

PENNANTPARK INVESTMENT CORP
Form 10-Q
August 04, 2010
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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, 2010**

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**

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(Exact name of registrant as specified in its charter)

MARYLAND (State or other jurisdiction of incorporation or organization)	20-8250744 (I.R.S. Employer Identification No.)
590 Madison Avenue, 15th Floor New York, N.Y. (Address of principal executive offices)	10022 (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 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 4, 2010 was 31,558,772.

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PENNANTPARK INVESTMENT CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2010

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PART I FINANCIAL INFORMATION

We are filing this Report in compliance with Rule 13a-13 promulgated by the SEC. In this Report, PennantPark Investment , we , our or us ref to PennantPark Investment Corporation and its Subsidiaries unless the context otherwise requires.

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

	June 30, 2010 (unaudited)	September 30, 2009
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments, at fair value (cost \$600,409,815 and \$479,909,805, respectively)	\$ 606,401,552	\$ 453,644,335
Non-controlled, affiliated investments, at fair value (cost \$17,963,471 and \$17,378,081, respectively)	16,776,046	16,115,738
Total of Investments, at fair value (cost \$618,373,286 and \$497,287,886, respectively)	623,177,598	469,760,073
Cash and Cash equivalents	1,303,502	33,247,666
Interest receivable	7,633,183	5,539,056
Receivables for investments sold	3,272,912	2,726,007
Prepaid expenses and other assets	1,651,324	1,108,567
Total assets	637,038,519	512,381,369
Liabilities		
Distributions payable	8,205,281	5,056,505
Payable for investments purchased	18,675,000	19,489,525
Unfunded investments	22,320,388	6,331,385
Credit facility payable, at fair value (cost \$256,800,000 and \$225,100,000, respectively) (See Notes 5 and 10)	236,076,000	175,475,380
Interest payable on credit facility	149,427	72,788
Management fee payable (See Note 3)	3,035,172	2,220,110
Performance-based incentive fee payable (See Note 3)	2,205,311	1,508,164
Accrued other expenses	1,105,890	1,647,244
Total liabilities	291,772,469	211,801,101
Net Assets		
Common stock, par value \$0.001 per share, 100,000,000 shares authorized, 31,558,772 and 25,368,772 shares issued and outstanding, respectively	31,559	25,369
Paid-in capital in excess of par	384,602,224	327,062,304
Undistributed net investment income	2,242,960	1,890,235
Accumulated net realized loss on investments and cash equivalents	(67,139,005)	(50,494,447)
Net unrealized appreciation (depreciation) on investments	4,804,312	(27,527,813)
Net unrealized depreciation on credit facility (See Note 5)	20,724,000	49,624,620
Total net assets	\$ 345,266,050	\$ 300,580,268
Total liabilities and net assets	\$ 637,038,519	\$ 512,381,369
Net asset value per share	\$ 10.94	\$ 11.85

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 15,404,934	\$ 10,333,025	\$ 41,140,098	\$ 32,129,612
Other	594,978	138,335	1,327,063	152,652
From non-controlled, affiliated investments:				
Interest	335,159	298,349	991,388	988,668
Total investment income	16,335,071	10,769,709	43,458,549	33,270,932
Expenses:				
Base management fee (See Note 3)	3,035,172	1,928,082	8,331,957	5,495,505
Performance-based incentive fee (See Note 3)	2,205,310	1,412,925	5,779,297	4,175,224
Interest and other credit facility expenses	962,597	791,587	2,619,555	3,817,133
Administrative services expenses (See Note 3)	709,737	582,177	1,806,860	1,558,672
Other general and administrative expenses	601,011	388,507	1,705,400	1,523,505
Expenses before taxes	7,513,827	5,103,278	20,243,069	16,570,039
Excise tax (See Note 2)			97,890	
Total expenses	7,513,827	5,103,278	20,340,959	16,570,039
Net investment income	8,821,244	5,666,431	23,117,590	16,700,893
Realized and unrealized gain (loss) on investments and credit facility:				
Net realized gain (loss) on non-controlled, non-affiliated investments	100,295	(24,701,776)	(16,644,556)	(30,847,040)
Net change in unrealized (depreciation) appreciation on:				
Non-controlled, non-affiliated investments	(1,732,131)	27,736,328	32,257,205	14,960,676
Non-controlled, affiliated investments	279,017	(318,107)	74,918	(2,638,476)
Credit facility unrealized (appreciation) depreciation (See Note 5)	(3,208,992)	(9,202,647)	(28,900,620)	11,446,442
Net change in unrealized (depreciation) appreciation	(4,662,106)	18,215,574	3,431,503	23,768,642
Net realized and unrealized loss from investments and credit facility	(4,561,811)	(6,486,202)	(13,213,053)	(7,078,398)
Net increase (decrease) in net assets resulting from operations	\$ 4,259,433	\$ (819,771)	\$ 9,904,537	\$ 9,622,495
Net increase (decrease) in net assets resulting from operations per common share (See Note 8)	\$ 0.13	\$ (0.04)	\$ 0.35	\$ 0.45
Net investment income per common share	0.28	0.27	0.82	0.79

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	Nine months ended June 30,	
	2010	2009
Increase in net assets from operations:		
Net investment income	\$ 23,117,590	\$ 16,700,893
Net realized loss on investments	(16,644,556)	(30,847,040)
Net change in unrealized appreciation on investments	32,332,123	12,322,200
Net change in unrealized (appreciation) depreciation on credit facility	(28,900,620)	11,446,442
Net increase in net assets resulting from operations	9,904,537	9,622,495
Distributions to Stockholders:		
Distributions from net investment income	(22,862,755)	(15,169,515)
Capital Share Transactions:		
Issuance of shares of common stock, net of offering costs	57,644,000	
Total increase (decrease) in net assets	44,685,782	(5,547,020)
Net Assets:		
Beginning of period	300,580,268	210,728,260
Cumulative effect of adoption of fair value option (See Note 5)		41,796,000
Adjusted beginning of period balance	300,580,268	252,524,260
End of period	\$ 345,266,050	\$ 246,977,240
Undistributed net investment income, at period end	2,242,960	928,718
Capital Share Activity:		
Shares issued in connection with public offerings	6,190,000	

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	Nine Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 9,904,537	\$ 9,622,495
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	(32,332,123)	(12,322,200)
Net change in unrealized appreciation (depreciation) on credit facility	28,900,620	(11,446,442)
Net realized loss on investments	16,644,556	30,847,040
Net accretion of discount and amortization of premium	(3,155,823)	(1,903,798)
Purchase of investments	(212,794,556)	(47,957,218)
Payments-in-kind	(4,495,644)	(2,528,233)
Proceeds from dispositions of investments	82,716,065	12,873,998
(Increase) Decrease in interest receivable	(2,094,127)	1,275,507
(Increase) in receivables for investments sold	(546,905)	(1,381,011)
(Increase) Decrease in prepaid expenses and other assets	(542,757)	95,536
(Decrease) Increase in payables for investments purchased	(814,525)	4,183,666
Increase in unfunded investments	15,989,003	6,331,385
Increase (Decrease) in interest payable on credit facility	76,639	(653,009)
Increase in management fee payable	815,062	1,842,186
Increase in performance-based incentive fee payable	697,147	1,292,839
(Decrease) in accrued expenses	(541,354)	(11,291)
Net cash (used for) operating activities	(101,574,185)	(9,838,550)
Cash flows from financing activities:		
Issuance of shares of common stock, net of offering costs	57,644,000	
Distributions paid to stockholders	(19,713,979)	(15,169,515)
Borrowings under credit facility (See Note 10)	189,300,000	85,300,000
Repayments under credit facility (See Note 10)	(157,600,000)	(100,000,000)
Net cash provided by (used for) financing activities	69,630,021	(29,869,515)
Net decrease in cash and cash equivalents	(31,944,164)	(39,708,065)
Cash and cash equivalents, beginning of period	33,247,666	40,249,201
Cash and cash equivalents, end of period	\$ 1,303,502	\$ 541,136
Supplemental disclosure of cash flow information and non-cash financing activity (See Note 5):		
Interest paid	\$ 2,304,517	\$ 4,270,412
Income taxes paid	\$ 97,890	\$
Cumulative effect of adoption of fair value option on credit facility	\$	\$ 41,796,000

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Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS****June 30, 2010****(Unaudited)**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies			175.6%				
(1),(2)							
Subordinated Debt/Corporate Notes							
60.2%							
Affinion Group Holdings, Inc.	03/01/2012	Consumer Products	8.39% ⁽⁶⁾	L+750	\$ 24,541,792	\$ 24,077,712	\$ 22,823,867
Aquilex Holdings, LLC ⁽⁵⁾	12/15/2016	Diversified / Conglomerate Services	11.13%		15,885,000	15,476,595	15,885,000
Consolidated Foundries, Inc.	04/17/2015	Aerospace and Defense	14.25% ⁽⁶⁾		8,109,468	7,968,680	8,190,563
CT Technologies Intermediate Holdings, Inc.	03/22/2014	Business Services	14.00% ⁽⁶⁾		20,617,803	20,237,130	21,236,337
Da-Lite Screen Company, Inc. ⁽⁵⁾	04/01/2015	Home and Office Furnishings, Housewares and Durable Consumer Products	12.50%		25,000,000	24,354,029	24,968,752
i2 Holdings Ltd. ⁽¹⁰⁾	06/06/2014	Aerospace and Defense	14.75% ⁽⁶⁾		23,124,745	22,801,947	23,166,369
Learning Care Group (US) Inc.	06/30/2013	Education	15.00% ⁽⁶⁾		3,947,368	3,176,775	3,582,236
Realogy Corp.	04/15/2015	Buildings and Real Estate	12.38%		10,000,000	9,020,894	7,550,000
TRAK Acquisition Corp.	12/29/2015	Business Services	15.00% ⁽⁶⁾		11,646,610	11,282,917	11,646,610
Trizetto Group, Inc.	10/01/2016	Insurance	13.50% ⁽⁶⁾		20,501,960	20,327,187	21,117,019
UP Acquisitions Sub Inc.	02/08/2015	Oil and Gas	15.50% ⁽⁶⁾		21,098,000	20,623,633	21,098,000
Veritext Corp.	12/31/2015	Business Services	14.00% ⁽⁶⁾		15,000,000	14,625,000	15,000,000
Veritext Corp. ⁽⁹⁾	12/31/2012	Business Services			12,000,000	11,700,000	11,700,000
Total Subordinated Debt/Corporate Notes						205,672,499	207,964,753
Second Lien Secured Debt							
41.2%							
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.45%	L+600	13,600,000	13,197,356	12,002,000
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.49%	L+700	12,000,000	11,766,298	10,770,000
Generics International (U.S.), Inc.	04/30/2015	Healthcare, Education and Childcare	8.03%	L+750	12,000,000	11,956,973	11,388,000
Greatwide Logistics Services, L.L.C.	03/01/2014	Cargo Transport	11.00% ⁽⁶⁾	L+700 ⁽⁸⁾	2,436,357	2,436,357	2,444,884
Mohegan Tribal Gaming Authority ⁽⁵⁾	11/01/2017	Hotels, Motels, Inns and Gaming	11.50%		5,000,000	4,821,918	4,950,000
Questex Media Group LLC, Term Loan A	12/15/2014	Other Media	9.50%	L+650 ⁽⁸⁾	3,227,428	3,227,428	3,227,428
Questex Media Group LLC, Term Loan B	12/15/2015	Other Media	11.50% ⁽⁶⁾	L+850 ⁽⁸⁾	1,723,738	1,723,738	1,723,738
Realogy Corp.	10/15/2017	Buildings and Real Estate	13.50%		10,000,000	10,000,000	10,433,330
Saint Acquisition Corp. ⁽⁵⁾	05/15/2015	Transportation	8.19%	L+775	10,000,000	9,949,586	9,050,000
Saint Acquisition Corp. ⁽⁵⁾	05/15/2017	Transportation	12.50%		19,000,000	17,001,649	17,955,000
Sheridan Holdings, Inc.	06/15/2015	Healthcare, Education and	6.10% ⁽⁶⁾	L+575	21,500,000	19,113,540	19,618,750

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Specialized Technology Resources, Inc.	12/15/2014	Childcare Chemical, Plastics and Rubber	7.35% ⁽⁶⁾	L+700	22,500,000	22,489,618	22,500,000
TransFirst Holdings, Inc.	06/15/2015	Financial Services	7.10% ⁽⁶⁾	L+675	17,706,723	17,215,645	16,095,412

Total Second Lien Secured Debt 144,900,106 142,158,542

Preferred Equity/Partnership Interests ⁽⁷⁾

2.6%							
AHC Mezzanine, LLC (Advanstar Inc.)		Other Media			319	318,896	
CFHC Holdings, Inc., Class A (Consolidated Foundries, Inc.)		Aerospace and Defense	12.00%		797	797,288	1,038,808
CT Technologies Holdings, LLC (CT Technologies Intermediate Holdings, Inc.)		Business Services	9.00%		144,375	144,375	147,263
i2 Holdings Ltd. ⁽¹⁰⁾		Aerospace and Defense	12.00%		4,137,240	4,137,240	4,363,693
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	1,453,128
UP Holdings Inc., Class A-1 (UP Acquisitions Sub Inc.)		Oil and Gas	8.00%		91,608	2,499,066	1,359,390

Total Preferred Equity/Partnership Interests 9,894,691 9,048,102

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Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par /Shares	Cost	Fair Value⁽³⁾
Common Equity/Warrants/Partnership Interests ⁽⁷⁾		8.1%					
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	376,787
CT Technologies Holdings, LLC (CT Technologies Intermediate Holdings, Inc.)		Business Services			5,557	3,200,000	7,285,925
i2 Holdings Ltd. ⁽¹⁰⁾		Aerospace and Defense			457,322	454,030	
Learning Care Group (US) Inc. (warrants)	04/27/2020	Education			1,267	779,920	720,582
Magnum Hunter Resources Corporation		Oil and Gas			1,055,932	2,464,999	4,582,745
QMG HoldCo, LLC, Class A (Questex Media Group, Inc.)		Other Media			4,325	1,306,167	1,255,907
QMG HoldCo, LLC, Class B (Questex Media Group, Inc.)		Other Media			531		154,193
TRAK Acquisition Corp. (warrants)	12/29/2019	Business Services			3,500	29,400	670,917
Transportation 100 Holdco, L.L.C. (Greatwide Logistics Services, L.L.C.)		Cargo Transport			137,923	2,433,112	4,369,483
TZ Holdings, L.P. (Trizetto Group, Inc.)		Insurance			2	6,467	1,396,056
UP Holdings Inc. (UP Acquisitions Sub Inc.)		Oil and Gas			91,608	916	
VText Holdings, Inc.		Business Services			35,526	4,050,000	4,050,000
Total Common Equity/Warrants/Partnership Interests						17,741,282	27,862,595
First Lien Secured Debt 63.5%							
1-800 Contacts, Inc.	03/04/2015	Distribution	7.70%	P+295 ⁽⁸⁾	11,829,625	10,259,614	11,711,327
Birch Communications, Inc.	06/21/2015	Telecommunications	15.00%	L+1,300 ⁽⁸⁾	16,363,636	15,765,861	16,363,636
Birch Communications, Inc. ⁽⁹⁾	09/30/2010	Telecommunications			3,636,364	3,636,364	3,636,364
CEVA Group PLC ^{(5), (10)}	10/01/2016	Logistics	11.63%		7,500,000	7,300,183	7,743,750
CEVA Group PLC ^{(5), (10)}	04/01/2018	Logistics	11.50%		1,000,000	987,488	1,015,000
Chester Downs and Marina, LLC	07/31/2016	Hotels, Motels, Inns and Gaming	12.38%	L+988 ⁽⁸⁾	9,437,500	8,934,730	9,366,719
Columbus International, Inc. ^{(5), (10)}	11/20/2014	Communication	11.50%		10,000,000	10,000,000	10,650,730
EnviroSolutions, Inc.	07/07/2012	Environmental Services	12.00% ^{(6), (7)}	P+775 ⁽⁸⁾	14,228,928	13,445,577	10,771,298
EnviroSolutions, Inc. ⁽⁹⁾	11/10/2010	Environmental Services			6,666,666	6,666,666	6,666,666
Fairway Group Acquisition Company	10/01/2014	Grocery	12.00%	L+950 & ⁽⁸⁾	11,953,013	11,668,305	11,875,336
				P+850			
Hanley-Wood, L.L.C.	03/08/2014	Other Media	2.73%	L+225	8,775,000	8,775,000	4,852,575
Hughes Network Systems, L.L.C.	04/15/2014	Telecommunications	3.06%	L+250	5,000,000	5,000,000	4,708,335

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Instant Web, Inc.	08/07/2014	Printing and Publishing	14.50%	L+950 ⁽⁸⁾	24,937,500	24,447,386	24,937,500
Jacuzzi Brands Corp.	02/07/2014	Home and Office Furnishings, Housewares and Durable Consumer Products	2.59%	L+225	9,762,835	9,762,835	7,956,711
Learning Care Group, Inc.	04/27/2016	Education	12.00%		26,052,632	25,462,378	26,052,632
Mattress Holding Corp.	01/18/2014	Home and Office Furnishings, Housewares and Durable Consumer Products	2.60%	L+225	3,844,931	3,844,931	3,159,253
Penton Media, Inc.	08/01/2014	Other Media	5.00% ⁽⁶⁾	L+400 ⁽⁸⁾	9,830,510	8,363,445	7,127,120
Questex Media Group LLC	12/16/2012	Other Media	10.50%	L+650 ⁽⁸⁾	83,450	83,450	83,450
Questex Media Group LLC ⁽⁹⁾	12/16/2012	Other Media			317,358	317,358	317,358
Sugarhouse HSP Gaming Prop.	09/23/2014	Hotels, Motels, Inns and Gaming	11.25%	L+825 ⁽⁸⁾	29,500,000	28,717,396	28,025,000
U.S. Xpress Enterprises, Inc.	10/12/2014	Cargo Transportation	6.50%	L+450 ⁽⁸⁾	14,831,269	10,660,443	13,496,454
World Color Press Inc. ⁽¹⁰⁾	07/21/2012	Printing and Publishing	9.00%	P+500 ⁽⁸⁾	3,481,042	3,235,383	3,494,096
Yonkers Racing Corp. ⁽⁵⁾	07/15/2016	Hotels, Motels, Inns and Gaming	11.38%		5,000,000	4,866,444	5,356,250

Total First Lien Secured Debt 222,201,237 219,367,560

Investments in Non-Controlled, Non-Affiliated Portfolio Companies 600,409,815 606,401,552

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Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par / Shares	Cost	Fair Value ⁽³⁾	
Investments in Non-Controlled, Affiliated Portfolio Companies		4.9% ^{(1),(2)}						
Subordinated Debt/Corporate Notes	1.6%							
Performance Holdings, Inc.	07/02/2014	Leisure, Amusement, Motion Pictures and Entertainment	14.25% ⁽⁶⁾		\$ 5,640,077	\$ 5,463,471	\$ 5,513,175	
Second Lien Secured Debt		2.4%						
Performance, Inc.	07/02/2013	Leisure, Amusement, Motion Pictures and Entertainment	5.99%	L+575	8,750,000	8,750,000	8,295,000	
Common Equity/Partnership Interest ⁽⁷⁾		0.9%						
NCP-Performance (Performance Holdings, Inc.)		Leisure, Amusement, Motion Pictures and Entertainment			37,500	3,750,000	2,967,871	
Investments in Non-Controlled, Affiliated Portfolio Companies						17,963,471	16,776,046	
Total Investments						180.5%	618,373,286	623,177,598
Cash Equivalents						0.4%	1,303,502	1,303,502
Total Investments and Cash Equivalents						180.9%	\$ 619,676,788	\$ 624,481,100
Liabilities in Excess of Other Assets							(279,215,050)	
Net Assets						100.0%	\$ 345,266,050	

(1) As used in this Consolidated Schedule of Investments and in accordance with the 1940 Act, "non-controlled" means we own less than 25% of a portfolio company's voting securities.

(2) As used in this Consolidated Schedule of Investments and in accordance with the 1940 Act, "non-affiliated" means we own less than 5% of a portfolio company's voting securities and "affiliated" means that we own 5% or more, but less than 25%, of a portfolio company's voting securities.

(3) Valued based on our accounting policy (see Note 2 to our consolidated financial statements).

(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 registration under Rule 144A promulgated under the Securities Act of 1933. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

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

(7) Non-income producing securities.

(8) Coupon is subject to a LIBOR or Prime rate floor.

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

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

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****September 30, 2009**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index⁽⁴⁾	Par / Shares	Cost	Fair Value⁽³⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies 150.9%							
(1),(2)							
Subordinated Debt/Corporate Notes 50.6%							
Affinion Group Holdings, Inc.	03/01/2012	Consumer Products	8.27% ⁽⁶⁾	L+750	\$ 23,572,133	\$ 22,930,475	\$ 21,497,875
Consolidated Foundries, Inc.	04/17/2015	Aerospace and Defense	14.25% ⁽⁶⁾		8,109,468	7,952,769	8,190,563
CT Technologies Intermediate Holdings, Inc.	03/22/2014	Business Services	14.00% ⁽⁶⁾		20,311,603	19,875,880	20,463,940
Digicel Limited ⁽⁵⁾	04/01/2014	Telecommunications	12.00%		1,000,000	995,610	1,115,000
i2 Holdings Ltd.	06/06/2014	Aerospace and Defense	14.75% ⁽⁶⁾		22,653,857	22,279,800	22,880,395
IDQ Holdings, Inc.	05/20/2012	Auto Sector	13.75%		20,000,000	19,632,400	20,060,000
Learning Care Group, Inc.	12/28/2015	Education	13.50% ⁽⁶⁾		10,324,976	10,190,682	10,324,976
Realogy Corp.	04/15/2015	Buildings and Real Estate	12.38%		10,000,000	8,921,187	5,525,000
Trizetto Group, Inc.	10/01/2016	Insurance	13.50% ⁽⁶⁾		20,197,856	20,010,210	20,652,308
UP Acquisitions Sub Inc.	02/08/2015	Oil and Gas	13.50%		21,000,000	20,472,809	21,420,000
Total Subordinated Debt/Corporate Notes						153,261,822	152,130,057
Second Lien Secured Debt 42.1%							
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.36%	L+600	13,600,000	13,153,077	12,416,800
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.44%	L+700	12,000,000	11,735,965	11,364,000
Generics International (U.S.), Inc.	04/30/2015	Healthcare, Education and Childcare	7.78%	L+750	12,000,000	11,949,634	11,376,000
Greatwide Logistics Services, L.L.C.	03/01/2014	Cargo Transport	11.00% ⁽⁶⁾	L+700 ⁽⁸⁾	2,309,343	2,309,344	2,309,344
Questex Media Group, Inc.	11/04/2014	Other Media	6.91% ⁽⁷⁾	L+650	10,000,000	10,000,000	