Subordinated Debt/Corporate Notes – 56.1%							
Affinion Group Holdings, Inc. ⁽⁵⁾	11/15/2015	Consumer Products	11.63%	—	10,000,000	9,855,000	9,855,000
Aquilex Holdings, LLC ⁽⁵⁾	12/15/2016	Diversified / Conglomerate Services	11.13%	—	18,885,000	18,380,337	18,696,150
Consolidated Foundries, Inc. CT	04/17/2015	Aerospace and Defense	14.25% ⁽⁶⁾	—	8,109,468	7,973,429	8,170,289
Technologies Intermediate Holdings, Inc.	03/22/2014	Business Services	14.00% ⁽⁶⁾	—	20,720,892	20,359,932	21,425,401
Da-Lite Screen Company, Inc. ⁽⁵⁾	04/01/2015	Home and Office Furnishings, Housewares and Durable Consumer Products	12.50%	—	25,000,000	24,379,843	25,625,000
i2 Holdings Ltd. ⁽¹⁰⁾	06/06/2014	Aerospace and Defense	14.75% ⁽⁶⁾	—	23,283,292	22,970,124	23,283,292
Learning Care Group (U.S.) Inc.	06/30/2016	Education	15.00% ⁽⁶⁾	—	3,947,368	3,194,611	3,592,105
MedQuist, Inc.	10/15/2016	Business Services	13.00% ⁽⁶⁾	—	19,000,000	18,430,000	18,430,000
Realogy Corp. TRAK	04/15/2015	Buildings and Real Estate	12.38%	—	10,000,000	9,055,731	7,900,000
Acquisition Corp.	12/29/2015	Business Services	15.00% ⁽⁶⁾	—	11,721,019	11,361,858	11,838,229
Trizetto Group, Inc.	10/01/2016	Insurance	13.50% ⁽⁶⁾	—	20,501,960	20,331,704	21,117,018
UP Acquisition Sub., Inc.	02/08/2015	Oil and Gas	15.50% ⁽⁶⁾	—	21,098,000	20,642,507	20,148,590
Veritext Corp.	12/31/2015	Business Services	14.00% ⁽⁶⁾	—	15,000,000	14,636,487	15,000,000
Veritext Corp. ⁽⁹⁾	12/31/2012	Business Services	—	—	12,000,000	11,700,000	12,000,000
Total Subordinated Debt/Corporate Notes						213,271,563	217,081,074

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS - (continued)

SEPTEMBER 30, 2010

Issuer Name	Maturity	Industry	Current Coupon	Basis Points Above Par / Shares Index ⁽⁴⁾	Cost		Fair Value ⁽³⁾
Preferred Equity/Partnership Interests – 2.0%							
AHC Mezzanine, LLC (Advanstar Inc.)	—	Other Media	—	— 319	\$ 318,896	319	\$—
CFHC Holdings, Inc., Class A (Consolidated Foundries, Inc.)	—	Aerospace and Defense	12.00 %	— 797	797,288	797	1,070,352
CT Technologies Holdings, L.L.C. (CT Technologies Intermediate Holdings, Inc.)	—	Business Services	9.00 %	— 144,375	144,376	144,375	148,909
i2 Holdings Ltd. ⁽¹⁰⁾	—	Aerospace and Defense	12.00 %	— 4,137,240	4,137,240	4,137,240	3,869,263
TZ Holdings, L.P., Series A (Trizetto Group, Inc.)	—	Insurance	—	— 686	685,820	686	685,820
TZ Holdings, L.P., Series B (Trizetto Group, Inc.)	—	Insurance	6.50 %	— 1,312	1,312,006	1,312	1,495,885
UP Holdings, Inc., Class A-1 (UP Acquisitions Sub, Inc.)	—	Oil and Gas	8.00 %	— 91,608	2,499,066	91,608	495,851
Total Preferred Equity/Partnership Interests					9,894,692		7,766,080
Common Equity/Warrants/Partnership Interests – 9.9%							
CEA Autumn Management, L.L.C.	—	Broadcasting and Entertainment	—	— 1,333	3,000,000		3,000,000
CFHC Holdings, Inc. (Consolidated Foundries, Inc.)	—	Aerospace and Defense	—	— 1,627	16,271		387,012
CT Technologies Holdings, L.L.C. (CT Technologies Intermediate	—	Business Services	—	— 5,556	3,200,000		7,987,755

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Holdings, Inc.)							
EnviroSolutions, Inc.	—	Environmental Services	—	—	24,375	1,506,076	1,998,008
EnviroSolutions, Inc. (Warrants)	—	Environmental Services	—	—	49,005	3,027,906	4,016,429
i2 Holdings Ltd. ⁽¹⁰⁾	—	Aerospace and Defense	—	—	457,322	454,030	—
Kadmon Holdings, L.L.C., Class A (Three Rivers Pharmaceutical, L.L.C.)	—	Healthcare, Education and Childcare	—	—	8,999	1,780,693	1,780,693
Kadmon Holdings, L.L.C., Class D (Three Rivers Pharmaceutical, L.L.C.)	—	Healthcare, Education and Childcare	—	—	8,999	857,339	857,339
Learning Care Group (U.S.), Inc. (Warrants)	04/27/2020	Education	—	—	1,267	779,920	633,308
Magnum Hunter Resources Corporation	—	Oil and Gas	—	—	1,055,932	2,464,999	4,350,440
QMG HoldCo, LLC, Class A (Questex Media Group, Inc.)	—	Other Media		̵			