Mead Daniel S.
Form 4
March 12, 2013

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Mead Daniel S.

(Last) (First) (Middle)

VERIZON COMMUNICATIONS INC., 140 WEST STREET, 29TH FLOOR

(Street)

NEW YORK, NY 10007

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
VERIZON COMMUNICATIONS INC [VZ]

3. Date of Earliest Transaction (Month/Day/Year)
03/08/2013

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP and Pres. & CEO - VZW JV

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. De Se (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Units - 2013-2015 Award Cycle	(1)	03/08/2013		A		39,408		(1)	(1)	Common Stock	39,408	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Mead Daniel S. VERIZON COMMUNICATIONS INC. 140 WEST STREET, 29TH FLOOR NEW YORK, NY 10007			EVP and Pres. & CEO - VZW JV	

Signatures

William L. Horton, Jr., Attorney-in-fact for Daniel S. Mead	03/12/2013
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Each Restricted Stock Unit (RSU) represents the right to receive one share of common stock, plus accrued dividends, on the payment date following the date the RSU vests, unless deferred into the reporting person's deferred compensation plan account at the election of the reporting person. Subject to the terms of the Restricted Stock Unit Agreement, each RSU will vest on December 31, 2015.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. LIGN="bottom"> 2,250,000 2,250,000 1,961,667

Preferred Equity 0.4%(6)

SuttonPark Holdings, Inc.				
Business Services	14.00%	2,000	2,000,000	1,981,948
Universal Pegasus International Holdings, Inc. (Universal Pegasus International, LLC)				
Oil and Gas	8.00%	376,988	34,420,612	1,102,555

Total Preferred Equity

36,420,612 3,084,503

Common Equity 0.0%(6)

SuttonPark Holdings, Inc.

Business Services 100 100

Total Investments in Controlled, Affiliated Portfolio Companies

64,418,155 32,968,711

Total Investments 154.6%

1,091,517,885 1,078,175,553

Explanation of Responses:

Cash and Cash Equivalents 8.4%

Cash	2,667,511	2,667,511
BlackRock Liquidity Funds, Temp Cash, Institutional Shares	2,446,232	2,446,232
BNY Mellon Cash Reserve	53,327,086	53,327,086
Total Cash Equivalents	58,440,829	58,440,829

Total Investments and Cash Equivalents 163.0%

$ 1,149,958,714 $ 1,136,616,382

Liabilities in Excess of Other Assets (63.0%)

(439,110,183)

Net Assets 100.0%

$697,506,199

(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 (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 LIBOR, or L or Prime, or P rate.
(5) Security is exempt from registration under Rule 144A promulgated under 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 payable in cash and/or PIK.
(8) Coupon is subject to a LIBOR or Prime rate floor.
(9) Represents the purchase of a security with delayed settlement (unfunded investments). 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.
(11) Investment is held through PNNT CI (Galls) Prime Investment Holdings, LLC, a consolidated subsidiary.
(12) Investment is held through PNNT Acentia LLC, a consolidated subsidiary.
(13) Investment is held through PNNT Transportation 100 Holdco, L.L.C., a consolidated subsidiary.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. ORGANIZATION

PennantPark Investment Corporation was organized as a Maryland corporation in January 2007. PennantPark Investment is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC. PennantPark Investment s objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in U.S. middle-market companies in the form of senior secured loans, mezzanine debt and, to a lesser extent, equity investments. On April 24, 2007, we closed our initial public offering and our common stock trades on the NASDAQ Global Select Market under the symbol PNNT. Our 2025 Notes trade on the NYSE under the symbol PNTA.

We have entered into an Investment Management Agreement with the Investment Adviser, an external adviser that manages our day-to-day operations. We have also entered into an Administration Agreement with the Administrator, which provides the administrative services necessary for us to operate. PennantPark Investment, through the Investment Adviser, manages day-to-day operations of and provides investment advisory services to each of our SBIC Funds under separate investment management agreements. PennantPark Investment, through the Administrator, also provides similar services to each of our SBIC Funds and to SPH, under separate administration agreements. See Note 3.

Our wholly owned subsidiaries, SBIC LP and SBIC II, were organized as Delaware limited partnerships in 2010 and 2012, respectively. SBIC LP and SBIC II received licenses from the SBA to operate as SBIC, under Section 301(c) of the 1958 Act. Our SBIC Funds objectives are to generate both current income and capital appreciation through debt and equity investments generally by investing with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

We have formed and expect to continue to form certain taxable subsidiaries, or the Taxable Subsidiaries, which are taxed as corporations for federal income tax purposes. These Taxable Subsidiaries allow us to hold equity securities of portfolio companies organized as pass-through entities while continuing to satisfy the requirements of a RIC under the Code.

In September 2014, we completed a follow-on public offering of 8,500,000 shares of common stock at a public offering price of $11.63 per share for gross proceeds of $98.9 million and net proceeds of $95.4 million after the sales load and offering expenses.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. Actual results could differ from these estimates due to changes in the economic and regulatory environment, financial markets and any other parameters used in determining such estimates and assumptions. We may reclassify certain prior period amounts to conform to the current period presentation. We have eliminated all intercompany balances and transactions. References to ASC serve as a single source of accounting literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued.

Our Consolidated Financial Statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K/Q and Article 6 or 10 of Regulation S-X, as appropriate. In accordance with Article 6-09 of Regulation S-X, we have provided a Consolidated Statement of Changes in Net Assets in lieu of a Consolidated Statement of Changes in Stockholders Equity.

Our significant accounting policies consistently applied are as follows:

(a) Investment Valuations

We expect that there will not be readily available market values for many of our investments, which are or will be in our portfolio, and we value such investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy, described in this Report, and a consistently applied valuation process. With respect to investments for which there is no readily available market value, the factors that the board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate or revise our valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and the difference may be material. See Note 5.

With respect to investments for which market quotations are not readily available, or for which market quotations are deemed not reflective of the fair value, our board of directors undertakes a multi-step valuation process each quarter, as described below:

(1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our Investment Adviser responsible for the portfolio investment;

(2) Preliminary valuation conclusions are then documented and discussed with the management of our Investment Adviser;

(3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment. The independent valuation firms review management s preliminary valuations in light of their own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;

(4) The audit committee of our board of directors reviews the preliminary valuations of the Investment Adviser and those of the independent valuation firms on a quarterly basis, periodically assesses the valuation methodologies of the independent valuation firms, and responds to and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and

(5)

Our board of directors discusses these valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the respective independent valuation firms and the audit committee.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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SEPTEMBER 30, 2014

Our board of directors generally uses market quotations to assess the value of our investments for which market quotations are readily available. We obtain these market values from independent pricing services or at bid prices obtained from at least two brokers/dealers, if available, or otherwise from a principal market maker or a primary market dealer. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If the board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. Investments of sufficient credit quality purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

(b) Security Transactions, Revenue Recognition, and Realized / Unrealized Gains or Losses

Security transactions are recorded on a trade-date basis. We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, using the specific identification method, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in the fair values of our portfolio investments, our Credit Facility, our 2019 Notes and our 2025 Notes during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt investments with contractual PIK interest, which represents interest accrued and added to the loan balance that generally becomes due at maturity, we will generally not accrue PIK interest when the portfolio company valuation indicates that such PIK interest is not collectable. We do not accrue as a receivable interest on loans and debt investments if we have reason to doubt our ability to collect such interest. Loan origination fees, OID, market discount or premium and deferred financing costs are capitalized, on liabilities which we do not fair value, and then accreted or amortized using the effective interest method as interest income or interest expense as it relates to our deferred financing costs. We record prepayment penalties on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management s judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management s judgment, are likely to remain current.

(c) Income Taxes

We have complied with the requirements of Subchapter M of the Code and expect to be subject to tax as a RIC. As a result, we account for income taxes using the asset liability method prescribed by ASC 740, Income Taxes. Under this method, income taxes are provided for amounts currently payable and for amounts deferred as tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. Based upon PennantPark Investment s qualification and election to be subject to taxation as a RIC, we do not anticipate paying any material level of federal income taxes in the future. Although we are not subject to federal income taxes as a RIC, we have elected to retain a portion of our calendar year income and accrue taxes of $0.1 million, $(0.1) million and $0.3 million for the fiscal years ended September 30, 2014, 2013 and 2012, respectively.

PennantPark Investment recognizes in its Consolidated Financial Statements the effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25 nor did we have any unrecognized tax benefits as of the periods presented herein. Although we file federal and state tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2010 remain subject to examination by the Internal Revenue Service.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the Consolidated Financial Statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. We do not consolidate the Taxable Subsidiaries for income tax purposes, but we do consolidate the results of these Taxable Subsidiaries for financial reporting purposes.

(d) Distributions and Capital Transactions

Distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid, if any, as a distribution is ratified by the board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are distributed at least annually. The tax attributes for distributions will generally include ordinary income and capital gains, but may also include qualified dividends and/or return of capital.

Capital transactions, in connection with our dividend reinvestment plan or through offerings of our common stock, are recorded when issued and offering costs are charged as a reduction of capital upon issuance of our common stock.

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(e) Foreign Currency Translation

Our books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

1. Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the applicable period; and

2. Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions.

Although net assets and fair values are presented based on the applicable foreign exchange rates described above, we do not isolate that portion of the results of operations due to changes in foreign exchange rates on investments and debt from the fluctuations arising from changes in fair values of investments and liabilities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments and liabilities.

Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices to be more volatile than those of comparable U.S. companies or U.S. government securities.

(f) Consolidation

As permitted under Regulation S-X and as explained by ASC 946-810-45, PennantPark Investment will generally not consolidate its investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to us. Accordingly, we have consolidated the results of our SBIC Funds and our Taxable Subsidiaries in our Consolidated Financial Statements.

3. AGREEMENTS

The Investment Management Agreement with the Investment Adviser was reapproved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2014. Under the Investment Management Agreement, the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of and provides investment advisory services to, PennantPark Investment. Our SBIC Funds investment management agreements do not affect the management or incentive fees that we pay to the Investment Adviser on a consolidated basis. For providing these services, the Investment Adviser receives a fee from us, consisting of two components a base management fee and an incentive fee.

The base management fee is calculated at an annual rate of 2.00% of our average adjusted gross assets which equals our gross assets (net of U.S. Treasury Bills, temporary draws under any credit facility, cash and cash equivalents, repurchase agreements or other balance sheet transactions undertaken at the end of a fiscal quarter for purposes of preserving investment flexibility for the next quarter and adjusted to exclude cash, cash equivalents and unfunded delayed draw loans, if any) and is payable quarterly in arrears. The base management fee is calculated based on the average adjusted gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. For example, if we sold shares on the 45th day of a quarter and did not use the proceeds from the sale to repay outstanding indebtedness, our gross assets for such quarter would give effect to the net proceeds of the issuance for only 45 days of the quarter during which the additional shares were outstanding. For the years ended September 30, 2014, 2013 and 2012, the Investment Adviser earned a base management fee of $24.3 million, $21.3 million and $17.5 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, dividend income and any other income, including any other fees, other than fees for providing managerial assistance, such as amendment, commitment, origination, prepayment penalties, structuring, diligence and consulting fees or other fees received from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement and any interest expense and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, computed net of all realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a percentage of the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the Investment Adviser an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.75%, (2) 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the years ended September 30, 2014, 2013 and 2012, the Investment Adviser received an incentive fee of $17.8 million, $16.8 million and $14.2 million, respectively, from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For the years ended September 30, 2014, 2013 and 2012 the Investment Adviser did not earn an incentive fee on capital gains as calculated under the Investment Management Agreement (as described above).

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Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments and foreign currencies held at the end of each period. In calculating the capital gains incentive fee accrual, we considered the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. There can be no assurance that such unrealized capital appreciation will be realized in the future. For the years ended September 30, 2014, 2013 and 2012, our unrealized and realized capital gains did not exceed our cumulative realized and unrealized losses and therefore resulted in no accrual for capital gains incentive fees under GAAP.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2014. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. The Administrator provides similar services to our SBIC Funds under each of their administration agreements with PennantPark Investment. For providing these services, facilities and personnel, PennantPark Investment has agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent, technology systems, insurance and PennantPark Investment s allocable portion of the costs of compensation and related expenses for its Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on PennantPark Investment s behalf, managerial assistance to portfolio companies to which PennantPark Investment is required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statement of Operations. For the fiscal years ended September 30, 2014, 2013 and 2012, the Investment Adviser was reimbursed $3.0 million, $2.9 million and $3.6 million, respectively, from us, including expenses incurred on behalf of the Administrator, for the services described above.

PennantPark Investment has entered into an administration agreement with its controlled affiliate SPH. Under the SPH Administration Agreement, PennantPark Investment through the Administrator furnishes SPH with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Additionally, the Administrator performs or oversees the performance of SPH s required administrative services, which include, among other things, maintaining financial records, preparing financial reports and filing tax returns. Payments under the SPH Administration Agreement are equal to an amount based upon SPH s allocable portion of the Administrator s overhead in performing its obligations under the SPH Administration Agreement, including rent and allocable portion of the cost of compensation and related expenses of our Chief Financial Officer and his staff. For the fiscal years ended September 30, 2014, 2013 and 2012, PennantPark Investment was reimbursed $0.5 million, $0.4 million and $0.7 million, respectively, for the services described above.

4. INVESTMENTS

Purchases of investments, including PIK, for the fiscal years ended September 30, 2014, 2013 and 2012 totaled $806.1 million, $516.2 million and $337.3 million, respectively. Sales and repayments of investments for the fiscal years ended September 30, 2014, 2013 and 2012 totaled $625.6 million, $437.1 million and $201.7 million, respectively.

Investments and cash and cash equivalents consisted of the following:

	September 30, 2014		September 30, 2013	
Investment Classification	**Cost**	**Fair Value**	**Cost**	**Fair Value**
First lien	$ 453,835,589	$ 465,593,894	$ 290,000,430	$ 299,516,291
Second lien	489,813,322	493,360,024	346,717,448	357,543,217
Subordinated debt / corporate notes	250,905,632	247,146,967	311,240,637	302,447,308
Equity and partnership interests	124,299,777	111,953,881	143,559,370	118,668,737
Total investments	1,318,854,320	1,318,054,766	1,091,517,885	1,078,175,553
Cash and cash equivalents	66,600,195	66,518,682	58,440,829	58,440,829
Total investments, cash and cash equivalents	$ 1,385,454,515	$ 1,384,573,448	$ 1,149,958,714	$ 1,136,616,382

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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SEPTEMBER 30, 2014

The table below describes investments by industry classification and enumerates the percentage, by fair value, of the total portfolio assets (excluding cash equivalents) in such industries:

	As of September 30,	
Industry Classification	**2014**	**2013**
Consumer Products	9%	5%
Oil and Gas	9	7
Personal, Food and Miscellaneous Services	9	11
Business Services	8	8
Energy/Utilities	8	8
Building Materials	6	
Electronics	6	8
Insurance	5	1
Auto Sector	4	4
Healthcare, Education and Childcare	4	7
Retail	4	1
Buildings and Real Estate	3	
Hotels, Motels, Inns and Gaming	3	5
Media	3	
Other Media	3	5
Chemicals, Plastics and Rubber	2	6
Communication	2	3
Distribution	2	2
Diversified Natural Resources, Precious Metals and Minerals	2	2
Environmental Services	2	2
Financial Services	2	1
Printing and Publishing	1	9
Other	3	5
Total	100%	100%

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value, as defined under ASC 820, is the price that we would receive upon selling an investment or pay to transfer a liability in an orderly transaction to a market participant in the principal or most advantageous market for the investment or liability. ASC 820 emphasizes that valuation techniques maximize the use of observable market inputs and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of us. Unobservable inputs reflect the assumptions market participants would use in pricing an asset or liability based on the best information available to us on the reporting period date.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchies:

Level 1:	Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible by us at the measurement date.
Level 2:	Inputs that are quoted prices for similar assets or liabilities in active markets, or that are quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term, if applicable, of the financial instrument.
Level 3:	Inputs that are unobservable for an asset or liability because they are based on our own assumptions about how market participants would price the asset or liability.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments and Credit Facility are classified as Level 3. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than our valuation and those differences may be material. A review of fair value hierarchy classifications is conducted on a quarterly basis.

The inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by disclaimer would result in classification as Level 3 information, assuming no additional corroborating evidence were available. Corroborating evidence that would result in classifying these non-binding broker/dealer bids as a Level 2 asset includes observable market-based transactions for the same or similar assets or other relevant observable market based inputs that may be used in pricing an asset.

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Our investments are generally structured as debt and equity investments in the form of senior secured loans, mezzanine debt and equity co-investments. The transaction price, excluding transaction costs, is typically the best estimate of fair value at inception. Ongoing reviews by our Investment Adviser and independent valuation firms are based on an assessment of each underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information including comparable transactions, performance multiples and yields, among other factors. The companies in which we invest are typically highly leveraged, and, in most cases, are not rated by national rating agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor s system) from the national rating agencies.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in our ability to observe valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in or out of the Level 3 category as of the end of the quarter in which the reclassifications occur. Our ability to observe valuation inputs for the years ended September 30, 2014 and 2013 has resulted in no and one reclassifications, respectively, from Level 3 to 2 as outlined in the table below.

In addition to using the above inputs in cash equivalents, investments, the 2019 Notes, the 2025 Notes and our Credit Facility valuations, we employ the valuation policy approved by our board of directors that is consistent with ASC 820. Consistent with our valuation policy, we evaluate the source of inputs, including any markets in which our investments are trading, in determining fair value. See Note 2.

As outlined in the table below, some of our Level 3 investments using a market approach valuation technique are valued using the average of the bids from brokers or dealers. The bids include a disclaimer, have no corroborating evidence and may be the result of consensus pricing. The Investment Adviser assesses the source and reliability of bids from brokers or dealers. If the board of directors has a bona fide reason to believe any such bids do not reflect the fair value on an investment, it may independently value such investment by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available.

The remainder of our portfolio, including our long-term Credit Facility, is valued using a market comparable or an enterprise market value technique. With respect to investments for which there is no readily available market value, the factors that the board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company s ability to make payments, its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the pricing indicated by the external event, excluding transaction costs, is used to corroborate the valuation. When using earnings multiples to value a portfolio company, the multiple used requires the use of judgment and estimates in determining how a market participant would price such an asset. Generally, the sensitivity of unobservable inputs or combination of inputs such as industry comparable companies, market outlook, consistency, discount rates and reliability of earnings and prospects for growth, or lack thereof, affects the multiple used in pricing an investment. As a result, any change in any one of those factors may have a significant impact on the valuation of an investment.

Our Level 3 valuation techniques, unobservable inputs and ranges were categorized as follows for ASC 820 purposes:

Asset Category	**Fair Value as of September 30, 2014**	**Valuation Technique**	**Unobservable Input**	**Range of Input (Weighted Average)**
Debt investments	$ 480,344,879	Market Comparable	Broker/Dealer bid quotes	N/A
Debt investments	681,131,020	Market Comparable	Market Yield	9.7% 21.3% (13.2%)
Equity investments	12,163,865	Market Comparable	Broker/Dealer bid quotes	N/A
Equity investments	99,698,372	Enterprise Market Value	EBITDA multiple	3.3x 14.0x (8.8x)
Total Level 3 investments	$ 1,273,338,136			
Long-Term Credit Facility	$ 53,497,620	Market Comparable	Market Yield	4.1%
2019 Notes	$ 251,350,250	Market Comparable	Broker/Dealer bid quotes	N/A

Asset Category	**Fair Value as of September 30, 2013**	**Valuation Technique**	**Unobservable Input**	**Range of Input (Weighted Average)**
Debt investments	$ 448,842,468	Market Comparable	Broker/Dealer bid quotes	N/A
Debt investments	466,571,947	Market Comparable	Market Yield	9.5% 21.5% (13.5%)
Equity investments	110,923,751	Enterprise Market Value	EBITDA multiple	6.0x 15.0x (9.0x)
Total Level 3 investments	$ 1,026,338,166			
Long-Term Credit Facility	$ 117,500,000	Market Comparable	Market Yield	3.6%

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Our investments, cash and cash equivalents, Credit Facility, the 2019 Notes and the 2025 Notes were categorized as follows in the fair value hierarchy for ASC 820 purposes:

		Fair Value at September 30, 2014		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt investments	$ 1,206,100,885	$	$ 44,624,986	$ 1,161,475,899
Equity investments	111,953,881		91,644	111,862,237
Total investments	1,318,054,766		44,716,630	1,273,338,136
Cash and cash equivalents	66,518,682	66,518,682		
Total investments, cash and cash equivalents	$ 1,384,573,448	$ 66,518,682	$ 44,716,630	$ 1,273,338,136
Long-Term Credit Facility	$ 53,497,620	$	$	$ 53,497,620
2019 Notes	251,350,250			251,350,250
2025 Notes	71,820,000	71,820,000		
Total debt	$ 376,667,870	$ 71,820,000	$	$ 304,847,870

		Fair Value at September 30, 2013		
Description	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt investments	$ 959,506,815	$	$ 44,092,400	$ 915,414,415
Equity investments	118,668,738	7,539,320	205,667	110,923,751
Total investments	1,078,175,553	7,539,320	44,298,067	1,026,338,166
Cash and cash equivalents	58,440,829	58,440,829		
Total investments, cash and cash equivalents	$ 1,136,616,382	$ 65,980,149	$ 44,298,067	$ 1,026,338,166
Long-Term Credit Facility (excluding temporary draw of $28.0 million)	$ 117,500,000	$	$	$ 117,500,000
2025 Notes	68,400,000	68,400,000		

Total debt	$	185,900,000	$	68,400,000	$		$	117,500,000

The following tables show a reconciliation of the beginning and ending balances for fair valued investments measured using significant unobservable inputs (Level 3):

	Year Ended September 30, 2014					
Description		**Debt investments**		**Equity investments**		**Totals**
Beginning Balance	$	915,414,415	$	110,923,751	$	1,026,338,166
Realized gains		19,314,901		3,956,456		23,271,357
Unrealized (depreciation) appreciation		(10,373,678)		17,034,882		6,661,204
Purchases, PIK, net discount accretion and non-cash exchanges		782,753,337		25,548,400		808,301,737
Sales, repayments and non-cash exchanges		(545,633,076)		(45,601,252)		(591,234,328)
Transfers in and/or out of Level 3						
Ending Balance	$	1,161,475,899	$	111,862,237	$	1,273,338,136
Net change in unrealized appreciation (depreciation) reported within the net change in unrealized appreciation on investments in our Consolidated Statement of Operations attributable to our Level 3 assets still held at the reporting date.	$	2,129,283	$	(15,261,361)	$	(13,132,078)

	Year Ended September 30, 2013					
Description		**Debt investments**		**Equity investments**		**Totals**
Beginning Balance	$	848,424,071	$	101,323,123	$	949,747,194
Realized gains		6,721,638		3,311,652		10,033,290
Unrealized appreciation (depreciation)		35,227,586		(28,273,765)		6,953,821
Purchases, PIK, net discount accretion and non-cash exchanges		512,045,145		46,647,608		558,692,753
Sales and repayments		(474,164,025)		(12,084,867)		(486,248,892)
Transfers in and/or out of Level 3		(12,840,000)				(12,840,000)
Ending Balance	$	915,414,415	$	110,923,751	$	1,026,338,166
Net change in unrealized appreciation (depreciation) reported within the net change in unrealized appreciation (depreciation) on investments in our Consolidated Statement of Operations attributable to our Level 3 assets still held at the reporting date.	$	33,158,082	$	(30,958,706)	$	2,199,376

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The following table shows a reconciliation of the beginning and ending balances for fair valued liabilities measured using significant unobservable inputs (Level 3):

	Carrying/Fair Value Year Ended September 30,	
Long-Term Credit Facility and 2019 Notes	**2014**	**2013**
Beginning Balance (cost $117,500,000 and $109,500,000, respectively)	$ 117,500,000	$ 108,952,500
Total unrealized appreciation included in earnings	(378,430)	547,500
Issuance of 2019 Notes	250,000,000	
Borrowings (1)	804,053,100	660,800,000
Repayments (1)	(866,326,800)	(652,800,000)
Transfers in and/or out of Level 3		
Ending Balance (cost $305,226,300 and $117,500,000, respectively)	$ 304,847,870	$ 117,500,000
Temporary draws outstanding, at cost		28,000,000
Ending Balance (cost $305,226,300 and $145,500,000, respectively)	$ 304,847,870	$ 145,500,000

(1) Excludes temporary draws.

As of September 30, 2014, we had outstanding non-USD borrowing on our Credit Facility denominated in British Pounds. Net change in fair value on these outstanding borrowings is listed below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Net Change in Fair Value
British Pound	£ 33,000,000	$ 55,226,300	$ 53,497,620	October 1, 2014	$ (1,728,680)

We adopted ASC 825-10, which provides companies with an option to report selected financial assets and liabilities at fair value, and made an irrevocable election to apply ASC 825-10 to our Credit Facility, our 2019 Notes and our 2025 Notes. We elected to use the fair value option for the Credit Facility, the 2019 Notes and the 2025 Notes to align the measurement attributes of both our assets and liabilities while mitigating volatility in earnings from using different measurement attributes. Due to that election and in accordance with GAAP, we incurred $8.3 million, $2.8 million and $5.4 million relating to debt issuance costs during the year ended September 30, 2014, 2013 and 2012, respectively. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company s choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statement of Assets and Liabilities and changes in fair value of the Credit Facility, 2019 Notes and 2025 Notes are reported in our Consolidated Statement of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities, including the SBA debentures. For the fiscal years ended September 30, 2014, 2013 and 2012, our Credit Facility, 2019 Notes and 2025 Notes had a net change in unrealized (appreciation) depreciation of $(3.0) million, $2.3 million and $(1.6) million, respectively. As of September 30, 2014 and 2013, net unrealized (appreciation) depreciation on our Credit Facility, 2019 Notes and 2025 Notes totaled $(0.2) million and $2.8 million, respectively. We use a nationally recognized independent valuation service to fair value our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value investments. Our 2025 Notes trade on the NYSE under the ticker PNTA and we use the closing price on the exchange to determine their fair value.

6. TRANSACTIONS WITH AFFILIATED COMPANIES

An affiliated portfolio company is a company in which we have ownership of 5% or more of its voting securities. A non-controlled affiliate is a portfolio company in which we own at least 5% but less than 25% of its voting securities and a controlled affiliate is a portfolio company in which we own 25% or more of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the year ended September 30, 2014 were as follows:

Name of Investment	Fair Value at September 30, 2013	Purchases of / Advances to Affiliates*	Sale of / Distributions from Affiliates	Income Accrued	Fair Value at September 30, 2014	Net Realized Gains (Losses)
Controlled Affiliates						
Superior Digital Displays Holdings, Inc.	$	$ 21,942,989	$	$ 1,990,168	$ 21,210,823	$
SuttonPark Holdings, Inc.	13,500,000	4,000,000	(3,500,000)	1,659,972	14,000,000	
Universal Pegasus International, LLC	17,552,044	22,592,260	(72,539,605)	4,059,881		(46,895)
Non-Controlled Affiliates						
DirectBuy Holdings, Inc.	17,805,936	1,329,930	(1,126,015)	1,341,888	11,283,172	
EnviroSolutions Holdings, Inc.	21,265,345	9,196,328		707,326	21,268,379	
NCP-Performance, L.P.	2,500,165					
PAS International Holdings, Inc.	1,694,296				1,650,729	
Service Champ, Inc.	33,470,058			3,634,291	33,645,241	
Total Controlled and Non-Controlled Affiliates	$ 107,787,844	$ 59,061,507	$ (77,165,620)	$ 13,393,526	$ 103,058,344	$ (46,895)

* Excluding delayed draws.

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7. CHANGE IN NET ASSETS FROM OPERATIONS PER COMMON SHARE

The following information sets forth the computation of basic and diluted per share net increase in net assets resulting from operations:

	Year Ended September 30,		
	2014	**2013**	**2012**
Numerator for net increase in net assets resulting from operations	$ 110,983,477	$ 91,777,652	$ 63,353,100
Denominator for basic/diluted and weighted average shares	67,058,474	66,380,829	52,969,278*
Basic and diluted net increase in net assets per share resulting from operations	$ 1.66	$ 1.39	$ 1.20

* The denominator for diluted weighted average shares was 52,975,015 shares.

8. TAXES AND DISTRIBUTIONS

Dividends from net investment income and distributions from net realized capital gains are determined in accordance with U.S. federal tax regulations, which may materially differ from amounts determined in accordance with GAAP. These book-to-tax differences are either temporary or permanent in nature. To the extent these differences are permanent, they are reclassified to undistributed net investment income, accumulated net realized loss or paid-in-capital, as appropriate. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the Company may make distributions on a more frequent basis to comply with the distribution requirements for RICs under the Code.

As of September 30, 2014 and 2013, the cost of investments for federal income tax purposes was $1,316.9 million and $1,089.8 million, respectively, resulting in a gross unrealized appreciation of $70.1 million and $76.8 million, respectively, and depreciation of $68.9 million and $88.4 million, respectively.

The following differences were reclassified for tax purposes:

	Year Ended September 30,		
	2014	**2013**	**2012**
(Decrease) increase in paid-in capital	$ (1,161)	$ 903,627	$ 276,902

Increase (decrease) in accumulated net realized gain	1,519,280	(824,021)	2,176,918
(Decrease) increase in undistributed net investment income	(1,518,119)	(79,606)	(2,453,820)

The following reconciles net increase in net assets resulting from operations to taxable income:

	Years Ended September 30,		
	2014	**2013**	**2012**
Net increase in net assets resulting from operations	$ 110,983,477	$ 91,777,652	$ 63,353,100
Net realized (gain) loss on investments not taxable	(30,235,265)	(17,687,211)	12,798,035
Net unrealized appreciation on investments, Credit Facility, 2019 Notes and 2025 Notes	(9,419,695)	(7,092,320)	(19,081,794)
Other temporary book-to-tax differences	(4,459,940)	(3,035,861)	2,444,817
Other non-deductible expenses	8,419,651	2,715,980	307,990
Taxable income before deductions for distributions	$ 75,288,228	$ 66,678,240	$ 59,822,148

The components of undistributed taxable income on a tax basis and reconciliation to accumulated deficit on a book basis are as follows:

	As of September 30,		
	2014	**2013**	**2012**
Undistributed taxable income	$ 16,082,048	$ 15,325,379	$ 18,634,553
Capital loss carry forward [(1)]	(8,518,111)	(39,216,288)	(56,786,282)
Distributions payable and other book to tax differences	(31,021,819)	(26,021,069)	(21,086,425)
Net unrealized appreciation (depreciation) of investments, Credit Facility, 2019 Notes and 2025 Notes	(1,072,637)	(8,727,689)	(15,815,138)
Total accumulated deficit book basis	$ (24,530,519)	$ (58,639,667)	$ (75,053,292)

(1) As of September 30, 2014, the capital loss carry forward of $8.5 million expires, if not utilized against future capital gains in 2018.

The tax characteristics of distributions declared, in accordance with Section 19(a) of the 1940 Act, during the fiscal years ended September 30, 2014, 2013 and 2012 were solely from ordinary income and totaled $76.9 million, or $1.12 per share, $74.4 million, or $1.12 per share and $60.1 million, or $1.12 per share, respectively.

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9. CASH EQUIVALENTS

Cash equivalents represent cash in money market funds pending investment in longer-term portfolio holdings. Our portfolio may consist of temporary investments in U.S. Treasury Bills (of varying maturities), repurchase agreements, money market funds or repurchase agreement-like treasury securities. These temporary investments with original maturities of 90 days or less are deemed cash equivalents and are included in the Consolidated Schedule of Investments. At the end of each fiscal quarter, we may take proactive steps to preserve investment flexibility for the next quarter by investing in cash equivalents, which is dependent upon the composition of our total assets at quarter-end. We may accomplish this in several ways, including purchasing U.S. Treasury Bills and closing out our positions on a net cash basis after quarter-end, temporarily drawing down on the Credit Facility, or utilizing repurchase agreements or other balance sheet transactions as are deemed appropriate for this purpose. These amounts are excluded from average adjusted gross assets for purposes of computing the Investment Adviser s management fee. U.S. Treasury Bills with maturities greater than 60 days from the time of purchase are valued consistent with our valuation policy. As of September 30, 2014 and 2013, cash and cash equivalents consisted of $66.5 million and $58.4 million, respectively.

10. FINANCIAL HIGHLIGHTS

Below are the financial highlights for the years ended September 30:

	2014	2013	2012	2011	2010
Per Share Data:					
Net asset value, beginning of year	$ 10.49	$ 10.22	$ 10.13	$ 10.69	$ 11.85
Net investment income (1)	1.06	1.01	1.08	1.25	1.09
Net realized and unrealized gain (loss) (1)	0.60	0.38	0.12	(1.01)	(0.53)
Net increase in net assets resulting from operations (1)	1.66	1.39	1.20	0.24	0.56
Distributions of net investment income to stockholders (1),	(1.15)	(1.12)	(1.13)	(1.10)	(1.09)

(2)

Accretive (Dilutive) effect of common stock issuance (1)	0.03		0.02	0.30	(0.63)
Net asset value, end of year	$ 11.03	$ 10.49	$ 10.22	$ 10.13	$ 10.69
Per share market value, end of year	$ 10.91	$ 11.28	$ 10.61	$ 8.92	$ 10.61
Total return (3)	6.76%	17.37%	28.71%	(7.37)%	44.79%
Shares outstanding at end of year	75,092,911	66,499,327	65,514,503	45,689,781	36,158,772
Ratio / Supplemental Data:					
Ratio of operating expenses to average net assets (4)	6.43%	6.31%	7.11%	7.28%	7.16%
Ratio of Credit Facility related expenses to average net assets (5)	3.83%	2.60%	3.08%	1.15%	1.08%
Ratio of total expenses to average net assets (5)	10.26%	8.91%	10.19%	8.43%	8.24%
Ratio of net investment income to average net assets	9.55%	9.60%	10.32%	11.35%	9.45%
Net assets at end of year	$ 828,009,949	$ 697,506,199	$ 669,717,047	$ 462,657,196	$ 386,575,223
Weighted average debt outstanding (5)	$ 526,252,068	$ 363,246,849	$ 340,868,033	$ 278,294,433	$ 246,216,548
Weighted average debt per share (5)	$ 7.85	$ 5.47	$ 6.44	$ 6.60	$ 8.33
Asset coverage per unit (6)	$ 3,198	$ 4,261	$ 5,636	$ 2,937	$ 2,655
Average market value per unit (7)	$ 24.51	$ 24.79	N/A	N/A	N/A
Portfolio turnover ratio	50.66%	40.91%	22.81%	40.89%	25.97%

(1) Calculated based on the weighted average shares outstanding for the respective periods.

(2) Based on taxable income calculated in accordance with income tax regulations and may differ from amounts determined under GAAP.

(3) Based on the change in market price per share during the periods and takes into account distributions, if any, reinvested in accordance with our dividend reinvestment plan.

(4) Excludes debt related costs.

(5) Includes SBA debentures outstanding.

(6) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by the senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the asset coverage per unit. These amounts exclude SBIC LP s SBA debentures from our asset coverage per unit computation pursuant to an exemptive relief letter provided by the SEC in June 2011.

(7) The average market value per unit is derived based on the monthly average closing price of the 2025 Notes trading on NYSE under the symbol PNTA, which were issued in increments of $25 per unit.

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11. DEBT

Our annualized weighted average cost of debt for the fiscal year ended September 30, 2014 and 2013, inclusive of the fee on the undrawn commitment on the Credit Facility and amortized upfront fees on SBA debentures but excluding debt issuance costs, was 3.85% and 4.24%, respectively. In accordance with the 1940 Act, with certain limited exceptions, we are only allowed to borrow amounts such that we are in compliance with our asset coverage ratio after such borrowing, excluding SBA debentures, pursuant to exemptive relief from the SEC received in June 2011.

Credit Facility

On June 25, 2014, we amended and restated our multi-currency Credit Facility to increase the amount available for borrowing from $445 million to $545 million, reduce the interest rate spread above LIBOR from 2.75% to 2.25%, reduce the undrawn commitment fee from 0.50% to 0.375% and extend the maturity date from February 21, 2016 to June 25, 2019. This multi-currency Credit Facility is with certain lenders and SunTrust Bank, acting as administrative agent, and JPMorgan Chase Bank, N.A., acting as syndication agent for the lenders. As of September 30, 2014 and September 30, 2013, there was $55.2 million and $145.5 million (including a temporary draw of $28.0 million), respectively, in outstanding borrowings under the Credit Facility, with a weighted average interest rate at the time of 2.80% and 3.33%, exclusive of the fee on undrawn commitments of 0.375% and 0.50%, respectively. The Credit Facility is a five-year revolving facility with a stated maturity date of June 25, 2019, a one-year term-out period following its fourth year and pricing set at 225 basis points over LIBOR. The Credit Facility is secured by substantially all of our assets excluding assets held by our SBIC Funds.

SBA Debentures

Our SBIC Funds are able to borrow funds from the SBA against regulatory capital (which approximates equity capital) that is paid-in and is subject to customary regulatory requirements including an examination by the SBA. We have funded SBIC LP with $75.0 million of equity capital and it had SBA debentures outstanding of $150 million as of September 30, 2014. We have funded SBIC II with $37.5 million of equity capital and we received a commitment from the SBA to allow SBIC II to access $75.0 million in SBA debentures. SBA debentures are non-recourse to us and may be prepaid at any time without penalty. The interest rate of SBA debentures is fixed at the time of issuance, often referred to as pooling, at a market-driven spread over 10-year U.S. Treasury Notes. Under current SBA regulations, a SBIC may individually borrow to a maximum of $150 million, which is up to twice its potential regulatory capital, and as part of a group of SBICs under common control may borrow a maximum of $225 million in the aggregate.

As of September 30, 2014 and September 30, 2013, our SBIC Funds had $225 million and $150 million in debt commitments, respectively, and $150 million was drawn for each period. Both SBA debentures upfront fees of 3.43% consist of a commitment fee of 1.00% and an issuance discount of 2.43%, which are being amortized. Our fixed-rate SBA debentures as of September 30, 2014 and September 30, 2013 were as follows:

Issuance Dates	Maturity	Fixed All-In Coupon Rate [1]		Principal Balance
September 22, 2010	September 1, 2020	3.50%	$	500,000
March 29, 2011	March 1, 2021	4.46		44,500,000
September 21, 2011	September 1, 2021	3.38		105,000,000
Weighted Average Rate / Total		3.70%	$	150,000,000

[1] Excluding 3.43% of upfront fees.

The SBIC program is designed to stimulate the flow of capital into eligible businesses. Under SBA regulations, our SBIC Funds are subject to regulatory requirements, including making investments in SBA eligible businesses, investing at least 25% of regulatory capital in eligible smaller businesses, as defined under the 1958 Act, placing certain limitations on the financing terms of investments, prohibiting investment in certain industries and requiring capitalization thresholds that limit distributions to us, and are subject to periodic audits and examinations of their financial statements that are prepared on a basis of accounting other than GAAP (for example, fair value, as defined under ASC 820, is not required to be used for assets or liabilities for such compliance reporting). As of September 30, 2014, our SBIC Funds were in compliance with their regulatory requirements.

2019 Notes

In September 2014, we issued $250.0 million in aggregate principal amount of 2019 Notes, for net proceeds of $245.5 million after underwriting discounts and offering costs. Interest on the 2019 Notes is paid semi-annually on April 1and October 1, at a rate of 4.50% per year, beginning on April 1, 2015. The 2019 Notes mature on October 1, 2019. The 2019 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2019 Notes are structurally subordinated to our SBA debentures and the assets pledged or secured under our Credit Facility.

2025 Notes

In January 2013, we issued $71.3 million in aggregate principal amount of 2025 Notes, including exercise of the over-allotment option, for net proceeds of $68.8 million after underwriting discounts and offering costs. Interest on the 2025 Notes is paid quarterly on February 1, May 1, August 1 and November 1, at a rate of 6.25% per year. The 2025 Notes mature on February 1, 2025. The 2025 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2025 Notes are structurally subordinated to our SBA debentures and the assets pledged or secured under our Credit Facility. Our 2025 Notes trade on the NYSE under the symbol PNTA.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

12. COMMITMENTS AND CONTINGENCIES

From time to time, we, the Investment Adviser or the Administrator may be a party to legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations. Unfunded debt investments described in the Consolidated Statement of Assets and Liabilities represent unfunded delayed draws on investments and/or revolving lines of credit, if any.

We, in the ordinary course of business, have guaranteed certain obligations of SPH. The guaranties are only triggered if there were administrative errors in acquiring assets which SPH subsequently sold or securitized. As of September 30, 2014 our maximum guaranty is $11.3 million. Based on SPH s and industry historical loss rates we believe the risk of loss is remote, thus, we have not recorded a liability associated with the guaranties. The current guaranties will decline over time.

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SUPPLEMENTARY DATA

Selected Quarterly Data (Unaudited)

(dollar amounts in thousands, except per share data)

	2014			
	Q4	Q3	Q2	Q1
Total investment income	$ 40,144	$ 35,474	$ 37,879	$ 34,439
Net investment income	$ 20,148	$ 13,197	$ 20,029	$ 17,955
Net realized and unrealized (loss) gain	$ (21,250)	$ 18,753	$ 20,652	$ 21,500
Net (decrease) increase in net assets resulting from operations	$ (1,102)	$ 31,949	$ 40,681	$ 39,455
Net (decrease) increase in net assets resulting from operations per common share *	$ (0.02)	$ 0.48	$ 0.61	$ 0.59
Net asset value per share at the end of the quarter	$ 11.03	$ 11.33	$ 11.13	$ 10.80
Market value per share at the end of the quarter	$ 10.91	$ 11.46	$ 11.05	$ 11.60
	2013			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 31,447	$ 33,725	$ 31,057	$ 32,958
Net investment income	$ 17,099	$ 17,655	$ 14,063	$ 18,181
Net realized and unrealized gain (loss)	$ 5,379	$ (3,869)	$ 12,910	$ 10,360
Net increase in net assets resulting from operations	$ 22,479	$ 13,786	$ 26,972	$ 28,541
Net increase in net assets resulting from operations per common share *	$ 0.33	$ 0.21	$ 0.41	$ 0.44
Net asset value per share at the end of the quarter	$ 10.49	$ 10.43	$ 10.50	$ 10.38
Market value per share at the end of the quarter	$ 11.28	$ 11.05	$ 11.30	$ 11.00
	2012			
	Q4	**Q3**	**Q2**	**Q1**
Total investment income	$ 30,806	$ 29,385	$ 26,362	$ 26,839
Net investment income	$ 16,742	$ 15,571	$ 9,759	$ 14,997
Net realized and unrealized gain (loss)	$ 948	$ (12,151)	$ 16,638	$ 849
Net increase in net assets resulting from operations	$ 17,690	$ 3,420	$ 26,397	$ 15,846
Net increase in net assets resulting from operations per common share *	$ 0.31	$ 0.06	$ 0.50	$ 0.34
Net asset value per share at the end of the quarter	$ 10.22	$ 10.16	$ 10.38	$ 10.19
Market value per share at the end of the quarter	$ 10.61	$ 10.35	$ 10.40	$ 10.09

*Based on the weighted average shares outstanding for the respective periods.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
None.

Item 9A. Controls and Procedures
(a) Evaluation of Disclosure Controls and Procedures

As of September 30, 2014, we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

(b) Management s Report on Internal Control Over Financial Reporting

Management s Report on Internal Control Over Financial Reporting, which appears on page 53 of this Form 10-K, is incorporated by reference herein.

(c) Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information
None.

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PART III

We will file a definitive Proxy Statement for our 2015 Annual Meeting of Stockholders with the SEC, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year. Accordingly, certain information required by Part III has been omitted under General Instruction G (3) to Form 10-K. Only those sections of our definitive Proxy Statement that specifically address the items set forth herein are incorporated by reference.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 11. Executive Compensation

The information required by Item 11 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is hereby incorporated by reference from our definitive Proxy Statement relating to our 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission within 120 days following the end of our fiscal year.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this Annual Report:

(1) Financial Statements Refer to Item 8 starting on page 52.

(2) Financial Statement Schedules None.

(3) Exhibits

3.1	Articles of Incorporation (Incorporated by reference to the Registrant s Pre-Effective Amendment No.1 to the Registration Statement on Form N-2/A (File No. 333-140092), filed on March 5, 2007).
3.2	Amended and Restated Bylaws of the Registrant (Incorporated by reference to the Registrant s Annual Report on Form 10-K (File No. 814-00736), filed on November 13, 2013).
4.1	Form of Share Certificate (Incorporated by reference to Exhibit 99(d)(1) to the Registrant s Registration Statement on Form N-2 (File No. 333-150033), filed on April 2, 2008).
4.2	Base Indenture, dated as of January 22, 2013, relating to the 6.25% Senior Notes due 2025, between the Registrant and American Stock Transfer & Trust Company, LLC, as trustee (Incorporated by reference to Exhibit 99(d)(8) to the Registrant s Post-Effective Amendment No.4 to the Registration Statement on Form N-2/A (File No.333-172524), filed on January 22, 2013).
4.3	First Supplemental Indenture, dated as of January 22, 2013, relating to the 6.25% Senior Notes due 2025, between the Registrant and American Stock Transfer & Trust Company, LLC, as trustee (Incorporated by reference to Exhibit 99(d)(9) to the Registrant s Post-Effective Amendment No.4 to the Registration Statement on Form N-2/A (File No.333-172524), filed on January 22, 2013).
4.4	Form of 6.25% Senior Notes due 2025 (included as part of Exhibit 4.3).
4.5	Second Supplemental Indenture, dated as of September 23, 2014, relating to the 4.50% Notes due 2019, between the Registrant and American Stock Transfer & Trust Company, LLC, as trustee (Incorporated by reference to Exhibit 99 (d)(11) to the Registrant s Post-Effective Amendment No. 2 to Form N-2 (File No. 333-192782), filed on September 23, 2014.
4.6	Form of 4.50% Senior Notes due 2019 (included as part of Exhibit 4.5).
10.1	Form of Investment Management Agreement between the Registrant and PennantPark Investment Advisers, LLC (Incorporated by reference to Exhibit 99(g) to the Registrant s Registration Statement on Form N-2 (File No. 333-150033), filed on April 2, 2008).
10.2	Form of Administration Agreement between the Registrant and PennantPark Investment Administration LLC (Incorporated by reference to Exhibit 99(k)(1) to the Registrant s Registration Statement on Form N-2 (File No. 333-150033), filed on April 2, 2008).

10.3	Dividend Reinvestment Plan (Incorporated by reference to Exhibit 99(e) to the Registrant s Registration Statement on Form N-2 (File No. 333-150033), filed on April 2, 2008).
10.4	Second Amended and Restated Senior Secured Revolving Credit Agreement, dated as of June 25, 2014, among PennantPark Investment Corporation, the lenders party thereto and SunTrust Bank, as administrative agent for the lenders (Incorporated by reference to Exhibit 99.2 to the Registrant s Current Report on Form 8-K (File No. 814-00736), filed on June 30, 2014).
11	Computation of Per Share Earnings (included in the notes to the audited financial statements contained in this Report).
14.1*	Joint Code of Ethics of the Registrant.
21.1*	Subsidiaries of the Registrant.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Privacy Policy of the Registrant (Incorporated by reference to Exhibit 99.1 to the Registrant s Annual Report on Form 10-K (File No. 814-00736), filed on November 16, 2011).

* Filed herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ ARTHUR H. PENN
Name: **Arthur H. Penn**
Title: **Chief Executive Officer and Chairman of the Board of Directors**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ARTHUR H. PENN **Arthur H. Penn**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	November 12, 2014
/s/ AVIV EFRAT **Aviv Efrat**	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	November 12, 2014
/s/ ADAM K. BERNSTEIN **Adam K. Bernstein**	Director	November 12, 2014
/s/ JEFFREY FLUG **Jeffrey Flug**	Director	November 12, 2014
/s/ MARSHALL BROZOST **Marshall Brozost**	Director	November 12, 2014
/s/ SAMUEL L. KATZ **Samuel L. Katz**	Director	November 12, 2014

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