

PennantPark Floating Rate Capital Ltd.
Form 10-Q
February 08, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2017

OR

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

COMMISSION FILE NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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MARYLAND
(State or other jurisdiction of incorporation or organization)

27-3794690

(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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

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

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The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of February 8, 2018 was 38,772,074.

PENNANTPARK FLOATING RATE CAPITAL LTD.

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2017

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PART I—CONSOLIDATED FINANCIAL INFORMATION

We are filing this Quarterly Report on Form 10-Q, or the Report, in compliance with Rule 13a-13 promulgated by the Securities and Exchange Commission, or the SEC. In this Report, except where the context suggests otherwise, the terms “Company,” “we,” “our” or “us” refer to PennantPark Floating Rate Capital Ltd. and its wholly-owned consolidated subsidiaries; “Funding I” refers to PennantPark Floating Rate Funding I, LLC; “Taxable Subsidiary” refers to PFLT Investment Holdings, LLC; “PSSL” refers to PennantPark Senior Secured Loan Fund I LLC, an unconsolidated joint venture; “PennantPark Investment Advisers” or “Investment Adviser” refers to PennantPark Investment Advisers, LLC; “PennantPark Investment Administration” or “Administrator” refers to PennantPark Investment Administration, LLC; “Credit Facility” refers to our multi-currency, senior secured revolving credit facility, as amended and restated; “2023 Notes” refers to our 3.83% Series A notes due 2023; “1940 Act” refers to the Investment Company Act of 1940, as amended; “Code” refers to the Internal Revenue Code of 1986, as amended; “RIC” refers to a regulated investment company under the Code; “BDC” refers to a business development company under the 1940 Act. References to our portfolio, our investments, our Credit Facility, and our business include investments we make through our subsidiaries.

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Item 1. Consolidated Financial Statements

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	December 31, 2017 (unaudited)	September 30, 2017
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$672,975,750 and \$665,514,821, respectively)	\$ 677,586,189	\$ 666,973,639
Controlled, affiliated investments (cost—\$61,000,000 and \$43,000,000, respectively)	61,843,585	43,525,143
Total of investments (cost—\$733,975,750 and \$708,514,821, respectively)	739,429,774	710,498,782
Cash and cash equivalents (cost—\$127,718,637 and \$18,847,673, respectively)	127,785,338	18,910,756
Interest receivable	2,632,994	2,520,506
Receivable for investments sold	11,190,048	14,185,850
Prepaid expenses and other assets	806,566	1,229,505
Total assets	881,844,720	747,345,399
Liabilities		
Distributions payable	3,683,347	3,085,607
Payable for investments purchased	5,599,239	21,730,512
Credit Facility payable (cost—\$190,368,311 and \$253,783,301, respectively) (See Notes 5 and 10)	192,809,299	256,858,457
2023 Notes payable (cost—\$138,579,858 and zero, respectively) (See Notes 5 and 10)	136,085,421	—
Interest payable on debt	1,189,268	693,787
Base management fee payable (See Note 3)	1,822,063	1,784,806
Performance-based incentive fee payable (See Note 3)	2,572,461	5,061,217
Accrued other expenses	663,371	224,739
Total liabilities	344,424,469	289,439,125
Commitments and contingencies (See Note 11)		
Net assets		
Common stock, 38,772,074 and 32,480,074 shares issued and outstanding, respectively		
Par value \$0.001 per share and 100,000,000 shares authorized	38,772	32,480
Paid-in capital in excess of par value	539,462,336	451,448,872
(Distributions in excess of) undistributed net investment income	(9,200,786)	3,163,645
Accumulated net realized gain on investments	1,502,838	4,289,389
Net unrealized appreciation on investments	5,563,642	2,047,044

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Net unrealized depreciation (appreciation) on debt	53,449	(3,075,156)
Total net assets	\$537,420,251	\$457,906,274
Total liabilities and net assets	\$881,844,720	\$747,345,399
Net asset value per share	\$13.86	\$14.10

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Investment income:		
From non-controlled, non-affiliated investments:		
Interest	\$ 13,867,420	\$ 11,951,835
Other income	433,180	679,433
From controlled, affiliated investments:		
Interest	535,760	—
Total investment income	14,836,360	12,631,268
Expenses:		
Base management fee (See Note 3)	1,822,063	1,595,727
Performance-based incentive fee (See Note 3)	148,010	1,469,369
Interest and expenses on debt (See Note 10)	2,618,308	1,800,725
Administrative services expenses (See Note 3)	500,000	561,250
Other general and administrative expenses	618,751	357,500
Expenses before amendment costs, debt issuance costs and provision for taxes	5,707,132	5,784,571
Credit Facility amendment costs and debt issuance costs (See Notes 5 and 10)	10,869,098	—
Provision for taxes	200,000	25,000
Total expenses	16,776,230	5,809,571
Net investment (loss) income	(1,939,870)	6,821,697
Realized and unrealized gain on investments and debt:		
Net realized (loss) gain on investments	(2,786,551)	549,401
Net change in unrealized appreciation on:		
Non-controlled, non-affiliated investments	3,198,156	2,546,025
Controlled, affiliated investments	318,442	—
Debt depreciation (appreciation) (See Notes 5 and 10)	3,128,605	(1,068,214)
Net change in unrealized appreciation on investments and debt	6,645,203	1,477,811
Net realized and unrealized gain from investments and debt	3,858,652	2,027,212
Net increase in net assets resulting from operations	\$ 1,918,782	\$ 8,848,909
Net increase in net assets resulting from operations per common share (See Note 7)	\$ 0.05	\$ 0.33
Net investment (loss) income per common share	\$(0.05)	\$ 0.26

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Net increase in net assets resulting from operations:		
Net investment (loss) income	\$(1,939,870)	\$6,821,697
Net realized (loss) gain on investments	(2,786,551)	549,401
Net change in unrealized appreciation on investments	3,516,598	2,546,025
Net change in unrealized depreciation (appreciation) on debt	3,128,605	(1,068,214)
Net increase in net assets resulting from operations	1,918,782	8,848,909
Distributions to stockholders	(10,424,561)	(7,618,071)
Capital transactions		
Public offering (See Note 1)	89,031,800	—
Offering costs	(1,012,044)	—
Net increase in net assets resulting from capital transactions	88,019,756	—
Net increase in net assets	79,513,977	1,230,838
Net assets:		
Beginning of period	457,906,274	375,906,828
End of period	\$537,420,251	\$377,137,666
(Distribution in excess of) undistributed net investment income, end of period	\$(9,200,786)	\$3,763,272
Capital share activity:		
Shares issued from public offering	6,292,000	—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 1,918,782	\$ 8,848,909
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized appreciation on investments	(3,516,598)	(2,546,025)
Net change in unrealized (depreciation) appreciation on debt	(3,128,605)	1,068,214
Net realized loss (gain) on investments	2,786,551	(549,401)
Net accretion of discount and amortization of premium	(382,250)	(425,722)
Purchases of investments	(176,867,446)	(124,826,238)
Payment-in-kind interest	(160,484)	(39,085)
Proceeds from dispositions of investments	149,082,954	70,405,217
Increase in interest receivable	(112,488)	(608,313)
Decrease (increase) in receivable for investments sold	2,995,802	(11,357,601)
Decrease in prepaid expenses and other assets	422,939	52,716
Decrease in payable for investments purchased	(16,131,273)	(3,108,608)
Increase in interest payable on debt	495,481	140,699
Increase in base management fee payable	37,257	137,101
Decrease in performance-based incentive fee payable	(2,488,756)	(852,774)
Increase in accrued other expenses	438,632	169,682
Net cash used in operating activities	(44,609,502)	(63,491,229)
Cash flows from financing activities:		
Public offering	89,031,800	—
Offering costs	(1,012,044)	—
Distributions paid to stockholders	(9,826,821)	(7,618,071)
Proceeds from 2023 Notes issuance (See Notes 5 and 10)	138,579,858	—
Borrowings under Credit Facility (See Notes 5 and 10)	11,485,010	91,902,000
Repayments under Credit Facility (See Notes 5 and 10)	(74,900,000)	(25,500,000)
Net cash provided by financing activities	153,357,803	58,783,929
Net increase (decrease) in cash equivalents	108,748,301	(4,707,300)
Effect of exchange rate changes on cash	126,281	(108)
Cash and cash equivalents, beginning of period	18,910,756	28,910,973
Cash and cash equivalents, end of period	\$ 127,785,338	\$ 24,203,565
Supplemental disclosure of cash flow information:		
Interest paid	\$ 12,991,925	\$ 1,660,026

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Taxes paid	\$2,984	\$—
Non-cash exchanges and conversions	\$—	\$709,685

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2017

(Unaudited)

Name	Maturity	Industry	Coupon	Basis Point		Cost	Fair Value
				Current	Spread		
Investments in Non-Controlled, Non-Affiliated Portfolio Companies	—	126.1%	(4)	Par /	Shares		
Secured Debt—115.3%							
ed Cable Communications, LLC	08/09/2021	Telecommunications	7.44 %	3M	15,988,750	\$15,806,841	\$15,988,750
				L+575			
Group Intermediate Holdings, Inc.	12/30/2022	Banking, Finance, Insurance and Real Estate	6.86 %	1M	10,559,896	10,482,709	10,559,896
				L+550			
Group Intermediate Holdings, Inc. (Revolver) ⁽⁸⁾	12/30/2021	Banking, Finance, Insurance and Real Estate	—	—	1,771,962	—	—
Group Intermediate Holdings, Inc. ^{(8), (9)}	12/30/2022	Banking, Finance, Insurance and Real Estate	—	—	5,895,073	—	—
America, Inc. ⁽⁸⁾	08/08/2022	Business Services	8.70 %	3M	698,246	698,246	698,246
				L+700			
an Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	6.56 %	3M	5,902,594	5,831,627	5,814,000
				L+525			
an Gilsonite Company ⁽⁸⁾	12/31/2021	Metals and Mining	15.00 %	—	128,248	124,752	144,900
an Scaffold	03/31/2022	Aerospace and Defense	8.19 %	3M	4,687,500	4,632,649	4,640,000
				L+650			
an Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	7.90 %	3M	10,541,782	10,385,394	10,340,000
				L+650			
esia Consulting & Management, LP	10/31/2022	Healthcare and Pharmaceuticals	7.94 %	3M	3,624,167	3,593,663	3,530,000
				L+525			
chnologies Corp.	04/22/2022	Aerospace and Defense	8.19 %	3M	4,850,567	4,776,928	4,870,000
				L+650			
recision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	7.20 %	3M	11,940,000	11,828,685	11,820,000
				L+550			
nt Professional IT Services, LLC	05/16/2022	High Tech Industries	8.67 %		15,563,421	15,213,871	15,560,000

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					1M			
					L+725			
Professional IT Services, LLC (Revolver) ⁽⁸⁾ ,	05/16/2022	High Tech Industries	—	—	2,311,784	—	—	—
e Aerospace, LLC	11/14/2023	Aerospace and Defense	7.91 %	3M L+650	11,000,000	10,892,191	10,900,000	10,900,000
Cargo Control, Inc.	06/30/2021	Transportation: Cargo	6.32 %	1M L+475	2,437,500	2,422,148	2,340,000	2,340,000
Valor Companies, Inc. ⁽¹⁰⁾	06/16/2023	Media: Broadcasting and Subscription	5.94 %	3M L+425	6,982,500	6,966,528	7,050,000	7,050,000
as Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.32 %	1M L+575	3,903,892	3,913,045	3,880,000	3,880,000
TZ Purchaser, Inc.	07/21/2023	Consumer Goods: Durable	7.69 %	3M L+600	12,343,750	12,073,766	12,290,000	12,290,000
n Soup for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.61 %	1M L+625	4,589,286	4,576,386	4,240,000	4,240,000
Glassboards LLC	03/16/2023	Construction and Building	6.82 %	1M L+525	4,330,000	4,290,634	4,330,000	4,330,000
Industries LLC	11/25/2020	Aerospace and Defense	11.11 %	1M L+975	5,922,755	5,846,351	5,920,000	5,920,000
Industries LLC (Revolver) ^{(8), (9)}	11/25/2020	Aerospace and Defense	—	—	518,033	—	—	—
y Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	6.69 %	3M L+500	19,619,991	19,574,262	19,050,000	19,050,000
olding, LLC	08/02/2021	Business Services	6.82 %	1M L+525	9,875,100	9,796,637	9,875,000	9,875,000
oldings, Inc. ⁽⁸⁾	10/31/2023	Consumer Goods: Non-Durable	8.32 %	3M L+675	27,500,000	26,962,074	26,950,000	26,950,000
oldings, Inc. (Revolver) ^{(8), (9)}	10/31/2022	Consumer Goods: Non-Durable	—	—	2,115,000	—	—	—
s Products and Packaging Company LLC	06/30/2020	Chemicals, Plastics and Rubber	6.45 %	3M L+475	4,373,643	4,356,111	4,375,000	4,375,000
Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.16 %	1M L+475	10,487,120	10,460,640	10,480,000	10,480,000
Performance Brands, Inc. (Revolver) ^{(8), (9)}	09/30/2022	Consumer Goods: Durable	—	—	1,000,000	—	—	—
lley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.69 %	3M L+800	16,701,000	16,495,827	16,780,000	16,780,000
on Networks of America, Inc.	05/06/2021	Telecommunications	8.69 %	3M L+700	12,353,267	12,231,129	12,290,000	12,290,000
on Networks of America, Inc. (Revolver) ^{(8), (9)}	05/06/2021	Telecommunications	—	—	2,173,913	—	—	(10,800,000)
nt Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	8.44 %	3M L+675	9,912,089	9,834,007	9,910,000	9,910,000
Software LLC ⁽⁸⁾	11/14/2022	High Tech Industries	8.92 %	1M L+750	14,933,333	14,567,640	14,700,000	14,700,000
Software LLC (Revolver) ⁽⁸⁾	11/14/2022	High Tech Industries	9.75 %	P+550	333,333	333,333	333,333	333,333
Software LLC (Revolver) ^{(8), (9)}	11/14/2022	High Tech Industries	—	—	2,333,333	—	—	—
der Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	9.69 %	3M L+800	10,975,119	10,770,519	10,750,000	10,750,000
zer Limited and Aptara, Inc. ^{(6), (10)}	05/01/2019	Business Services	7.57 %	—	6,678,438	6,652,149	6,610,000	6,610,000

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					1M			
FE1 B.V. ^{(6), (10), (11)}	10/12/2021	Chemicals, Plastics and Rubber	8.00	%	3M	€ 12,050,199	12,524,977	14,400,000
					L+600			
Sales, LLC	12/30/2021	Wholesale	8.33	%	3M	6,676,852	6,676,852	6,676,852
					L+700			
Sales, LLC ^{(8), (9)}	12/30/2021	Wholesale	—		—	3,234,375	—	—
Structure Supply Operations Pty Ltd. ^{(6), (10), (11)}	12/12/2023	Wholesale	6.48	%	1M	\$5,000,000	3,644,625	3,773,000
					L+475			
Medical Ophthalmics Inc. ^{(6), (10)}	04/13/2022	Capital Equipment	8.44	%	3M	3,365,125	3,321,970	3,365,125
					L+675			
Medical Ophthalmics Inc. (Revolver) ^{(6), (8), (9),}	04/13/2022	Capital Equipment	—		—	530,973	—	—
ks, Inc. ⁽⁸⁾	11/14/2024	Business Services	5.70	%	3M	15,000,000	14,925,397	14,900,000
					L+400			
s Power, Inc.	04/30/2020	Consumer Goods: Durable	8.07	%	1M	4,719,237	4,697,025	4,388,000
					L+650			
n Hewitt Inc.	07/30/2020	Consumer Services	8.38	%	3M	4,653,450	4,600,750	4,577,000
					L+700			
e Solutions NoCal, L.P. ⁽⁸⁾	02/19/2021	Chemicals, Plastics and Rubber	10.57	%	1M	4,002,471	3,939,181	3,969,000
					L+900			
oldings, Inc.	10/31/2022	Wholesale	7.69	%	3M	12,132,527	11,974,864	12,132,527
					L+600			
oldings, Inc. (Revolver) ⁽⁸⁾	10/30/2020	Wholesale	5.80	%	1M	120,968	120,968	120,968
					L+425			
oldings, Inc. (Revolver) ^{(8), (9)}	10/30/2020	Wholesale	—		—	1,088,710	—	—
esort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	11.19	%	3M	10,174,500	10,018,876	10,080,000
					L+950			
egal Software Pty Ltd ^{(6), (10), (11)}	09/12/2022	High Tech Industries	7.56	%	3M	\$9,975,000	7,714,371	7,684,000
					L+575			
e Holdings LLC ⁽⁸⁾	11/30/2018	Healthcare and Pharmaceuticals	6.94	%	3M	4,954,937	4,936,491	4,360,000
					L+525			
t Brothers, Inc.	04/13/2022	Capital Equipment	8.44	%	3M	6,228,903	6,158,126	6,228,903
					L+675			
t Brothers, Inc. (Revolver) ^{(8), (9)}	04/13/2022	Capital Equipment	—		—	1,238,938	—	—
D Drugs Incorporated	08/19/2021	Healthcare and Pharmaceuticals	6.73	%	2M	4,238,073	4,206,526	4,195,000
					L+525			
atlantis Holdings, LLC	05/01/2023	Retail	7.36	%	1M	14,318,750	14,189,593	14,330,000
					L+600			
Pro Products, LLC ⁽⁸⁾	12/08/2023	Consumer Goods: Non-Durable	7.52	%	3M	5,500,000	5,418,649	5,418,649
					L+600			
Pro Products, LLC ^{(8), (9)}	12/08/2023	Consumer Goods: Non-Durable	—		—	2,500,000	—	—

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2017

(Unaudited)

Issuer Name	Maturity	Industry	Coupon	Current	Basis Point		Cost	Fair Value ⁽²⁾
					Spread	Par /		
Index	Shares							
Marketplace Events LLC	01/27/2021	Media: Diversified and Production	6.94	%	3M L+525	3,368,856	\$3,329,662	\$3,368,856
Marketplace Events LLC ⁽¹¹⁾	01/27/2021	Media: Diversified and Production	6.25	%	P+275	17,027,390	11,962,100	13,589,832
Marketplace Events LLC (Revolver) ^{(8), (9)}	01/27/2021	Media: Diversified and Production	—		—	1,703,163	—	—
Mission Critical Electronics, Inc. (Revolver) ^{(8), (9)}	09/28/2021	Capital Equipment	—		—	883,392	—	(3,747)
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	9.82	%	1M L+825	26,294,872	26,709,610	26,623,558
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	7.69	%	3M L+600	14,437,500	14,073,831	14,293,125
New Trident HoldCorp, Inc.	07/31/2019	Healthcare and Pharmaceuticals	7.44	%	3M L+575	8,692,647	8,662,801	7,736,456
One Sixty Over Ninety, LLC	03/03/2022	Media: Advertising, Printing and Publishing	10.84	%	3M L+915	2,750,000	2,702,076	2,750,000
Profile Products LLC	01/31/2023	Environmental Industries	6.69	%	3M L+500	10,068,672	9,981,061	10,068,672
Profile Products LLC ^{(8), (9)}	01/31/2019	Environmental Industries	—		—	573,770	—	—
Profile Products LLC (Revolver) ^{(8), (9)}	01/31/2022	Environmental Industries	—		—	2,459,016	—	—
	08/23/2021		6.20	%		9,500,000	9,392,316	9,120,000

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Quick Weight Loss Centers, LLC		Beverage, Food and Tobacco			3M L+475			
Research Now Group, Inc. and Survey Sampling International LLC ⁽⁸⁾	12/20/2024	Business Services	7.13	%	3M L+550	25,000,000	23,752,195	23,833,250
Salient CRGT Inc.	02/28/2022	High Tech Industries	7.32	%	1M L+575	19,244,048	18,908,743	19,340,268
Snak Club, LLC (Revolver) ⁽⁸⁾	07/19/2021	Beverage, Food and Tobacco	6.36	%	1M L+500	483,333	483,333	483,333
Snak Club, LLC (Revolver) ^{(8), (9)}	07/19/2021	Beverage, Food and Tobacco	—		—	16,667	—	—
Softvision, LLC	05/21/2021	High Tech Industries	7.07	%	1M L+550	8,747,271	8,682,347	8,747,271
Sonny's Enterprises, LLC ⁽⁸⁾	12/01/2022	Capital Equipment	6.44	%	3M L+475	5,000,000	5,000,000	5,000,000
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	6.57	%	1M L+500	7,980,000	7,866,186	7,980,000
Tensar Corporation	07/09/2021	Construction and Building	6.44	%	3M L+475	4,631,234	4,605,282	4,492,297
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	6.94	%	3M L+525	7,783,300	7,720,165	7,783,300
The Original Cakerie, Co. ^{(6), (10)}	07/20/2021	Consumer Goods: Non-Durable	7.07	%	1M L+550	3,053,641	3,030,834	3,053,641
The Original Cakerie Ltd. ^{(6), (10)}	07/20/2021	Consumer Goods: Non-Durable	6.57	%	1M L+500	5,911,177	5,867,229	5,911,177
The Original Cakerie Ltd. (Revolver) ^{(6), (8), (9), (10)}	07/20/2021	Consumer Goods: Non-Durable	—		—	1,418,484	—	—
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	12.82	%	1M L+1,125	8,663,608	8,549,410	8,663,608
UniTek Global Services, Inc. ⁽⁸⁾	01/14/2019	Telecommunications	10.20	%	3M L+850	42,917	42,917	42,917
UniTek Global Services, Inc. ⁽⁸⁾	01/14/2019	Telecommunications	10.20	%	3M L+850	599,702	581,812	611,696
UniTek Global Services, Inc. (Revolver) ^{(8), (9)}	01/14/2019	Telecommunications	—		—	151,090	—	—
US Med Acquisition,	08/13/2021	Healthcare and Pharmaceuticals	10.69	%	1M L+900	3,050,781	3,050,781	2,898,242

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Inc. ⁽⁸⁾								
Veterinary Specialists of North America, LLC	07/15/2021	Healthcare and Pharmaceuticals	6.88	%	3M L+550	12,384,470	12,293,052	12,445,427
Veterinary Specialists of North America, LLC ^{(8), (9)}	07/15/2021	Healthcare and Pharmaceuticals	—		—	5,210,333	—	25,646
Veterinary Specialists of North America, LLC	07/15/2021	Healthcare and Pharmaceuticals	—		—	880,000	—	4,331
(Revolver) ⁽⁸⁾ , ⁽⁹⁾								
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	7.70	%	3M L+600	7,218,750	7,186,110	7,259,392
Vistage Worldwide, Inc.	08/19/2021	Media: Broadcasting and Subscription	7.07	%	1M L+550	4,996,607	4,963,470	5,046,573
Whitney, Bradley & Brown, Inc. (Revolver) ⁽⁸⁾	10/18/2022	Aerospace and Defense	10.57	%	1M L+900	100,000	100,000	99,000
Whitney, Bradley & Brown, Inc. (Revolver) ⁽⁸⁾ , ⁽⁹⁾	10/18/2022	Aerospace and Defense	—		—	233,333	—	(2,333)
Winchester Electronics Corporation	06/30/2022	Capital Equipment	8.19	%	3M L+650	10,243,355	10,186,995	10,294,572
Total First Lien Secured Debt							615,144,301	619,347,801
Second Lien Secured Debt—7.4%								
Condor Borrower, LLC ⁽⁸⁾	04/25/2025	High Tech Industries	10.12	%	3M L+875	2,000,000	1,960,371	1,970,000
DecoPac, Inc. ⁽⁸⁾	03/31/2025	Beverage, Food and Tobacco	9.94	%	3M L+825	11,341,463	11,119,393	11,228,049
Douglas Products and Packaging Company LLC	12/31/2020	Chemicals, Plastics and Rubber	12.20	%	3M L+1,050	2,000,000	1,978,343	2,020,000
Howard Berger Co. LLC	09/30/2020	Wholesale	11.70	%	3M L+1,000	11,600,000	11,241,851	11,020,000
			(PIK 5.12 %)					
MailSouth, Inc.	10/22/2021	Media: Advertising, Printing and	11.84	%	3M L+1,050	3,775,000	3,717,913	3,812,750

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		Publishing							
McAfee, LLC (8)	09/29/2025	High Tech Industries	10.07	%	1M	2,500,000	2,463,043	2,501,576	
					L+850				
PT Network, LLC (8)	04/12/2023	Healthcare and Pharmaceuticals	11.36	%	3M	1,666,667	1,634,610	1,633,333	
					L+1,000				
PT Network, LLC (8), (9)	04/12/2023	Healthcare and Pharmaceuticals	—		—	333,333	—	(6,667)
Research Now Group, Inc. and Survey Sampling International LLC (8)	12/22/2025	Business Services	11.28	%	3M	2,000,000	1,860,193	1,870,000	
					L+950				
Sunshine Oilsands Ltd. (5), (6), (8), (10)	08/01/2018	Energy: Oil and Gas	—	(7)	—	2,792,500	2,720,508	1,144,925	
Veritext Corp.	01/30/2023	Business Services	10.69	%	3M	2,690,625	2,626,095	2,690,625	
					L+900				
Total Second Lien Secured Debt Subordinated Debt/Corporate Notes—0.5%							41,322,320	39,884,591	
American Gilsonite Company (5)	12/31/2021	Metals and Mining	17.00	%	—	382,989	382,989	425,118	
									(PIK 10.37%)
Credit Infonet, Inc.	10/26/2020	High Tech Industries	13.00	%	—	2,094,892	2,055,142	2,094,892	
									(PIK 0.75 %)
UniTek Global Services, Inc.	07/15/2019	Telecommunications	15.00	%	—	176,988	176,988	180,528	
									(PIK 15.00%)
Total Subordinated Debt/Corporate Notes							2,615,119	2,700,538	

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

DECEMBER 31, 2017

(Unaudited)

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	AbovePar / Spread			
Preferred Equity—0.4% (7), (8)								
Condor Holdings Limited ^{(6), (10)}	—	High Tech Industries	—	—	—	88,000	\$10,173	\$10,173
Condor Top Holdco Limited ^{(6), (10)}	—	High Tech Industries	—	—	—	88,000	77,827	77,827
UniTek Global Services, Inc. - Senior Preferred Equity	—	Telecommunications	18.00 %	—	—	448,851	448,851	495,817
UniTek Global Services, Inc.	—	Telecommunications	13.50 %	—	—	1,047,317	670,283	1,561,511
Total Preferred Equity							1,207,134	2,145,328
Common Equity/Warrants—2.5% (7), (8)								
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—	—	—	99,029	3,514,572	1,929,760
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—	—	—	4,298	1,186,649	5,011
American Gilsonite Company	—	Metals and Mining	—	—	—	1,000	215,182	361,172
By Light Investco LP	—	High Tech Industries	—	—	—	21,908	2,190,771	2,882,712
By Light Investco LP ⁽⁹⁾	—	High Tech Industries	—	—	—	5,592	—	—
CI (Allied) Investment Holdings, LLC (Allied America, Inc.)	—	Business Services	—	—	—	70,000	700,000	700,000
CI (PTN) Investment Holdings II, LLC (PT Network, LLC)	—	Healthcare and Pharmaceuticals	—	—	—	13,333	200,000	200,000

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Corfin InvestCo, L.P.	—	Aerospace and Defense	—	—	3,000	300,000	1,101,017
Corfin InvestCo, L.P. ⁽⁹⁾	—	Aerospace and Defense	—	—	3,000	—	—
DecoPac Holdings Inc.	—	Beverage, Food and Tobacco	—	—	1,633	1,632,744	1,632,744
Faraday Holdings, LLC (Interior Specialists, Inc.)	—	Construction and Building	—	—	1,141	58,045	220,744
Gauge InfosoftCoInvest, LLC (The Infosoft Group, LLC)	—	Media: Broadcasting and Subscription	—	—	500	500,000	637,482
GCOM InvestCo LP	—	High Tech Industries	—	—	1,281,433	1,281,433	1,281,433
GCOM InvestCo LP ⁽⁹⁾	—	High Tech Industries	—	—	718,567	—	—
Patriot National, Inc. ⁽¹³⁾	—	Banking, Finance, Insurance and Real Estate	—	—	11,867	27,995	439
TPC Broadband Investors, LP (Advanced Cable Communications, LLC) ⁽¹²⁾	—	Telecommunications	—	—	736,628	736,628	736,628
TPC Broadband Investors, LP (Advanced Cable Communications, LLC) ^{(9), (12)}	—	Telecommunications	—	—	263,372	—	—
UniTek Global Services, Inc.	—	Telecommunications	—	—	213,739	—	1,677,360
UniTek Global Services, Inc. (Warrants)	—	Telecommunications	—	—	23,889	—	—
WBB Equity, LLC (Whitney, Bradley & Brown, Inc.)	—	Aerospace and Defense	—	—	142,857	142,857	141,429
Total Common Equity/Warrants						12,686,876	13,507,931
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						672,975,750	677,586,189
Investments in Controlled, Affiliated Portfolio Companies—11.5% ⁽⁴⁾							
Subordinated Debt/Corporate Notes—7.9%							
PennantPark Senior Secured Loan Fund I LLC ^{(8), (10)}	05/06/2014	Financial Services	6.69 %	3M L+500	42,700,000	42,700,000	42,700,000

Equity Interests—3.6% ⁽⁸⁾						
PennantPark Senior Secured Loan Fund I LLC ⁽¹⁰⁾	—	Financial Services	—	—	—	18,300,000 19,143,585
Total Investments in Controlled, Affiliated Portfolio Companies						61,000,000 61,843,585
Total Investments—137.6%						733,975,750 739,429,774
Cash and Cash Equivalents—23.8%						
BlackRock Federal FD Institutional 30						124,926,519 124,926,519
BNY Mellon Cash						2,792,118 2,858,819
Total Cash and Cash Equivalents						127,718,637 127,785,338
Total Investments and Cash						\$861,694,387 \$867,215,112
Equivalents—161.4%						
Liabilities in Excess of Other Assets—(61.4)%						(329,794,861)
Net Assets—100.0%						\$537,420,251

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or “L,” the Euro Interbank Offered Rate, or EURIBOR or “E,” or Prime rate, or “P.” The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to a 30-day, 60-day, 90-day or 180-day LIBOR rate (1M L, 2M L, 3M L, or 6M L, respectively), and EURIBOR loans are typically indexed to a 90-day EURIBOR rate (3M E), at the borrower’s option. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes payment-in-kind, or PIK, interest and other fee rates, if any.
- (2) Valued based on our accounting policy (See Note 2).
- (3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be “non-controlled” when we own 25% or less of the portfolio company’s voting securities and “controlled” when we own more than 25% of the portfolio company’s voting securities.
- (4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as “non-affiliated” when we own less than 5% of a portfolio company’s voting securities and “affiliated” when we own 5% or more of a portfolio company’s voting securities.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act of 1933, as amended, or the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-U.S. company or principal place of business outside the United States.
- (7) Non-income producing securities.
- (8) The securities, or a portion thereof, are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (9) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at

least 70% of our total assets. As of December 31, 2017, qualifying assets represent 87% of our total assets and non-qualifying assets represent 13% of our total assets.

(11) Par amount is denominated in Australian Dollars (A\$), Canadian Dollars (C\$) or in Euros (€) as denoted.

(12) Investment is held through our Taxable Subsidiary (See Note 1).

(13) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2017

Name	Maturity	Industry	Current Coupon	Basis Point	Spread	Index	Par / Shares	Cost	Fair Value
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—145.7% ⁽⁴⁾									
Secured Debt—133.1%									
Cable Communications, LLC	08/09/2021	Telecommunications	7.08	%	L+575	16,225,000	\$16,029,514	\$16,029,514	
Up Holdings, Inc.	12/30/2022	Banking, Finance, Insurance and Real Estate	6.74	%	L+550	9,177,637	9,098,312	9,098,312	
Up Holdings, Inc. (Revolver) ^{(8), (9)}	12/30/2021	Banking, Finance, Insurance and Real Estate	—	—	—	1,771,962	—	—	—
Up Holdings, Inc. ^{(8), (9)}	12/30/2022	Banking, Finance, Insurance and Real Estate	—	—	—	2,983,500	—	—	—
Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	6.48	%	L+525	10,945,000	10,805,812	10,805,812	
Gilsonite Company ⁽⁸⁾	12/31/2021	Metals and Mining	15.00	%	—	128,248	124,746	124,746	14,000
Scaffold	03/31/2022	Aerospace and Defense	7.83	%	L+650	4,750,000	4,691,657	4,691,657	4,750,000
Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	7.78	%	L+650	10,741,453	10,574,347	10,574,347	10,741,453
a Consulting & Management, LP	10/31/2022	Healthcare and Pharmaceuticals	6.58	%	L+525	3,970,000	3,935,087	3,935,087	3,970,000
a Consulting & Management, LP ^{(8), (9)}	10/31/2022	Healthcare and Pharmaceuticals	—	—	—	1,000,000	—	—	(2,000,000)
Technologies Corp.	04/22/2022	Aerospace and Defense	7.83	%	L+650	4,881,581	4,803,856	4,803,856	4,881,581
sion Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	6.84	%	L+550	11,970,000	11,854,093	11,854,093	11,970,000
os., Co., Tranche A	06/03/2021	Consumer Goods: Non-Durable	7.08	%	L+575	2,239,494	2,207,741	2,207,741	2,239,494
os., Co., Tranche B	06/03/2021	Consumer Goods: Non-Durable	13.58	%	L+1,225	2,326,329	2,291,698	2,291,698	2,326,329

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Professional IT Services, LLC	05/16/2022	High Tech Industries	8.57	%	L+725	5,630,360	15,263,130	15,263,130
Professional IT Services, LLC (Revolver) ⁽⁸⁾ ,	05/16/2022	High Tech Industries	—		—	2,311,784	—	—
Argo Control, Inc.	06/30/2021	Transportation: Cargo	6.08	%	L+475	2,443,750	2,427,358	2,427,358
Salor Companies, Inc. ⁽¹⁰⁾	06/16/2023	Media: Broadcasting and Subscription	5.58	%	L+425	7,000,000	6,982,500	7,000,000
Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.08	%	L+575	3,913,750	3,923,223	3,923,223
Z Purchaser, Inc.	07/21/2023	Consumer Goods: Durable	7.33	%	L+600	2,375,000	12,094,894	12,094,894
Charlie LLC	12/24/2019	Retail	12.33	%	L+800	3,961,544	3,935,418	3,935,418
Group for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.50	%	L+625	4,589,286	4,573,873	4,573,873
dashboards LLC	03/16/2023	Construction and Building	6.49	%	L+525	4,845,000	4,799,506	4,799,506
Industries LLC	11/25/2020	Aerospace and Defense	10.99	%	L+975	5,024,894	5,941,505	5,941,505
Industries LLC (Revolver) ^{(8), (9)}	11/25/2020	Aerospace and Defense	—		—	518,033	—	—
resh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	6.24	%	L+500	19,874,245	19,826,088	19,826,088
ing, LLC	08/02/2021	Business Services	6.49	%	L+525	9,900,075	9,817,138	9,817,138
oom LLC	11/21/2022	Media: Advertising, Printing and Publishing	7.24	%	L+600	6,737,500	6,618,201	6,618,201
Products and Packaging Company LLC	06/30/2020	Chemicals, Plastics and Rubber	6.09	%	L+475	4,373,643	4,353,783	4,353,783
Performance Brands, Inc.	09/30/2022	Consumer Goods: Durable	6.01	%	L+475	10,621,111	10,592,972	10,592,972
Performance Brands, Inc. (Revolver) ^{(8), (9)}	09/30/2022	Consumer Goods: Durable	—		—	1,000,000	—	—
ey Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.33	%	L+800	16,743,500	16,527,764	16,527,764
Networks of America, Inc.	05/06/2021	Telecommunications	8.33	%	L+700	7,657,615	7,627,450	7,627,450
Networks of America, Inc. (Revolver) ^{(8), (9)}	05/06/2021	Telecommunications	—		—	1,304,348	—	—
Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	8.08	%	L+675	10,265,559	10,180,889	10,180,889
Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	9.30	%	L+800	12,468,750	12,228,162	12,228,162
Defense Technologies, Inc. ⁽⁸⁾	08/05/2019	Aerospace and Defense	7.31	%	L+600	5,862,500	5,846,053	5,846,053
.S. Acquisition Corp. ^{(6), (10)}	11/04/2020	Construction and Building	7.56	%	L+625	5,918,532	5,850,581	5,850,581
r Limited and Aptara, Inc. ^{(6), (10)}	05/01/2019	Business Services	7.25	%	L+600	7,032,993	6,999,227	6,999,227
1 B.V. ^{(6), (10), (11)}	10/12/2021	Chemicals, Plastics and Rubber	8.00	%	E+800	12,127,444	12,605,265	12,605,265
les, LLC	12/30/2021	Wholesale	8.30	%	L+700	6,693,709	6,693,709	6,693,709
les, LLC ^{(8), (9)}	12/30/2021	Wholesale	—		—	3,234,375	—	—

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Medical Ophthalmics Inc. ^{(6), (10)}	04/13/2022	Capital Equipment	8.08	%	L+675	3,373,623	3,328,240	3,3
Medical Ophthalmics Inc. (Revolver) ^{(6), (8), (9)}	04/13/2022	Capital Equipment	—		—	530,973	—	—
Web, LLC, Term Loan A	03/28/2019	Media: Advertising, Printing and Publishing	5.80	%	L+450	7,600,388	7,465,921	7,6
Web, LLC, Term Loan B	03/28/2019	Media: Advertising, Printing and Publishing	12.30	%	L+1,100	500,000	4,475,493	4,5
Specialists, Inc.	06/30/2020	Construction and Building	9.25	%	L+800	6,525,437	6,486,278	6,5
Power, Inc.	04/30/2020	Consumer Goods: Durable	7.74	%	L+650	4,726,503	4,701,985	4,4
ewitt Inc.	07/30/2020	Consumer Services	8.31	%	L+700	4,653,450	4,596,122	4,4
solutions NoCal, L.P. ⁽⁸⁾	02/19/2021	Chemicals, Plastics and Rubber	10.24	%	L+900	4,002,471	3,936,841	3,9
dings, Inc.	10/31/2022	Wholesale	7.33	%	L+600	12,140,282	11,975,690	12
dings, Inc. (Revolver) ⁽⁸⁾	10/30/2020	Wholesale	6.16	%	L+425	241,935	241,935	24
dings, Inc. (Revolver) ^{(8), (9)}	10/30/2020	Wholesale	—		—	967,742	—	—
ort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	10.83	%	L+950	10,200,000	10,036,631	10
al Software Pty Ltd ^{(6), (10), (11)}	09/12/2022	High Tech Industries	7.54	%	L+575	10,000,000	7,728,822	7,7
Holdings LLC ⁽⁸⁾	11/30/2018	Healthcare and Pharmaceuticals	6.58	%	L+525	4,954,937	4,935,975	3,7
Brothers, Inc.	04/13/2022	Capital Equipment	8.08	%	L+675	6,244,708	6,170,275	6,2
Brothers, Inc. (Revolver) ⁽⁸⁾	04/13/2022	Capital Equipment	9.75	%	P+550	778,761	778,761	77
Brothers, Inc. (Revolver) ^{(8), (9)}	04/13/2022	Capital Equipment	—		—	460,177	—	—
ugs Incorporated	08/19/2021	Healthcare and Pharmaceuticals	6.49	%	L+525	4,238,073	4,204,738	4,1
antis Holdings, LLC	05/01/2023	Retail	7.24	%	L+600	14,409,375	14,275,705	14
ce Events LLC	01/27/2021	Media: Diversified and Production	6.58	%	L+525	3,377,372	3,335,177	3,3

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2017

Issuer Name	Maturity	Industry	Coupon	Basis Point		Shares	Cost	Fair Value ⁽²⁾
				Current	Spread			
				Per /				
Marketplace Events LLC ⁽¹¹⁾	01/27/2021	Media: Diversified and Production	6.25	%	P+275	17,070,749	\$ 11,982,846	\$ 13,581,250
Marketplace Events LLC (Revolver) ⁽⁸⁾	01/27/2021	Media: Diversified and Production	7.00	%	P+275	459,854	459,854	459,854
Marketplace Events LLC (Revolver) ^{(8), (9)}	01/27/2021	Media: Diversified and Production	—		—	1,243,309	—	—
McAfee, LLC ⁽⁸⁾	09/30/2024	High Tech Industries	5.50	%	L+450	7,500,000	7,425,000	7,533,750
Mission Critical Electronics, Inc. (Revolver) ^{(8), (9)}	09/28/2021	Capital Equipment	—		—	883,392	—	(3,592)
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	9.49	%	L+825	26,294,872	26,729,488	26,513,908
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	7.33	%	L+600	14,625,000	14,241,842	14,405,625
New Trident HoldCorp, Inc.	07/31/2019	Healthcare and Pharmaceuticals	7.08	%	L+575	8,717,647	8,682,164	7,845,882
One Sixty Over Ninety, LLC	03/03/2022	Media: Advertising, Printing and Publishing	10.52	%	L+918	2,750,000	2,699,796	2,750,000
Pathway Partners Vet Management Company LLC ⁽⁸⁾	08/19/2022	Healthcare and Pharmaceuticals	6.24	%	L+500	19,927,985	19,874,203	19,927,985
Profile Products LLC	01/31/2023	Environmental Industries	6.33	%	L+500	10,135,136	10,045,209	10,135,136

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Profile Products LLC ^{(8), (9)}	01/31/2019	Environmental Industries	—	—	573,770	—	—
Profile Products LLC (Revolver) ^{(8), (9)}	01/31/2022	Environmental Industries	—	—	2,459,016	—	—
PT Network, LLC	11/30/2021	Healthcare and Pharmaceuticals	7.82	%	L+6508,450,400	8,383,771	8,450,400
PT Network, LLC ^{(8), (9)}	11/30/2021	Healthcare and Pharmaceuticals	—	—	2,291,100	—	—
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	6.02	%	L+4759,625,000	9,509,035	9,288,125
Salient CRGT Inc.	02/28/2022	High Tech Industries	6.99	%	L+57519,654,762	19,296,231	19,753,036
Snak Club, LLC (Revolver) ⁽⁸⁾	07/19/2021	Beverage, Food and Tobacco	6.24	%	L+500416,667	416,667	416,667
Snak Club, LLC (Revolver) ^{(8), (9)}	07/19/2021	Beverage, Food and Tobacco	—	—	83,333	—	—
Softvision, LLC	05/21/2021	High Tech Industries	6.74	%	L+5508,747,271	8,678,587	8,747,271
Sundial Group Holdings LLC	08/15/2024	Consumer Goods: Non-Durable	5.99	%	L+47510,000,000	9,851,797	9,850,000
Survey Sampling International, LLC	12/16/2020	Business Services	6.27	%	L+5005,394,946	5,366,833	5,287,047
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	6.24	%	L+5008,000,000	7,882,265	8,000,000
Tensar Corporation	07/09/2021	Construction and Building	6.08	%	L+4754,631,234	4,603,617	4,295,470
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	6.58	%	L+5258,210,074	8,139,730	8,210,074
The Original Cakerie, Co. ^{(6), (10)}	07/20/2021	Consumer Goods: Non-Durable	6.81	%	L+5503,061,372	3,037,176	3,061,372
The Original Cakerie Ltd. ^{(6), (10)}	07/20/2021	Consumer Goods: Non-Durable	6.31	%	L+5005,926,142	5,879,466	5,926,142
The Original Cakerie Ltd. (Revolver) ^{(6), (8), (9), (10)}	07/20/2021	Consumer Goods: Non-Durable	—	—	1,418,484	—	—
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	12.49	%	L+1,125,856,365	8,730,717	8,812,084
UniTek Global Services, Inc. ⁽⁸⁾	01/14/2019	Telecommunications	9.84	%	L+85042,809	42,809	42,809
					(PIK 1.00%)		
UniTek Global Services, Inc. ⁽⁸⁾	01/14/2019	Telecommunications	9.84	%	L+850599,702	577,759	611,696
	01/14/2019	Telecommunications	—	—	151,090	—	—

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UniTek Global
Services, Inc.
(8), (9)

US Med Acquisition, Inc. (8)	08/13/2021	Healthcare and Pharmaceuticals	10.33	%	L+9003,058,594	3,058,594	2,905,664
Veterinary Specialists of North America, LLC	07/15/2021	Healthcare and Pharmaceuticals	6.56	%	L+52511,374,590	11,277,723	11,362,740
Veterinary Specialists of North America, LLC (8), (9)	07/15/2021	Healthcare and Pharmaceuticals	—	—	2,660,000	—	(2,771)
Veterinary Specialists of North America, LLC (Revolver) (8), (9)	07/15/2021	Healthcare and Pharmaceuticals	—	—	880,000	—	(917)
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	7.34	%	L+6007,312,500	7,278,094	7,358,203
Vistage Worldwide, Inc.	08/19/2021	Media: Broadcasting and Subscription	6.74	%	L+5505,029,514	4,994,127	5,042,087
Winchester Electronics Corporation	06/30/2022	Capital Equipment	7.83	%	L+6507,695,662	7,636,513	7,734,140
Winchester Electronics Corporation (8), (9)	06/30/2022	Capital Equipment	—	—	708,333	—	3,542
Total First Lien Secured Debt						607,582,054	609,668,554
Second Lien Secured Debt—8.3%							
DecoPac, Inc. (8)	03/31/2025	Beverage, Food and Tobacco	9.58	%	L+82515,000,000	14,700,169	14,700,000
Douglas Products and Packaging Company LLC	12/31/2020	Chemicals, Plastics and Rubber	11.84	%	L+1,050,000,000	1,976,823	2,020,000
Howard Berger Co. LLC	09/30/2020	Wholesale	11.34	%	L+1,000,450,000	11,064,344	10,992,000
				(PIK 5.18%)			
MailSouth, Inc.	10/22/2021	Media: Advertising, Printing and Publishing	11.80	%	L+1,050,775,000	3,714,927	3,812,750
McAfee, LLC (8)	09/29/2025	High Tech Industries	9.50	%	L+8502,500,000	2,462,500	2,500,000
	08/01/2018	Energy: Oil and Gas	—	(7) —	2,792,500	2,720,508	1,144,925

Sunshine

Oilsands Ltd.

(5), (6), (8), (10)

Veritext Corp.	01/30/2023	Business Services	10.33	%	L+900	2,690,625	2,623,765	2,663,719
Total Second							39,263,036	37,833,394

Lien Secured

Debt

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)

SEPTEMBER 30, 2017

Issuer Name	Maturity	Industry	Coupon	Current	Basis Point		Cost	Fair Value ⁽²⁾
					Spread	Above Par /		
Subordinated Debt/Corporate Notes—1.6%					Index	Shares		
American Gilsonite Company ⁽⁵⁾	12/31/2021	Metals and Mining	17.00	%	—	382,989	\$382,989	\$417,458
			(PIK 17.00%)					
Credit Infonet, Inc.	10/26/2020	Tech Industries	13.00	%	—	2,090,982	2,051,232	2,090,982
			(PIK 0.75%)					
Sonny's Enterprises, LLC	06/01/2023	Capital Equipment	11.00	%	—	4,750,000	4,662,663	4,750,000
UniTek Global Services, Inc.	07/15/2019	Telecommunications	15.00	%	—	170,523	170,523	173,933
			(PIK 15.00%)					
Total Subordinated Debt/Corporate Notes							7,267,407	7,432,373
Preferred Equity—0.5% ^{(7), (8)}								
UniTek Global Services, Inc. - Senior Preferred Equity	—	Telecommunications	18.00	%	—	448,851	448,851	472,846
UniTek Global Services, Inc.	—	Telecommunications	13.50	%	—	1,047,317	670,283	1,509,417
Total Preferred Equity							1,119,134	1,982,263
Common Equity/Warrants—2.2% ^{(7), (8)}								
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—		—	99,029	3,514,572	2,263,885
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—		—	4,298	1,186,649	6,398
	—	Metals and Mining	—		—	1,000	215,182	339,402

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American Gilsonite
Company

By Light Investco LP	— High Tech Industries	—	—	21,908	2,190,771	2,601,944
By Light Investco LP (9)	— High Tech Industries	—	—	5,592	—	—
Corfin InvestCo, L.P.	— Aerospace and Defense	—	—	3,000	300,000	429,091
Corfin InvestCo, L.P. (9)	— Aerospace and Defense	—	—	3,000	—	—
DecoPac Holdings Inc.	— Beverage, Food and Tobacco	—	—	1,633	1,632,744	1,632,744
Faraday Holdings, LLC (Interior Specialists, Inc.)	— Construction and Building	—	—	1,141	58,044	204,710
Gauge InfosoftCoInvest, LLC	— Media: Broadcasting and Subscription	—	—	500	500,000	631,240
(The Infosoft Group, LLC)						
Patriot National, Inc. (13)	— Banking, Finance, Insurance and Real Estate	—	—	11,867	27,995	16,020
TPC Broadband Investors, LP	— Telecommunications	—	—	657,233	657,233	657,233
(Advanced Cable Communications, LLC) (12)						
TPC Broadband Investors, LP	— Telecommunications	—	—	342,767	—	—
(Advanced Cable Communications, LLC) (9), (12)						
UniTek Global Services, Inc.	— Telecommunications	—	—	213,739	—	1,274,388
UniTek Global Services, Inc. (Warrants)	— Telecommunications	—	—	23,889	—	—
Total Common Equity/Warrants					10,283,190	10,057,055
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies					665,514,821	666,973,639
Investments in Controlled, Affiliated Portfolio Companies—9.5% (4)						
Subordinated Debt/Corporate Notes—6.6%						
PennantPark Senior Secured Loan Fund I LLC (8), (10)	05/06/2024 Financial Services	6.34	% L+500	30,100,000	30,100,000	30,100,000

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Equity Interests—2.9%
(7), (8)

PennantPark Senior Secured Loan Fund I LLC ⁽¹⁰⁾	— Financial Services — —	12,900,000	13,425,143
Total Investments in Controlled, Affiliated Portfolio Companies		43,000,000	43,525,143
Total Investments—155.2%		708,514,821	710,498,782
Cash and Cash Equivalents—4.1%			
BlackRock Federal FD Institutional 30		16,818,166	16,818,166
BNY Mellon Cash		2,029,507	2,092,590
Total Cash and Cash Equivalents		18,847,673	18,910,756
Total Investments and Cash Equivalents—159.3%		\$727,362,494	\$729,409,538
Liabilities in Excess of Other Assets—(59.3)%			(271,503,264)
Net Assets—100.0%			\$457,906,274

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or “L,” the Euro Interbank Offered Rate, or EURIBOR or “E,” or Prime rate, or “P.” All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.
- (2) Valued based on our accounting policy (See Note 2).
- (3) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally presumed to be “non-controlled” when we own 25% or less of the portfolio company’s voting securities and “controlled” when we own more than 25% of the portfolio company’s voting securities.
- (4) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is generally deemed as “non-affiliated” when we own less than 5% of a portfolio company’s voting securities and “affiliated” when we own 5% or more of a portfolio company’s voting securities.
- (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-U.S. company or principal place of business outside the United States.
- (7) Non-income producing securities.
- (8) The securities, or a portion thereof, are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (9) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (10) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of our total assets. As of September 30, 2017, qualifying assets represent 87% of our total assets and non-qualifying assets represent 13% of our total assets.
- (11) Par amount is denominated in Australian Dollars (A\$), Canadian Dollars (C\$) or in Euros (€) as denoted.
- (12) Investment is held through our Taxable Subsidiary (See Note 1).

(13) The security was not valued using significant unobservable inputs. The value of all other securities was determined using significant unobservable inputs (See Note 5).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Unaudited)

1. ORGANIZATION

PennantPark Floating Rate Capital Ltd. was organized as a Maryland corporation in October 2010. We are a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act.

Our investment objectives are to generate both current income and capital appreciation while seeking to preserve capital. We seek to achieve our investment objective by investing primarily in loans bearing a variable-rate of interest, or Floating Rate Loans, and other investments made to U.S. middle-market private companies whose debt is rated below investment grade. Floating Rate Loans pay interest at variable rates, which are determined periodically, on the basis of a floating base lending rate such as LIBOR, with or without a floor, plus a fixed spread. Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets, which means our net assets plus any borrowings for investment purposes, will be invested in Floating Rate Loans and other investments bearing a variable rate of interest, which may include, from time to time, variable rate derivative instruments. We generally expect that first lien secured debt, will represent at least 65% of our overall portfolio. We generally expect to invest up to 35% of our overall portfolio opportunistically in other types of investments, including second lien secured debt, subordinated debt, and, to a lesser extent, equity investments.

We entered into an investment management agreement, or the Investment Management Agreement, with the Investment Adviser, an external adviser that manages our day-to-day operations. We also entered into an administration agreement, or the Administration Agreement, with the Administrator, which provides the administrative services necessary for us to operate.

Funding I, our wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in May 2011. We formed Funding I in order to establish our Credit Facility. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that the management fee owed with respect to such services is to be paid to us so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. The Credit Facility allows Funding I to borrow up to \$405 million as of December 31, 2017 at LIBOR plus 200 basis points during the revolving period. The Credit Facility is secured by

all of the assets held by Funding I. See Note 10.

We have formed and expect to continue to form certain taxable subsidiaries, including the Taxable Subsidiary, which are subject to tax as corporations. The Taxable Subsidiary allows us to hold equity securities of certain portfolio companies treated as pass-through entities for U.S. federal income tax purposes while allowing us to maintain our ability to qualify as a RIC under the Code.

In May 2017, we and Trinity Universal Insurance Company, or Trinity, a subsidiary of Kemper Corporation (NYSE: KMPR), or Kemper, formed PSSL, an unconsolidated joint venture. PSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSL was formed as a Delaware limited liability company. See Note 4.

In October and November 2017, we completed a follow-on public offering of 6,292,000 shares of common stock at a public offering price of \$14.15 per share resulting in net proceeds of approximately \$88.0 million. The Investment Adviser paid approximately \$2.1 million of the sales load payable to the underwriters. We are not obligated to repay the sales load paid by our Investment Adviser.

In November 2017, we issued \$138.6 million of our 2023 Notes. The principal on the 2023 Notes will be payable in four annual installments as follows: 15% of the original principal amount on December 15, 2020, 15% of the original principal amount on December 15, 2021, 15% of the original principal amount on December 15, 2022 and 55% on December 15, 2023. The 2023 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness. The 2023 Notes are listed on the Tel Aviv Stock Exchange, or the TASE. In connection with this offering, we have dual listed our common stock on the TASE.

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles, or 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. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements have been included. 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 the Financial Accounting Standards Board's Accounting Standards Codification, as amended, or 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, consistent with ASC 946, Financial Services – Investment Companies, and pursuant to the requirements for reporting on Form 10-K/Q and Articles 6, 10 and 12 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 may 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 and a consistently applied valuation process, as described in this Report. 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.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2017

(Unaudited)

Our portfolio generally consists of illiquid securities, including debt and equity investments. 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 our 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.

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 or 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.

(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 prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in the fair values of our portfolio investments, the Credit Facility and the 2023 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, original issue discount, or OID, market discount or premium and deferred financing costs on liabilities, which we do not fair value, are capitalized and then accreted or amortized using the effective interest method as interest income or, in the case of deferred financing costs, as interest expense. 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. From time to time, the Company receives certain fees from portfolio companies, which are non-recurring in nature. Such fees include loan prepayment penalties, structuring fees and amendment fees, and are recorded as other investment income when earned. Litigation settlements are accounted for in accordance with the gain contingency provisions of ASC 450-30.

Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or if 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 treated as a RIC for federal income tax purposes. As a result, we account for income taxes using the asset and 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 our qualification and election to be treated as a RIC for federal

income tax purposes, we typically do not incur any material level of federal income taxes. Although we generally do not incur federal income taxes as a RIC, we may elect to retain a portion of our calendar year income, which may result in the imposition of an excise tax, or we may incur taxes through our Taxable Subsidiaries. For the three months ended December 31, 2017 and 2016, we recorded a provision for taxes of \$0.2 million and less than \$0.1 million, respectively, pertaining to U.S. federal excise tax.

We recognize the effect of a tax position in our Consolidated Financial Statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by the applicable tax authority. Tax positions not considered to satisfy the “more-likely-than-not” threshold would be recorded as a tax expense or benefit. Penalties or interest, if applicable, that may be assessed relating to income taxes would be classified as other operating expenses in the financial statements. As of December 31, 2017, there were no uncertain tax positions and no amounts accrued for interest or penalties. The Company’s determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although the Company files both federal and state income tax returns, the Company’s major tax jurisdiction is federal.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and net realized gains recognized for financial reporting purposes. Differences between tax regulations and GAAP 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.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2017

(Unaudited)

(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 determined 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 a return of capital.

Capital transactions, in connection with our dividend reinvestment plan, which was terminated on November 22, 2017, 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.

(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, other

assets 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 Floating Rate Capital Ltd. 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 taxable subsidiaries in our Consolidated Financial Statements. We do not consolidate our non-controlling interest in PSSL. See further description of our investment in PSSL in Note 4.

(g) Asset Transfers and Servicing

Asset transfers that do not meet ASC 860, Transfers and Servicing, requirements for sale accounting treatment are reflected in the Consolidated Statements of Assets and Liabilities as investments. The creditors of Funding I have received a security interest in all of its assets and such assets are not intended to be available to the creditors of PennantPark Floating Rate Capital Ltd. or any of its affiliates.

(h) Recent Accounting Pronouncements

In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. An amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The Company has evaluated this guidance and determined it will have no material impact on its financial statements.

3. AGREEMENTS AND RELATED PARTY TRANSACTIONS

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 2018. 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 us. The Investment Adviser serves as the collateral manager to Funding I and has irrevocably directed that the management fee owed with respect to such services is to be paid to the Company so long as the Investment Adviser remains the collateral manager. This arrangement does not increase our consolidated management fee. 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 1.00% 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 commitments, 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 three months ended December 31, 2017 and 2016, the Investment Adviser earned a base management fee of \$1.8 million and \$1.6 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 or amendment fees under any credit facility and distribution paid on any issued and outstanding preferred stock, but

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

DECEMBER 31, 2017

(Unaudited)

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) 50% 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 2.9167% in any calendar quarter (11.67% annualized) (we refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the hurdle but is less than 2.9167%) as the “catch-up,” which is meant

to provide our Investment Adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a hurdle did not apply, if this net investment income exceeds 2.9167% in any calendar quarter), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.9167% in any calendar quarter. These calculations are pro-rated for any share issuances or repurchases during the relevant quarter, if applicable. For the three months ended December 31, 2017 and 2016, the Investment Adviser earned zero and \$0.9 million, respectively, in incentive fees on net investment income 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 three months ended December 31, 2017 and 2016, the Investment Adviser reversed a prior accrual of \$(0.1) million and accrued an incentive fee on capital gains of zero, respectively, as calculated under the Investment Management Agreement (as described above).

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 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 to 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. The incentive fee accrued for under GAAP on our unrealized and realized capital gains for the three months ended December 31, 2017 and 2016 was \$0.2 million and \$0.6 million, respectively.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of the directors who are not interested persons of us, in February 2018. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. For providing these services, facilities and personnel, we have agreed to reimburse the Administrator for its allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on our behalf, significant managerial assistance to portfolio companies to which we are required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statements of Operations. For each of the three months ended December 31, 2017 and 2016, we reimbursed the Investment Adviser approximately \$0.3 million, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

For the three months ended December 31, 2017 and 2016, the Company sold zero and \$5.0 million, respectively, in total investments to an affiliated fund managed by our Investment Adviser in accordance with, and pursuant to procedures adopted under, Rule 17a-7 of the 1940 Act. Realized gain on that transaction amounted to less than \$0.1 million.

For the three months ended December 31, 2017, we sold \$27.3 million in investments to PSSSL at fair value and recognized less than \$0.1 million of net realized gains. There were no transactions with PSSSL during the three months ended December 31, 2016.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three months ended December 31, 2017 and 2016 totaled \$177.0 million and \$124.9 million, respectively. Sales and repayments of investments for the same periods totaled \$149.1 million and \$70.4 million, respectively.

Investments, cash and cash equivalents consisted of the following:

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Investment Classification	December 31, 2017		September 30, 2017	
	Cost	Fair Value	Cost	Fair Value
First lien	\$615,144,301	\$619,347,801	\$607,582,054	\$609,668,554
Second lien	41,322,320	39,884,591	39,263,036	37,833,394
Subordinated debt / corporate notes	2,615,119	2,700,538	7,267,407	7,432,373
Subordinated debt in PSSL	42,700,000	42,700,000	30,100,000	30,100,000
Equity	13,894,010	15,653,259		