

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 814-00891

PENNANTPARK FLOATING RATE CAPITAL LTD.

(Exact name of registrant as specified in its charter)

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares of the registrant's common stock, \$0.001 par value per share, outstanding as of August 8, 2017 was 32,480,074.

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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; “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 multi-currency, senior secured revolving credit facility, as amended and restated, or the Credit Facility, and our business include investments we make through our subsidiaries.

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES

	June 30, 2017 (unaudited)	September 30, 2016
Assets		
Investments at fair value		
Non-controlled, non-affiliated investments (cost—\$661,580,331 and \$597,910,267, respectively)	\$ 662,907,256	\$ 598,887,525
Controlled, affiliated investments (cost—\$36,000,000 and \$0, respectively)	36,022,425	—
Total of investments (cost—\$697,580,331 and \$597,910,267, respectively)	698,929,681	598,887,525
Cash and cash equivalents (cost—\$48,866,893 and \$28,903,359, respectively)	48,951,746	28,910,973
Interest receivable	3,169,817	2,480,406
Receivable for investments sold	24,940,277	—
Prepaid expenses and other assets	1,262,233	1,141,191
Total assets	777,253,754	631,420,095
Liabilities		
Distributions payable	3,085,607	2,539,357
Payable for investments purchased	18,421,879	14,935,970
Credit Facility payable (cost—\$291,209,500 and \$232,907,500, respectively) (See Notes 5 and 9)	293,663,760	232,389,498
Interest payable on Credit Facility	851,952	531,926
Base management fee payable (See Note 3)	1,790,695	1,458,625
Performance-based incentive fee payable (See Note 3)	3,036,941	3,454,914
Accrued other expenses	91,202	202,977
Total liabilities	320,942,036	255,513,267
Commitments and contingencies (See Note 10)		
Net assets		
Common stock, 32,480,074 and 26,730,074 shares issued and outstanding, respectively		
Par value \$0.001 per share and 100,000,000 shares authorized	32,480	26,730
Paid-in capital in excess of par value	451,705,066	371,194,366
Undistributed net investment income	2,009,837	4,559,646
Accumulated net realized gain (loss) on investments	3,584,392	(1,376,788)
Net unrealized appreciation on investments	1,434,203	984,872
Net unrealized (appreciation) depreciation on Credit Facility	(2,454,260)	518,002
Total net assets	\$ 456,311,718	\$ 375,906,828
Total liabilities and net assets	\$ 777,253,754	\$ 631,420,095
Net asset value per share	\$ 14.05	\$ 14.06

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Investment income:				
From non-controlled, non-affiliated investments:				
Interest	\$ 14,695,276	\$ 10,555,165	\$ 39,564,205	\$ 28,794,610
Other income	451,597	226,431	1,434,834	2,005,698
From controlled, affiliated investments:				
Interest	43,962	21,429	43,962	105,502
Total investment income	<u>15,190,835</u>	<u>10,803,025</u>	<u>41,043,001</u>	<u>30,905,810</u>
Expenses:				
Base management fee (See Note 3)	1,790,695	1,297,595	5,117,839	3,556,451
Performance-based incentive fee (See Note 3)	1,444,896	497,716	3,367,931	1,336,660
Interest and expenses on the Credit Facility (See Note 9)	2,398,520	1,276,288	6,197,592	3,338,863
Administrative services expenses (See Note 3)	561,250	200,000	1,683,750	600,000
Other general and administrative expenses	607,499	701,555	1,322,499	1,985,568
Expenses before provision for taxes and amendment costs	6,802,860	3,973,154	17,689,611	10,817,542
Provision for taxes	90,000	—	205,000	—
Credit Facility amendment costs (See Notes 5 and 9)	112,736	—	112,736	907,722
Total expenses	<u>7,005,596</u>	<u>3,973,154</u>	<u>18,007,347</u>	<u>11,725,264</u>
Net investment income	<u>8,185,239</u>	<u>6,829,871</u>	<u>23,035,654</u>	<u>19,180,546</u>
Realized and unrealized gain (loss) on investments and Credit Facility:				
Net realized gain (loss) on investments	2,451,169	189,623	4,961,180	(1,974,097)
Net change in unrealized appreciation (depreciation) on:				
Non-controlled, non-affiliated investments	625,872	6,082,410	426,906	(136,573)
Controlled, affiliated investments	22,425	—	22,425	—
Credit Facility (appreciation) depreciation (See Note 5 and 9)	(1,942,856)	317,438	(2,972,262)	532,521
Net change in unrealized (depreciation) appreciation on investments and Credit Facility	<u>(1,294,559)</u>	<u>6,399,848</u>	<u>(2,522,931)</u>	<u>395,948</u>
Net realized and unrealized gain (loss) from investments and Credit Facility	<u>1,156,610</u>	<u>6,589,471</u>	<u>2,438,249</u>	<u>(1,578,149)</u>
Net increase in net assets resulting from operations	<u>\$ 9,341,849</u>	<u>\$ 13,419,342</u>	<u>\$ 25,473,903</u>	<u>\$ 17,602,397</u>
Net increase in net assets resulting from operations per common share (See Note 6)	<u>\$ 0.29</u>	<u>\$ 0.50</u>	<u>\$ 0.86</u>	<u>\$ 0.66</u>
Net investment income per common share	<u>\$ 0.25</u>	<u>\$ 0.26</u>	<u>\$ 0.78</u>	<u>\$ 0.72</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
(Unaudited)

	Nine Months Ended June 30,	
	2017	2016
Net increase in net assets from operations:		
Net investment income	\$ 23,035,654	\$ 19,180,546
Net realized gain (loss) on investments	4,961,180	(1,974,097)
Net change in unrealized appreciation (depreciation) on investments	449,331	(136,573)
Net change in unrealized (appreciation) depreciation on Credit Facility	(2,972,262)	532,521
Net increase in net assets resulting from operations	25,473,903	17,602,397
Distributions to stockholders	(25,585,463)	(22,854,213)
Capital transactions		
Public offering (See Note 1)	80,986,450	—
Offering costs	(470,000)	—
Net increase in net assets resulting from capital transactions	80,516,450	—
Net increase (decrease) in net assets	80,404,890	(5,251,816)
Net assets:		
Beginning of period	375,906,828	372,890,449
End of period	<u>\$ 456,311,718</u>	<u>\$ 367,638,633</u>
Undistributed net investment income, end of period	<u>\$ 2,009,837</u>	<u>\$ 3,317,806</u>
Capital share activity:		
Shares issued from public offering	<u>5,750,000</u>	<u>—</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net increase in net assets resulting from operations	\$ 25,473,903	\$ 17,602,397
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:		
Net change in unrealized (appreciation) depreciation on investments	(449,331)	136,573
Net change in unrealized appreciation (depreciation) on Credit Facility	2,972,262	(532,521)
Net realized (gain) loss on investments	(4,961,180)	1,974,097
Net accretion of discount and amortization of premium	(1,375,901)	(1,263,787)
Purchases of investments	(407,800,909)	(257,653,704)
Payment-in-kind interest	(389,796)	(92,262)
Proceeds from dispositions of investments	314,807,488	97,092,286
Increase in interest receivable	(689,411)	(1,242,098)
Increase in receivable for investments sold	(24,940,277)	—
Increase in prepaid expenses and other assets	(121,042)	(272,729)
Increase in payable for investments purchased	3,485,909	466,411
Increase in interest payable on Credit Facility	320,026	224,266
Increase in base management fee payable	332,070	341,481
(Decrease) increase in performance-based incentive fee payable	(417,973)	494,780
Decrease in accrued other expenses	(111,775)	(485,995)
Net cash used in operating activities	<u>(93,865,937)</u>	<u>(143,210,805)</u>
Cash flows from financing activities:		
Public offering	80,986,450	—
Offering costs	(470,000)	—
Distributions paid to stockholders	(25,039,213)	(22,854,213)
Borrowings under Credit Facility (See Notes 5 and 9)	259,802,000	196,807,500
Repayments under Credit Facility (See Notes 5 and 9)	(201,500,000)	(35,500,000)
Net cash provided by financing activities	<u>113,779,237</u>	<u>138,453,287</u>
Net increase (decrease) in cash equivalents	19,913,300	(4,757,518)
Effect of exchange rate changes on cash	127,473	119,406
Cash and cash equivalents, beginning of period	28,910,973	21,428,514
Cash and cash equivalents, end of period	\$ 48,951,746	\$ 16,790,402
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 5,990,302</u>	<u>\$ 3,114,597</u>
Taxes paid	<u>\$ 256,575</u>	<u>\$ 308,795</u>
Non-cash exchanges and conversions	<u>\$ 35,659,395</u>	<u>\$ 4,547,934</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
JUNE 30, 2017
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—145.3% (3), (4)							
First Lien Secured Debt—134.4%							
Advanced Cable Communications, LLC	08/09/2021	Telecommunications	7.05%	L+575	14,406,250	\$ 14,197,102	\$ 14,406,250
Advanced Cable Communications, LLC (8), (9)	08/09/2021	Telecommunications	—	—	2,000,000	—	—
Alera Group Holdings, Inc.	12/30/2022	Banking, Finance, Insurance and Real Estate	6.56%	L+550	9,024,755	8,943,194	9,024,755
Alera Group Holdings, Inc. (Revolver) (8)	12/30/2021	Banking, Finance, Insurance and Real Estate	6.58%	L+550	287,190	287,190	287,190
Alera Group Holdings, Inc. (Revolver) (8), (9)	12/30/2021	Banking, Finance, Insurance and Real Estate	—	—	1,484,772	—	—
Alera Group Holdings, Inc. (8), (9)	12/30/2022	Banking, Finance, Insurance and Real Estate	—	—	3,159,000	—	—
American Auto Auction Group, LLC	11/30/2021	Transportation: Consumer	6.31%	L+525	10,972,500	10,825,676	10,807,912
American Gilsonite Company (8)	12/31/2021	Metals and Mining	15.00%	—	131,472	127,767	138,046
			(PIK 5.00%)				
American Scaffold	03/31/2022	Aerospace and Defense	7.80%	L+650	4,812,500	4,750,646	4,764,375
American Teleconferencing Services, Ltd.	12/08/2021	Telecommunications	7.72%	L+650	6,727,462	6,538,725	6,689,654
AMF Bowling Centers, Inc.	09/19/2023	Retail	8.25%	P+400	14,887,500	14,752,431	14,906,109
Anesthesia Consulting & Management, LP	10/31/2022	Healthcare and Pharmaceuticals	6.55%	L+500	3,980,000	3,943,523	3,940,200
Anesthesia Consulting & Management, LP (8), (9)	10/31/2022	Healthcare and Pharmaceuticals	—	—	1,000,000	—	—
API Technologies Corp.	04/22/2022	Aerospace and Defense	7.80%	L+650	4,912,594	4,830,790	4,838,906
BEI Precision Systems & Space Company, Inc.	04/28/2023	Aerospace and Defense	8.75%	P+450	12,000,000	11,880,199	11,880,000
Broder Bros., Co., Tranche A	06/03/2021	Consumer Goods: Non-Durable	7.05%	L+575	2,254,494	2,220,630	2,260,130
Broder Bros., Co., Tranche B	06/03/2021	Consumer Goods: Non-Durable	13.55%	L+1,225	2,336,329	2,299,729	2,342,170
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.43%	L+725	15,697,300	15,312,666	15,540,326
By Light Professional IT Services, LLC (Revolver) (8), (9)	05/16/2022	High Tech Industries	—	—	2,311,784	—	—
Camin Cargo Control, Inc.	06/30/2021	Transportation: Cargo	6.05%	L+475	2,450,000	2,432,577	2,352,000
Canyon Valor Companies, Inc.	06/16/2023	Media: Broadcasting and Subscription	7.23%	L+600	7,425,005	7,163,802	7,459,828
Cardenas Markets LLC	11/29/2023	Beverage, Food and Tobacco	7.05%	L+575	11,442,500	11,381,737	11,399,591
CD&R TZ Purchaser, Inc.	07/21/2023	Consumer Goods: Durable	7.30%	L+600	12,406,250	12,116,179	12,406,250
Charming Charlie LLC	12/24/2019	Retail	9.29%	L+800	3,948,750	3,919,170	3,356,438
Chicken Soup for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.50%	L+625	4,614,286	4,595,942	4,498,929
Clarus Glassboards LLC	03/16/2023	Construction and Building	6.48%	L+525	5,735,000	5,679,513	5,706,325
Corfin Industries LLC	11/25/2020	Aerospace and Defense	10.80%	L+975	6,024,894	5,936,004	5,949,583
Corfin Industries LLC (Revolver) (8), (9)	11/25/2020	Aerospace and Defense	—	—	518,033	—	—
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	6.73%	L+550	15,128,500	14,922,941	14,981,879
DBI Holding, LLC	08/02/2021	Business Services	6.48%	L+525	9,925,050	9,837,782	9,925,050
DCS Business Services, Inc.	06/19/2018	Business Services	11.75%	L+1,025	1,666,810	1,659,754	1,550,133
			(PIK 3.00%)				
Digital Room LLC	11/21/2022	Media: Advertising, Printing and Publishing	7.23%	L+600	6,825,000	6,699,323	6,756,750
DISA Global Solutions, Inc.	12/09/2020	Business Services	5.40%	L+450	4,744,586	4,715,661	4,720,863
Douglas Products and Packaging Company LLC	06/30/2020	Chemicals, Plastics and Rubber	6.05%	L+475	4,373,643	4,352,789	4,373,643
Driven Performance Brands, Inc. (8)	09/10/2020	Consumer Goods: Durable	5.88%	L+475	7,849,271	7,821,185	7,849,271
Driven Performance Brands, Inc. (Revolver) (8), (9)	09/10/2020	Consumer Goods: Durable	—	—	1,000,000	—	—
East Valley Tourist Development Authority	03/07/2022	Hotel, Gaming and Leisure	9.30%	L+800	16,957,500	16,728,634	16,787,925
Education Networks of America, Inc.	05/06/2021	Telecommunications	8.30%	L+700	7,657,615	7,625,631	7,619,327
Education Networks of America, Inc. (Revolver) (8), (9)	05/06/2021	Telecommunications	—	—	1,304,348	—	—
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	8.05%	L+675	10,548,335	10,457,509	10,548,335
Hollander Sleep Products, LLC	06/09/2023	Consumer Goods: Non-Durable	9.10%	L+800	12,500,000	12,251,111	12,250,000
Hunter Defense Technologies, Inc. (8)	08/05/2019	Aerospace and Defense	7.16%	L+600	5,862,500	5,841,452	5,386,172
Icynene U.S. Acquisition Corp. (6), (10)	11/04/2020	Construction and Building	7.42%	L+625	5,936,032	5,863,862	5,757,950
iEnergizer Limited and Aptara, Inc. (6), (10)	05/01/2019	Business Services	7.25%	L+600	7,387,547	7,345,801	7,313,672
IGM RFE1 B.V. (6), (10), (11)	10/12/2021	Chemicals, Plastics and Rubber	8.00%	E+800	€ 12,204,689	12,685,554	13,920,058
Impact Sales, LLC	12/30/2021	Wholesale	8.30%	L+700	8,715,605	8,715,605	8,715,605
Impact Sales, LLC (8), (9)	12/30/2021	Wholesale	—	—	3,234,375	—	—
Innova Medical Ophthalmics Inc. (6), (10)	04/13/2022	Capital Equipment	8.05%	L+675	3,382,120	3,334,543	3,399,031
Innova Medical Ophthalmics Inc. (Revolver) (6), (8), (9), (10)	04/13/2022	Capital Equipment	—	—	530,973	—	2,650
Instant Web, LLC, Term Loan A	03/28/2019	Media: Advertising, Printing and Publishing	5.80%	L+450	7,600,388	7,444,676	7,600,388
Instant Web, LLC, Term Loan B	03/28/2019	Media: Advertising, Printing and Publishing	12.30%	L+1,100	4,500,000	4,471,686	4,500,000
Interior Specialists, Inc.	06/30/2020	Construction and Building	9.06%	L+800	6,559,758	6,516,680	6,559,758
Inventus Power, Inc.	04/30/2020	Consumer Goods: Durable	7.73%	L+650	4,726,503	4,699,752	4,679,238
Jackson Hewitt Inc.	07/30/2020	Consumer Services	8.17%	L+700	4,800,000	4,736,178	4,560,000
K2 Pure Solutions NoCal, L.P. (8)	02/19/2021	Chemicals, Plastics and Rubber	10.23%	L+900	4,002,471	3,934,642	3,957,552
KHC Holdings, Inc.	10/31/2022	Wholesale	7.30%	L+600	12,148,038	11,976,629	12,148,038
KHC Holdings, Inc. (Revolver) (8), (9)	10/30/2020	Wholesale	—	—	1,209,677	—	—
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	10.80%	L+950	10,200,000	10,029,464	10,187,250
LifeCare Holdings LLC (8)	11/30/2018	Healthcare and Pharmaceuticals	6.55%	L+525	4,954,937	4,931,269	3,947,449
Lombart Brothers, Inc.	04/13/2022	Capital Equipment	8.05%	L+675	6,260,513	6,182,470	6,291,817
Lombart Brothers, Inc. (Revolver) (8), (9)	04/13/2022	Capital Equipment	—	—	1,238,938	—	6,195
Long's Drugs Incorporated	08/19/2021	Healthcare and Pharmaceuticals	6.37%	L+525	4,238,073	4,203,102	4,195,692
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.06%	L+600	14,000,000	13,861,925	14,128,380
Marketplace Events LLC	01/27/2021	Media: Diversified and Production	6.55%	L+525	3,385,888	3,341,710	3,385,888

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PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
JUNE 30, 2017
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Marketplace Events LLC (11)	01/27/2021	Media: Diversified and Production	6.25%	P+275	C\$ 17,114,109	\$ 12,001,661	\$ 13,177,881
Marketplace Events LLC (Revolver) (8)	01/27/2021	Media: Diversified and Production	7.00%	P+275	1,481,752	1,481,752	1,481,752
Marketplace Events LLC (Revolver) (8), (9)	01/27/2021	Media: Diversified and Production	—	—	221,411	—	—
Mission Critical Electronics, Inc. (Revolver) (8), (9)	09/28/2021	Capital Equipment	—	—	883,392	—	(3,936)
Montreign Operating Company, LLC	01/24/2023	Hotel, Gaming and Leisure	9.48%	L+825	26,294,872	26,749,402	26,524,952
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	7.30%	L+600	14,812,500	14,409,755	14,590,313
New Trident HoldCorp, Inc.	07/31/2019	Healthcare and Pharmaceuticals	7.05%	L+575	8,742,647	8,708,704	7,186,456
One Sixty Over Ninety, LLC	03/03/2022	Media: Advertising, Printing and Publishing	10.51%	L+921	2,750,000	2,697,575	2,722,500
Pathway Partners Vet Management Company LLC (8)	08/19/2022	Healthcare and Pharmaceuticals	6.23%	L+500	9,950,148	9,894,285	9,950,148
Pathway Partners Vet Management Company LLC (8), (9)	08/19/2022	Healthcare and Pharmaceuticals	—	—	10,000,000	—	—
Profile Products LLC	01/31/2023	Environmental Industries	6.30%	L+500	10,201,600	10,109,359	10,201,600
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	7.70%	L+650	8,469,900	8,399,989	8,469,900
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	6.00%	L+475	9,625,000	9,502,761	9,625,000
Robertshaw US Holding Corp.	06/18/2019	Consumer Goods: Durable	8.50%	L+700	4,168,389	4,154,540	4,164,366
Ryan, LLC	08/07/2020	Business Services	6.98%	L+575	3,727,698	3,689,176	3,697,429
Salient CRGT Inc.	02/28/2022	High Tech Industries	6.98%	L+575	19,875,000	19,496,722	19,725,938
Snak Club, LLC (Revolver) (8)	07/19/2021	Beverage, Food and Tobacco	6.05%	L+500	416,667	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	6.73%	L+550	8,997,271	8,922,904	8,997,271
Sundial Group Holdings LLC	10/19/2021	Consumer Goods: Non-Durable	7.49%	L+625	7,031,250	6,936,112	7,101,563
Survey Sampling International, LLC	12/16/2020	Business Services	6.30%	L+500	5,394,946	5,369,066	5,381,459
TeleGuam Holdings, LLC	07/25/2023	Telecommunications	6.00%	L+500	8,000,000	7,880,000	7,940,000
Tensar Corporation	07/09/2021	Construction and Building	6.05%	L+475	4,631,234	4,601,977	4,312,837
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	6.55%	L+525	8,850,236	8,770,433	8,850,236
The Original Cakerie, Co. (6), (10)	07/20/2021	Consumer Goods: Non-Durable	6.67%	L+550	3,069,103	3,043,425	3,069,103
The Original Cakerie Ltd. (6), (10)	07/20/2021	Consumer Goods: Non-Durable	6.17%	L+500	5,941,107	5,891,550	5,941,107
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	12.48%	L+1,125	9,049,123	8,912,584	9,049,123
UniTek Global Services, Inc. (8)	01/14/2019	Telecommunications	9.80%	L+850	42,602	42,602	42,602
			(PIK 1.00%)				
UniTek Global Services, Inc. (8)	01/14/2019	Telecommunications	9.80%	L+850	599,702	573,809	611,696
UniTek Global Services, Inc. (8), (9)	01/14/2019	Telecommunications	—	—	151,090	—	—
US Med Acquisition, Inc. (8)	08/13/2021	Healthcare and Pharmaceuticals	10.30%	L+900	3,066,406	3,066,406	3,005,078
Veterinary Specialists of North America, LLC	07/15/2021	Healthcare and Pharmaceuticals	6.42%	L+525	11,403,377	11,301,289	11,403,377
Veterinary Specialists of North America, LLC (8), (9)	07/15/2021	Healthcare and Pharmaceuticals	—	—	2,660,000	—	—
Veterinary Specialists of North America, LLC (Revolver) (8), (9)	07/15/2021	Healthcare and Pharmaceuticals	—	—	880,000	—	—
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	7.30%	L+600	7,406,250	7,370,068	7,461,797
Vistage Worldwide, Inc.	08/19/2021	Media: Broadcasting and Subscription	6.73%	L+550	5,083,203	5,045,420	5,095,911
Winchester Electronics Corporation	06/30/2022	Capital Equipment	7.80%	L+650	7,715,141	7,653,253	7,753,717
Winchester Electronics Corporation (8), (9)	06/30/2022	Capital Equipment	—	—	708,333	—	3,542
Worley Claims Services, LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.21%	L+800	2,408,884	2,388,846	2,360,706
Total First Lien Secured Debt						<u>610,806,604</u>	<u>613,273,017</u>
Second Lien Secured Debt—7.1%							
Douglas Products and Packaging Company LLC	12/31/2020	Chemicals, Plastics and Rubber	11.80%	L+1,050	2,000,000	1,975,346	2,020,000
Howard Berger Co. LLC	09/30/2020	Wholesale	11.30%	L+1,000	11,300,000	10,887,629	10,735,000
			(PIK 5.25%)				
MailSouth, Inc.	10/22/2021	Media: Advertising, Printing and Publishing	11.65%	L+1,050	3,775,000	3,712,030	3,812,750
Novitex Acquisition, LLC	07/07/2021	Business Services	12.32%	L+1,100	11,900,000	11,776,681	11,662,000
Sunshine Oilsands Ltd. (5), (6), (8), (10)	08/01/2017	Energy: Oil and Gas	— (7)	—	2,812,500	2,790,249	1,518,750
Veritext Corp.	01/30/2023	Business Services	10.30%	L+900	2,690,625	2,621,313	2,636,813
Total Second Lien Secured Debt						<u>33,763,248</u>	<u>32,385,313</u>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
JUNE 30, 2017
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Subordinated Debt/Corporate Notes—1.6% (8)							
American Gilsonite Company (5)	12/31/2021	Metals and Mining	17.00%	—	370,370	\$ 370,370	\$ 379,630
			(PIK 17.00%)				
Credit Infonet, Inc.	10/26/2020	High Tech Industries	13.00%	—	2,087,079	2,047,329	2,070,964
			(PIK 0.75%)				
Sonny's Enterprises, LLC	06/01/2023	Capital Equipment	11.00%	—	4,750,000	4,658,907	4,750,000
UniTek Global Services, Inc.	07/15/2019	Telecommunications	15.00%	—	164,293	164,293	167,579
			(PIK 15.00%)				
Total Subordinated Debt/Corporate Notes						<u>7,240,899</u>	<u>7,368,173</u>
Preferred Equity—0.4% (7), (8)							
UniTek Global Services, Inc. - Senior Preferred Equity	—	Telecommunications	18.00%	—	448,851	448,851	450,939
UniTek Global Services, Inc.	—	Telecommunications	13.50%	—	1,047,317	670,283	1,459,060
Total Preferred Equity						<u>1,119,134</u>	<u>1,909,999</u>
Common Equity/Warrants—1.8% (7), (8)							
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—	—	99,029	3,514,572	2,341,398
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—	—	4,298	1,186,649	8,203
American Gilsonite Company	—	Metals and Mining	—	—	1,000	215,182	317,062
By Light Investco LP	—	High Tech Industries	—	—	21,908	2,190,771	2,190,771
By Light Investco LP (9)	—	High Tech Industries	—	—	5,592	—	—
Corfin InvestCo, L.P.	—	Aerospace and Defense	—	—	3,000	300,000	318,665
Corfin InvestCo, L.P. (9)	—	Aerospace and Defense	—	—	3,000	—	—
Faraday Holdings, LLC (Interior Specialists, Inc.)	—	Construction and Building	—	—	1,141	58,044	191,667
Gauge InfosoftColinvest, LLC (The Infosoft Group, LLC)	—	Media: Broadcasting and Subscription	—	—	500	500,000	613,596
Patriot National, Inc.	—	Banking, Finance, Insurance and Real Estate	—	—	11,867	27,995	25,158
TPC Broadband Investors, LP (Advanced Cable Communications, LLC) (12)	—	Telecommunications	—	—	657,233	657,233	657,233
TPC Broadband Investors, LP (Advanced Cable Communications, LLC) (9), (12)	—	Telecommunications	—	—	342,767	—	—
UniTek Global Services, Inc.	—	Telecommunications	—	—	213,739	—	1,307,001
UniTek Global Services, Inc. (Warrants)	—	Telecommunications	—	—	23,889	—	—
Total Common Equity/Warrants						<u>8,650,446</u>	<u>7,970,754</u>
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						<u>661,580,331</u>	<u>662,907,256</u>
Investments in Controlled, Affiliated Portfolio Companies—7.9% (1), (2), (3)							
Subordinated Debt/Corporate Notes—5.5%							
PennantPark Senior Secured Loan Fund I LLC (8), (10)	05/06/2024	Financial Services	6.28%	L+500	25,200,000	25,200,000	25,200,000
Equity Interests—2.4% (7), (8)							
PennantPark Senior Secured Loan Fund I LLC (10)	—	Financial Services	—	—	10,800	10,800,000	10,822,425
Total Investments in Controlled, Affiliated Portfolio Companies						<u>36,000,000</u>	<u>36,022,425</u>
Total Investments—153.2%						<u>697,580,331</u>	<u>698,929,681</u>
Cash and Cash Equivalents—10.7%							
BlackRock Federal FD Institutional 30						46,554,984	46,554,984
BNY Mellon Cash						2,311,909	2,396,762
Total Cash and Cash Equivalents						<u>48,866,893</u>	<u>48,951,746</u>
Total Investments and Cash Equivalents—163.9%						<u>\$ 746,447,224</u>	<u>\$ 747,881,427</u>
Liabilities in Excess of Other Assets—(63.9)%							(291,569,709)
Net Assets—100.0%							<u>\$ 456,311,718</u>

- (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 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 June 30, 2017, qualifying assets represent 90% of our total assets and non-qualifying assets represent 10% of our total assets.
- (11) Par amount is denominated in Canadian Dollars (C\$) or in Euros (€) as denoted.
- (12) Investment is held through our Taxable Subsidiary (See Note 1).

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2016

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—159.3% (8), (4)							
First Lien Secured Debt—145.9%							
Advanced Cable Communications, LLC	08/09/2021	Telecommunications	6.75%	L+575	12,500,000	\$ 12,255,990	\$ 12,250,000
Advanced Cable Communications, LLC (10)	08/09/2021	Telecommunications	—	—	4,000,000	—	(80,000)
ALG USA Holdings, LLC	02/28/2019	Hotel, Gaming and Leisure	7.00%	L+575	12,064,454	12,037,105	12,064,454
Alvogen Pharma US, Inc. (6), (11)	04/04/2022	Healthcare and Pharmaceuticals	6.00%	L+500	3,943,925	3,925,777	3,946,410
American Bath Group, LLC	10/02/2023	Consumer Goods: Durable	6.75%	L+575	3,000,000	2,970,000	2,992,500
American Scaffold	03/31/2022	Aerospace and Defense	7.50%	L+650	4,937,500	4,866,801	4,888,125
AMF Bowling Centers, Inc.	09/19/2023	Retail	6.00%	L+500	15,000,000	14,850,608	14,931,300
AP Gaming I, LLC	12/21/2020	Hotel, Gaming and Leisure	9.25%	L+825	6,534,878	6,462,308	6,220,419
API Technologies Corp.	04/22/2022	Aerospace and Defense	7.50%	L+650	9,975,000	9,787,810	9,825,375
Azure Midstream Energy LLC	11/15/2018	Energy: Oil and Gas	7.50%	L+650	5,125,684	5,042,414	4,228,689
Blue Bird Body Company	06/29/2020	Automotive	6.50%	L+550	3,498,670	3,462,806	3,498,670
Broder Bros., Co., Tranche A	06/03/2021	Consumer Goods: Non-Durable	7.00%	L+575	2,440,000	2,397,229	2,422,820
Broder Bros., Co., Tranche B	06/03/2021	Consumer Goods: Non-Durable	13.50%	L+1,225	2,460,000	2,415,653	2,442,679
Camin Cargo Control, Inc.	06/30/2021	Transportation: Cargo	5.75%	L+475	2,468,750	2,448,157	2,370,000
CareCentrix, Inc.	07/08/2021	Healthcare and Pharmaceuticals	6.00%	L+500	4,950,000	4,847,215	4,863,375
CBAC Borrower, LLC (8)	07/02/2020	Hotel, Gaming and Leisure	8.25%	L+700	4,962,500	4,930,912	4,850,844
CD&R TZ Purchaser, Inc.	07/21/2023	Consumer Goods: Durable	7.00%	L+600	12,500,000	12,179,928	12,343,750
Charming Charlie LLC	12/24/2019	Retail	9.00%	L+800	4,098,750	4,061,551	3,750,357
Chicken Soup for the Soul Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.50%	L+625	4,828,571	4,801,254	4,732,000
Corfin Industries LLC	11/25/2020	Aerospace and Defense	10.75%	L+975	6,272,600	6,163,749	6,272,600
Corfin Industries LLC (Revolver) (10)	11/25/2020	Aerospace and Defense	—	—	518,033	—	—
CRGT Inc.	12/21/2020	High Tech Industries	7.50%	L+650	10,531,671	10,451,145	10,505,342
Curo Health Services Holdings, Inc.	02/07/2022	Healthcare and Pharmaceuticals	6.50%	L+550	1,970,000	1,953,997	1,970,000
DBI Holding LLC	08/02/2021	Business Services	6.25%	L+525	10,000,000	9,900,163	9,900,000
DCS Business Services, Inc.	03/19/2018	Business Services	8.75%	L+725	2,237,139	2,225,615	2,237,139
DISA Global Solutions, Inc.	12/09/2020	Business Services	5.50%	L+450	4,925,000	4,889,096	4,875,750
Douglas Products and Packaging Company LLC	06/30/2020	Chemicals, Plastics and Rubber	5.75%	L+475	4,687,500	4,659,016	4,687,500
Driven Performance Brands, Inc. (8)	09/10/2020	Consumer Goods: Durable	5.75%	L+475	8,550,000	8,513,835	8,507,250
Driven Performance Brands, Inc. (Revolver) (8), (10)	09/10/2020	Consumer Goods: Durable	—	—	1,000,000	—	—
Education Networks of America, Inc.	05/06/2021	Telecommunications	8.00%	L+700	8,641,304	8,599,431	8,598,098
Education Networks of America, Inc. (Revolver)	05/06/2021	Telecommunications	8.00%	L+700	434,783	434,783	434,783
Education Networks of America, Inc. (Revolver) (10)	05/06/2021	Telecommunications	—	—	869,565	—	—
Efficient Collaborative Retail Marketing Company, LLC	06/15/2022	Media: Diversified and Production	7.75%	L+675	10,972,500	10,864,398	10,972,500
Emerging Markets Communications, LLC	07/01/2021	Telecommunications	6.75%	L+575	4,937,500	4,875,844	4,702,969
FHC Health Systems, Inc.	12/23/2021	Healthcare and Pharmaceuticals	5.00%	L+400	4,925,000	4,884,041	4,798,821
GlobalLogic Holdings, Inc.	05/31/2019	High Tech Industries	6.25%	L+525	3,890,000	3,867,640	3,880,275
Greenway Health, LLC	11/04/2020	High Tech Industries	6.00%	L+500	6,807,500	6,765,938	6,620,294
GTCR Valor Companies, Inc.	06/16/2023	Media: Broadcasting and Subscription	7.00%	L+600	7,481,250	7,191,975	7,116,539
Harbortouch Payments, LLC	05/31/2022	Banking, Finance, Insurance and Real Estate	7.00%	L+600	6,956,250	6,889,369	7,025,812
Highline Aftermarket Acquisition, LLC (f/k/a DYK Prime Acquisition, LLC)	04/01/2022	Wholesale	5.75%	L+475	7,312,500	7,244,146	7,275,937
Hollander Sleep Products, LLC	10/21/2020	Consumer Goods: Non-Durable	9.00%	L+800	1,165,886	1,153,016	1,142,569
Hostway Corporation	12/13/2019	High Tech Industries	6.00%	L+475	2,624,730	2,610,592	2,183,890
Hunter Defense Technologies, Inc. (8)	08/05/2019	Aerospace and Defense	7.00%	L+600	6,256,250	6,218,559	5,505,500
Icynene U.S. Acquisition Corp. (6), (11)	11/04/2020	Construction and Building	7.25%	L+625	6,225,820	6,133,990	6,225,820
Idera, Inc.	04/09/2021	High Tech Industries	6.50%	L+550	7,942,494	7,293,179	7,684,363
iEnergizer Limited and Aptara, Inc. (6), (11)	05/01/2019	Business Services	7.25%	L+600	8,676,097	8,614,521	8,242,292
Imagine! Print Solutions, LLC	03/30/2022	Media: Advertising, Printing and Publishing	7.00%	L+600	5,974,987	5,914,562	6,027,269
Instant Web, LLC, Term Loan A	03/28/2019	Media: Advertising, Printing and Publishing	5.50%	L+450	5,277,938	5,235,239	5,277,938
Instant Web, LLC, Term Loan B	03/28/2019	Media: Advertising, Printing and Publishing	12.00%	L+1,100	4,500,000	4,460,571	4,500,000
Interior Specialists, Inc.	06/30/2020	Construction and Building	9.00%	L+800	6,662,719	6,609,864	6,662,719
Inventus Power, Inc. (f/k/a ICC-Nexergy, Inc.)	04/30/2020	Consumer Goods: Durable	6.50%	L+550	4,882,266	4,846,935	4,686,976
Jackson Hewitt Inc.	07/30/2020	Consumer Services	8.00%	L+700	4,900,000	4,820,995	4,753,000
K2 Pure Solutions NoCal, L.P. (8)	02/19/2021	Chemicals, Plastics and Rubber	10.00%	L+900	4,002,471	3,932,760	3,925,841
Kendra Scott, LLC	07/17/2020	Retail	7.00%	L+600	2,850,000	2,827,307	2,821,500
KHC Holdings, Inc.	10/31/2022	Wholesale	7.00%	L+600	12,406,250	12,210,683	12,344,219
KHC Holdings, Inc. (Revolver) (8), (10)	10/30/2020	Wholesale	—	—	1,209,677	—	—
Lago Resort & Casino, LLC	03/07/2022	Hotel, Gaming and Leisure	10.50%	L+950	10,174,500	9,984,965	9,971,010
Lanyon Solutions, Inc.	11/13/2020	High Tech Industries	5.50%	L+450	1,945,020	1,940,066	1,930,432
LifeCare Holdings LLC (8)	11/30/2018	Healthcare and Pharmaceuticals	6.50%	L+525	5,407,864	5,371,524	5,272,668
Lindblad Expeditions, Inc. (6), (11)	05/10/2021	Hotel, Gaming and Leisure	5.50%	L+450	2,186,607	2,177,539	2,186,607
Lindblad Maritime Enterprises, Ltd. (6), (11)	05/10/2021	Hotel, Gaming and Leisure	5.50%	L+450	282,143	280,973	282,143
Lombart Brothers, Inc.	04/13/2022	Capital Equipment	7.75%	L+675	5,985,000	5,901,046	6,014,925
Lombart Brothers, Inc. (Revolver) (8)	04/13/2022	Capital Equipment	7.75%	L+675	176,991	176,991	176,991

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2016

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Lombart Brothers, Inc. (Revolver) (8), (10)	04/13/2022	Capital Equipment	—	—	1,061,947	\$ —	\$ —
Long's Drugs Incorporated	08/19/2021	Healthcare and Pharmaceuticals	6.25%	L+525	5,000,000	4,951,874	4,950,000
LSF9 Atlantis Holdings, LLC	01/15/2021	Retail	10.00%	L+900	9,542,392	9,417,467	9,542,392
LTI Holdings, Inc.	04/18/2022	Chemicals, Plastics and Rubber	5.25%	L+425	5,431,250	4,973,326	5,254,734
Marketplace Events LLC	01/27/2021	Media: Diversified and Production	6.25%	L+525	1,362,530	1,342,162	1,342,092
Marketplace Events LLC (12)	01/27/2021	Media: Diversified and Production	6.25%	P+275	C\$ 17,244,188	12,065,652	13,078,215
Marketplace Events LLC (Revolver) (8)	01/27/2021	Media: Diversified and Production	6.25%	P+275	1,090,024	1,090,024	1,090,024
Marketplace Events LLC (Revolver) (8), (10)	01/27/2021	Media: Diversified and Production	—	—	613,139	—	—
Mission Critical Electronics, Inc. (8)	09/28/2022	Capital Equipment	6.00%	L+500	4,116,608	4,075,499	4,075,442
Mission Critical Electronics, Inc. (Revolver) (8), (10)	09/28/2021	Capital Equipment	—	—	883,392	—	—
New Trident HoldCorp, Inc.	07/31/2019	Healthcare and Pharmaceuticals	6.50%	L+525	8,817,647	8,767,669	8,288,588
Pathway Partners Vet Management Company LLC (8)	08/19/2022	Healthcare and Pharmaceuticals	6.00%	L+500	6,268,657	6,205,970	6,205,970
Pathway Partners Vet Management Company LLC (8), (10)	08/19/2022	Healthcare and Pharmaceuticals	—	—	3,731,343	—	—
Polycom, Inc.	09/27/2023	Telecommunications	7.50%	L+650	6,000,000	5,760,000	5,775,000
Precyse Acquisition Corp.	10/20/2022	Healthcare and Pharmaceuticals	6.50%	L+550	3,990,000	3,932,956	4,014,938
Premier Dental Services, Inc.	11/01/2018	Consumer Services	7.50%	L+650	7,528,230	7,473,587	7,490,588
Profile Products LLC	05/20/2021	Environmental Industries	5.75%	L+475	7,281,762	7,222,561	7,281,762
Profile Products LLC (Revolver) (8), (10)	05/20/2020	Environmental Industries	—	—	2,459,016	—	—
Quick Weight Loss Centers, LLC	08/23/2021	Beverage, Food and Tobacco	5.75%	L+475	10,000,000	9,852,456	9,900,000
Research Now Group, Inc.	03/18/2021	High Tech Industries	5.50%	L+450	6,895,000	6,867,800	6,688,150
Robertshaw US Holding Corp.	06/18/2019	Consumer Goods: Durable	8.50%	L+700	4,252,830	4,233,671	4,258,699
Ryan, LLC	08/07/2020	Business Services	6.75%	L+575	4,218,750	4,166,413	4,163,400
Sensus USA, Inc.	04/05/2023	Utilities: Water	6.50%	L+550	9,975,000	9,692,511	9,999,938
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.00%	L+500	4,968,748	4,896,623	4,919,060
Snak Club, LLC (Revolver) (10)	07/19/2021	Beverage, Food and Tobacco	—	—	500,000	—	—
Software Paradigms International Group, LLC	05/21/2021	High Tech Industries	6.50%	L+550	9,875,000	9,781,596	9,825,625
Sotera Defense Solutions, Inc.	04/21/2017	Aerospace and Defense	9.00%	L+750	5,668,843	5,614,696	5,640,499
Sundial Group Holdings LLC	10/19/2021	Consumer Goods: Non-Durable	7.25%	L+625	7,312,500	7,200,786	7,312,500
Survey Sampling International, LLC	12/16/2020	Business Services	6.00%	L+500	7,446,562	7,395,200	7,409,329
Systems Maintenance Services Holding, Inc.	10/18/2019	High Tech Industries	5.00%	L+400	5,850,000	5,834,217	5,733,000
Tensar Corporation	07/09/2021	Construction and Building	5.75%	L+475	4,822,723	4,786,985	4,071,198
The Original Cakerie, Co. (6), (11)	07/20/2021	Consumer Goods: Non-Durable	6.50%	L+550	3,092,295	3,062,366	3,061,372
The Original Cakerie Ltd. (6), (11)	07/20/2021	Consumer Goods: Non-Durable	6.00%	L+500	5,986,002	5,928,120	5,926,142
The Original Cakerie Ltd. (Revolver) (6), (8), (10), (11)	07/20/2021	Consumer Goods: Non-Durable	—	—	1,418,484	—	(7,092)
TOMS Shoes, LLC	11/02/2020	Consumer Goods: Non-Durable	6.50%	L+550	1,970,000	1,825,559	1,576,000
Triad Manufacturing, Inc.	12/28/2020	Capital Equipment	11.27%	L+1,075 (9)	10,306,936	10,124,477	10,306,936
UniTek Global Services, Inc. (8)	01/14/2019	Telecommunications	9.50%	L+850	256,971	256,971	256,971
			(PIK 1.00%)				
UniTek Global Services, Inc. (8)	01/14/2019	Telecommunications	8.50%	L+750	599,702	562,432	590,706
UniTek Global Services, Inc. (8), (10)	01/14/2019	Telecommunications	—	—	151,090	—	—
Universal Fiber Systems, LLC	10/04/2021	Chemicals, Plastics and Rubber	6.50%	L+550	4,962,500	4,919,423	4,937,688
U.S. Anesthesia Partners, Inc.	12/31/2019	Healthcare and Pharmaceuticals	6.00%	L+500	9,900,000	9,818,407	9,850,500
US Med Acquisition, Inc. (8)	08/13/2021	Healthcare and Pharmaceuticals	10.00%	L+900	3,089,844	3,089,844	3,089,844
Vistage Worldwide, Inc.	08/19/2021	Media: Broadcasting and Subscription	6.50%	L+550	4,792,831	4,752,002	4,792,831
Winchester Electronics Corporation	06/30/2022	Capital Equipment	7.50%	L+650	7,773,579	7,703,094	7,668,171
Winchester Electronics Corporation (10)	06/30/2022	Capital Equipment	—	—	708,333	—	(9,605)
Worley Claims Services, LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.00%	L+800	7,316,440	7,259,010	7,316,440
Total First Lien Secured Debt						549,736,982	548,410,095
Second Lien Secured Debt—9.7%							
Affinion Group, Inc. (8)	10/31/2018	Consumer Goods: Durable	8.50%	L+700	1,000,000	942,276	879,170
American Gilsonite Company (5), (8)	09/01/2017	Metals and Mining	— (7)	—	1,000,000	1,000,000	700,000
Douglas Products and Packaging Company LLC	12/31/2020	Chemicals, Plastics and Rubber	11.34%	L+1,050 (9)	2,000,000	1,971,030	2,020,000
Howard Berger Co. LLC	09/30/2020	Wholesale	11.00%	L+1,000	11,000,000	10,511,818	9,900,000
MailSouth, Inc.	10/22/2021	Media: Advertising, Printing and Publishing	11.50%	L+1,050	3,775,000	3,703,724	3,775,000
Novitex Acquisition, LLC	07/07/2021	Business Services	12.25%	L+1,100	11,000,000	10,914,618	11,000,000
Penton Media, Inc. (8)	10/02/2020	Media: Diversified and Production	9.00%	L+775	4,872,042	4,826,926	4,853,772
Sunshine Oilsands Ltd. (5), (6), (8), (11)	08/01/2017	Energy: Oil and Gas	12.50%	—	2,812,500	2,756,732	1,631,250
VT Buyer Acquisition Corp.	01/30/2023	Business Services	10.75%	L+975	1,837,500	1,777,304	1,837,500
Total Second Lien Secured Debt						38,404,428	36,596,692
Subordinated Debt/Corporate Notes—0.8% (8)							
Affinion International Holdings Limited (5), (6), (11)	07/30/2018	Consumer Goods: Durable	7.50%	—	1,135,273	1,030,320	1,035,937
Credit Infonet, Inc.	10/26/2018	High Tech Industries	13.00%	—	2,069,078	2,050,767	1,975,969
			(PIK 1.75%)				
UniTek Global Services, Inc.	07/15/2019	Telecommunications	15.00%	—	146,996	146,996	148,466
			(PIK 15.00%)				
Total Subordinated Debt/Corporate Notes						3,228,083	3,160,372
Preferred Equity—0.4% (7), (8)							
UniTek Global Services, Inc.	—	Telecommunications	13.50%	—	1,047,317	670,283	1,319,308
Common Equity/Warrants—2.5% (7), (8)							
Affinion Group Holdings, Inc.	—	Consumer Goods: Durable	—	—	99,029	3,514,572	3,700,216

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF INVESTMENTS—(Continued)
SEPTEMBER 30, 2016

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par / Shares	Cost	Fair Value (2)
Affinion Group Holdings, Inc., Series C and Series D	—	Consumer Goods: Durable	—	—	4,298	\$ 1,186,649	\$ 20,096
Corfin InvestCo, L.P.	—	Aerospace and Defense	—	—	3,000	300,000	621,550
Corfin InvestCo, L.P. (10)	—	Aerospace and Defense	—	—	3,000	—	—
e.l.f. Beauty, Inc. (f/k/a J.A. Cosmetics US, Inc.)	—	Consumer Goods: Durable	—	—	110,399	295,670	2,957,767
Faraday Holdings, LLC (Interior Specialists, Inc.)	—	Construction and Building	—	—	1,141	58,044	94,560
Patriot National, Inc.	—	Banking, Finance, Insurance and Real Estate	—	—	11,867	27,995	106,922
TPC Broadband Investors, LP (Advanced Cable Communications, LLC)	—	Telecommunications	—	—	430,666	430,666	430,666
TPC Broadband Investors, LP (Advanced Cable Communications, LLC) (10)	—	Telecommunications	—	—	569,334	—	—
UniTek Global Services, Inc.	—	Telecommunications	—	—	149,617	—	892,276
Vestcom Parent Holdings, Inc.	—	Media: Advertising, Printing and Publishing	—	—	15,179	56,895	577,005
Total Common Equity/Warrants						5,870,491	9,401,058
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies						597,910,267	598,887,525
Cash and Cash Equivalents—7.7%							
BlackRock Liquidity Funds, Temp Cash and Temp Fund, Institutional Shares						28,212,041	28,212,041
BNY Mellon Cash Reserve and Cash						691,318	698,932
Total Cash and Cash Equivalents						28,903,359	28,910,973
Total Investments and Cash Equivalents—167.0%						\$ 626,813,626	\$ 627,798,498
Liabilities in Excess of Other Assets—(67.0%)							(251,891,670)
Net Assets—100.0%							\$ 375,906,828

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or “L,” or Prime rate, or “P.” All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes 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) Coupon is not subject to a LIBOR or Prime rate floor.
- (10) 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.
- (11) 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.
- (12) Par amount is denominated in Canadian Dollars.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 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 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 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 senior secured debt, or first lien loans, 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 mezzanine debt, which we define as second lien secured and 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 \$375 million 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 February 2017, we completed a follow-on public offering of 5,750,000 shares of common stock, which resulted in proceeds to us of \$14.08 per share, including the exercise of the underwriters' option to purchase additional shares, for gross proceeds of \$81.0 million and net proceeds of \$80.5 million after offering expenses. Our Investment Adviser paid \$5.0 million in connection with this offering, which included the sales load and an additional supplemental payment.

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.

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 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 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.

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 our 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 and Credit Facility 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 collectible. 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.

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 and nine months ended June 30, 2017, we recorded a provision for taxes of \$0.1 million and \$0.2 million, respectively, pertaining to U.S. federal excise tax. For both the three and nine months ended June 30, 2016, we did not record a provision for taxes.

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. We did not have any material uncertain tax positions or any unrecognized tax benefits that met the recognition or measurement criteria of ASC 740-10-25 as of the periods presented herein.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and net realized gain 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.

(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 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 a wholly-owned 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 Statement 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.

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 2017. 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 and nine months ended June 30, 2017, the Investment Adviser earned base management fees of \$1.8 million and \$5.1 million, respectively, from us. For the three and nine months ended June 30, 2016, the Investment Adviser earned base management fees of \$1.3 million and \$3.6 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 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 and nine months ended June 30, 2017, the Investment Adviser earned an incentive fee on net investment income as calculated under the Investment Management Agreement of \$0.8 million and \$2.3 million, respectively, from us. For the three and nine months ended June 30, 2016, the Investment Adviser earned an incentive fee on net investment income as calculated under the Investment Management Agreement of \$0.5 million and \$1.3 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 both the three and nine months ended June 30, 2017, the Investment Adviser earned an incentive fee on capital gains of \$0.2 million, as calculated under the

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Investment Management Agreement. For the three and nine months ended June 30, 2016, the Investment Adviser did not earn an incentive fee on capital gains, 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 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, if any, will be realized in the future. For the three and nine months ended June 30, 2017, the Investment Adviser accrued an incentive fee on our unrealized and realized capital gains as calculated under GAAP of \$0.4 million and \$0.9 million, respectively. For the three and nine months ended June 30, 2016, the Investment Adviser did not accrue an incentive fee on our unrealized and realized capital gains as calculated under GAAP.

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 2017. Under the Administration Agreement, the Administrator provides administration services and office facilities to us. For providing these services, facilities and personnel, we have agreed to reimburse the Administrator for our 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, 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 the three and nine months ended June 30, 2017, the Investment Adviser was reimbursed approximately \$0.3 million and \$1.3 million, respectively, from us, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above. For the three and nine months ended June 30, 2016, the Investment Adviser was reimbursed approximately \$0.1 million and \$0.6 million, respectively, from us, including expenses the Investment Adviser incurred on behalf of the Administrator, for services described above.

For the three and nine months ended June 30, 2017, the Company purchased zero and \$38.1 million, respectively, and sold zero and \$5.0 million in total investments, respectively, 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 gains on those sales amounted to zero and less than \$0.1 million, respectively.

For both the three and nine months ended June 30, 2017, we sold \$71.0 million investments to PSSL at fair value and recognized \$0.4 million of net realized gains.

4. INVESTMENTS

Purchases of investments, including PIK interest, for the three and nine months ended June 30, 2017 totaled \$136.9 million and \$408.2 million, respectively. For the same periods in the prior year, purchases of investments, including PIK interest, totaled \$101.2 million and \$257.7 million, respectively. Sales and repayments of investments for the three and nine months ended June 30, 2017 totaled \$172.9 million and \$314.8 million, respectively. For the same periods in the prior year, sales and repayments of investments totaled \$40.3 million and \$97.1 million, respectively.

Investments, cash and cash equivalents consisted of the following:

Investment Classification	June 30, 2017		September 30, 2016	
	Cost	Fair Value	Cost	Fair Value
First lien	\$ 610,806,604	\$ 613,273,017	\$ 549,736,982	\$ 548,410,095
Second lien	33,763,248	32,385,313	38,404,428	36,596,692
Subordinated debt / corporate notes	7,240,899	7,368,173	3,228,083	3,160,372
Subordinated debt in PSSL	25,200,000	25,200,000	—	—
Equity	9,769,580	9,880,753	6,540,774	10,720,366
Equity interests in PSSL	10,800,000	10,822,425	—	—
Total investments	697,580,331	698,929,681	597,910,267	598,887,525
Cash and cash equivalents	48,866,893	48,951,746	28,903,359	28,910,973
Total investments, cash and cash equivalents	\$ 746,447,224	\$ 747,881,427	\$ 626,813,626	\$ 627,798,498

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

Industry Classification	June 30, 2017 (1)	September 30, 2016
Healthcare and Pharmaceuticals	8%	10%
Hotel, Gaming and Leisure	8	6
Business Services	7	8
Consumer Goods: Non-Durable	7	4
High Tech Industries	7	10
Consumer Goods: Durable	6	7
Telecommunications	6	6
Aerospace and Defense	5	5
Beverage, Food and Tobacco	5	2
Capital Equipment	5	5
Media: Advertising, Printing and Publishing	5	4
Retail	5	5
Wholesale	5	5
Chemicals, Plastics and Rubber	4	3
Media: Diversified and Production	4	5
Construction and Building	3	3
Media: Broadcasting and Subscription	3	2
Banking, Finance, Insurance and Real Estate	2	2
Consumer Services	1	2
Utilities: Water	—	2
All Other	4	4
Total	100%	100%

(1) Excludes investments in PSSSL.

PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Trinity, a subsidiary of Kemper, formed PSSSL, an unconsolidated joint venture. PSSSL invests primarily in middle-market and other corporate debt securities consistent with our strategy. PSSSL was formed as a Delaware limited liability company. As of June 30, 2017, PSSSL had total assets of \$77.8 million. PSSSL's portfolio consisted of debt investments in 14 portfolio companies as of June 30, 2017. As of June 30, 2017, at fair value, the largest investment in a single portfolio company in PSSSL was \$6.1 million and the five largest investments totaled \$29.8 million. PSSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSSL in the form of subordinated notes and equity interests. The subordinated notes are junior in right of payment to the repayment of temporary contributions made by us to fund investments of PSSSL. As of June 30, 2017, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding subordinated notes and equity interests. Our investment in PSSSL consisted of equity interests of \$10.8 million and subordinated notes of \$25.2 million as of June 30, 2017. As of the same date, we had commitments to fund subordinated notes to PSSSL of \$61.3 million, of which \$36.1 million was unfunded. As of June 30, 2017, we had commitments to fund equity interests in PSSSL of \$26.2 million, of which \$15.4 million was unfunded.

We and Kemper each appointed two members to PSSSL's four person board of directors and investment committee. All material decisions with respect to PSSSL, including those involving its investment portfolio, require unanimous approval of a quorum of the board of directors or investment committee. Quorum is defined as (i) the presence of two members of the board of directors or investment committee; provided that at least one individual is present that was elected, designated or appointed by each member; (ii) the presence of three members of the board of directors or investment committee, provided that the individual that was elected, designated or appointed by the member with only one individual present shall be entitled to cast two votes on each matter; and (iii) the presence of four members of the board of directors or investment committee shall constitute a quorum, provided that two individuals are present that were elected, designated or appointed by each member.

Additionally, PSSSL has entered into a senior secured revolving credit facility, or the PSSSL Credit Facility, with Capital One, N.A. through its wholly-owned subsidiary PennantPark Senior Secured Loan Facility LLC, or PSSSL Subsidiary, which as of June 30, 2017 allowed PSSSL Subsidiary to borrow up to \$100.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

Below is a summary of PSSSL's portfolio:

	June 30, 2017
Total investments (1)	\$ 70,707,374
Weighted average cost yield on income producing investments (2)	7.5%
Number of portfolio companies in PSSSL	14
Largest portfolio company investment (1)	\$ 6,055,020
Total of five largest portfolio company investments (1)	\$ 29,764,646

(1) At fair value.

(2) The weighted average cost yield on income producing investments is computed based upon a combination of the cash flows to date and the contractual interest payments, principal amortization and principal due at maturity without giving effect to closing fees received, base management fees, incentive fees or general fund related expenses.

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Below is a listing of PSSS's individual investments as of June 30, 2017:

PennantPark Senior Secured Loan Fund I LLC
Schedule of Investments
June 30, 2017
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—571.7%							
First Lien Secured Debt—571.7%							
Alvogen Pharma US, Inc. (3)	04/04/2022	Healthcare and Pharmaceuticals	6.23%	L+500	3,766,541	\$ 3,725,241	\$ 3,700,626
API Technologies Corp.	04/22/2022	Aerospace and Defense	7.80%	L+650	4,987,406	4,937,654	4,912,595
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.43%	L+725	5,987,234	5,838,216	5,927,362
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	6.73%	L+550	4,937,500	4,863,654	4,889,647
IGM RFE1 B.V. (3), (4)	10/12/2021	Chemicals, Plastics and Rubber	8.00%	E+800	€ 4,968,553	5,666,884	5,666,884
Impact Sales, LLC	12/30/2021	Wholesale	8.15%	L+700	2,992,481	2,977,543	2,992,481
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.06%	L+600	6,000,000	6,071,161	6,055,020
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.30%	L+500	4,085,733	4,060,081	4,067,531
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	7.30%	L+600	4,937,500	4,869,692	4,863,438
One Sixty Over Ninety, LLC	03/03/2022	Media: Advertising, Printing and Publishing	10.51%	L+921	6,000,000	5,880,288	5,940,000
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.00%	L+500	4,874,995	4,874,995	4,874,995
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	6.55%	L+525	5,962,264	5,962,264	5,962,264
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	7.06%	L+600	4,937,500	5,008,226	4,974,531
Worley Claims Services, LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.21%	L+800	6,000,000	5,940,231	5,880,000
Total First Lien Secured Debt						70,676,130	70,707,374
Total Investments in Non-Controlled, Affiliated Portfolio Companies						70,676,130	70,707,374
Cash and Cash Equivalents—48.9%							
BlackRock Federal FD Institutional 30						6,046,864	6,046,864
Total Investments and Cash Equivalents—620.6%						\$ 76,722,994	\$ 76,754,238
Liabilities in Excess of Other Assets—(520.6)%							(64,385,753)
Members' Equity—100.0%							\$ 12,368,485

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, EURIBOR or Prime rate. 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 PSSS's accounting policy.
- (3) Non-U.S. company or principal place of business outside the United States.
- (4) Par amount is denominated in Euros (€) as denoted.

Below is the financial information for PSSS:

PennantPark Senior Secured Loan Fund I LLC
Statement of Assets and Liabilities

	June 30, 2017
	(Unaudited)
Assets	
Investments at fair value	
Non-controlled, non-affiliated investments (cost—\$70,676,130)	\$ 70,707,374
Cash and cash equivalents (cost—\$6,046,864)	6,046,864
Prepaid expenses and other assets	1,047,384
Total assets	77,801,622
Liabilities	
Payable for investments purchased	10,541,879
PSSL Credit Facility payable	26,000,000
Subordinated debt payable	28,800,000
Accrued other expenses	91,258
Total liabilities	65,433,137
Members' equity	12,368,485
Total liabilities and members' equity	\$ 77,801,622

PennantPark Senior Secured Loan Fund I LLC
Statements of Operations
(Unaudited)

	For the period May 4, 2017 (inception) through June 30, 2017
Investment income:	
From non-controlled, non-affiliated investments:	
Interest	\$ 93,441
Total investment income	93,441
Expenses:	
Interest and expenses on PSSS Credit Facility	35,680
Interest expense on subordinated debt	50,242
Other general and administrative expenses	13,136
Total expenses	99,058
Net investment loss	(5,617)
Net unrealized gain from investments	31,244
Net increase in members' equity resulting from operations	\$ 25,627

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value, as defined under ASC 820, Fair Value Measurement, or 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 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 our 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.

The inputs into the determination of fair value may require significant management judgment or estimation. Even if observable market data is available, such information may be the result of consensus pricing information, disorderly transactions 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 was available. Corroborating evidence that would result in classifying these non-binding broker/dealer bids as a Level 2 asset includes observable orderly market-based transactions for the same or similar assets or other relevant observable market-based inputs that may be used in pricing an asset.

Our investments are generally structured as Floating Rate Loans, mainly senior secured debt, but also may include second lien, high yield, mezzanine and distressed debt securities and equity 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. These non-public investments valued using unobservable inputs are included in Level 3 of the fair value hierarchy.

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. During the nine months ended June 30, 2017 and 2016, our ability to observe valuation inputs resulted in no reclassifications and one reclassification of an asset from Level 2 to 1, respectively.

In addition to using the above inputs in cash equivalents, investments 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 typically include a disclaimer, may not have corroborating evidence, may be the result of a disorderly transaction 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 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. We have adopted ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient.

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The remainder of our portfolio and our long-term Credit Facility are 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. These non-public investments using unobservable inputs are included in Level 3 of the fair value hierarchy. 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. Generally, an increase in a market yield will result in a decrease in the valuation of a debt investment, while a decrease in a market yield will have the opposite effect. Generally, an increase in an EBITDA multiple will result in an increase in the valuation of an investment, while a decrease in an EBITDA will have the opposite effect.

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

Asset Category	Fair Value at June 30, 2017	Valuation Technique	Unobservable Input	Range of Input (Weighted Average)
First lien	\$ 278,386,014	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	13,180,750	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	334,887,003	Market Comparable	Market Yield	5.6% – 23.3% (8.5%)
Second lien	19,204,563	Market Comparable	Market Yield	12.0% – 14.3% (13.4%)
Subordinated debt / corporate notes	32,568,173	Market Comparable	Market Yield	6.3% – 17.7% (7.8%)
Equity (1)	9,855,595	Enterprise Market Value	EBITDA multiple	5.4x – 9.0x (7.7x)
Total Level 3 investments	<u>\$ 688,082,098</u>			
Long-Term Credit Facility	<u>\$ 293,663,760</u>	Market Comparable	Market Yield	3.6%

(1) Excludes \$10.8 million of equity interests in PSSL at fair value, which the Company valued using PSSL's net asset value.

Asset Category	Fair Value at September 30, 2016	Valuation Technique	Unobservable Input	Range of Input (Weighted Average)
First lien	\$ 264,299,729	Market Comparable	Broker/Dealer bids or quotes	N/A
Second lien	8,064,192	Market Comparable	Broker/Dealer bids or quotes	N/A
Subordinated debt / corporate notes	1,035,937	Market Comparable	Broker/Dealer bids or quotes	N/A
First lien	284,110,366	Market Comparable	Market Yield	5.3% – 13.9% (8.3%)
Second lien	28,532,500	Market Comparable	Market Yield	10.2% – 15.9% (13.7%)
Subordinated debt / corporate notes	2,124,435	Market Comparable	Market Yield	15.7% – 16.5% (15.8%)
Equity	7,655,677	Enterprise Market Value	EBITDA multiple	4.3x–9.0x (7.2x)
Total Level 3 investments	<u>\$ 595,822,836</u>			
Long-Term Credit Facility	<u>\$ 232,389,498</u>	Market Comparable	Market Yield	3.4%

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

Description	Fair Value at June 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
First lien	\$ 613,273,017	\$ —	\$ —	\$ 613,273,017
Second lien	32,385,313	—	—	32,385,313
Subordinated debt / corporate notes	32,568,173	—	—	32,568,173
Equity	20,703,178	25,158	—	20,678,020
Total investments	<u>698,929,681</u>	<u>25,158</u>	<u>—</u>	<u>698,904,523</u>
Cash and cash equivalents	48,951,746	48,951,746	—	—
Total investments, cash and cash equivalents	<u>\$ 747,881,427</u>	<u>\$ 48,976,904</u>	<u>\$ —</u>	<u>\$ 698,904,523</u>
Long-Term Credit Facility	<u>\$ 293,663,760</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 293,663,760</u>

Description	Fair Value at September 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
First lien	\$ 548,410,095	\$ —	\$ —	\$ 548,410,095
Second lien	36,596,692	—	—	36,596,692
Subordinated debt / corporate notes	3,160,372	—	—	3,160,372
Equity	10,720,366	106,922	2,957,767	7,655,677
Total investments	<u>598,887,525</u>	<u>106,922</u>	<u>2,957,767</u>	<u>595,822,836</u>
Cash and cash equivalents	28,910,973	28,910,973	—	—
Total investments, cash and cash equivalents	<u>\$ 627,798,498</u>	<u>\$ 29,017,895</u>	<u>\$ 2,957,767</u>	<u>\$ 595,822,836</u>
Long-Term Credit Facility	<u>\$ 232,389,498</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 232,389,498</u>

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

Description	Nine Months Ended June 30, 2017		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 548,410,095	\$ 47,412,741	\$ 595,822,836
Net realized gains	1,930,863	385,791	2,316,654
Net unrealized appreciation (depreciation)	3,793,301	(677,348)	3,115,953
Purchases, PIK interest, net discount accretion and non-cash exchanges	357,904,860	51,661,748	409,566,608
Sales, repayments and non-cash exchanges	(298,766,102)	(13,151,426)	(311,917,528)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 613,273,017</u>	<u>\$ 85,631,506</u>	<u>\$ 698,904,523</u>
Net change in unrealized appreciation (depreciation) reported within the net change in unrealized (depreciation) appreciation on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	<u>\$ 3,084,852</u>	<u>\$ (487,881)</u>	<u>\$ 2,596,971</u>

Description	Nine Months Ended June 30, 2016		
	First Lien	Second lien, subordinated debt and equity investments	Totals
Beginning Balance	\$ 334,957,341	\$ 56,163,940	\$ 391,121,281
Net realized gains (losses)	373,407	(2,443,779)	(2,070,372)
Net unrealized (depreciation) appreciation	(1,497,426)	1,431,253	(66,173)
Purchases, PIK interest, net discount accretion and non-cash exchanges	250,398,992	8,610,761	259,009,753
Sales, repayments and non-cash exchanges	(95,166,566)	(1,925,714)	(97,092,280)
Transfers in and/or out of Level 3	—	—	—
Ending Balance	<u>\$ 489,065,748</u>	<u>\$ 61,836,461</u>	<u>\$ 550,902,209</u>
Net change in unrealized depreciation reported within the net change in unrealized appreciation (depreciation) on investments in our Consolidated Statements of Operations attributable to our Level 3 assets still held at the reporting date.	<u>\$ (1,117,456)</u>	<u>\$ (1,910,884)</u>	<u>\$ (3,028,340)</u>

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

Long-Term Credit Facility	Nine Months Ended June 30,	
	2017	2016
Beginning Balance (cost – \$232,907,500 and \$29,600,000, respectively)	\$ 232,389,498	\$ 29,600,000
Net change in unrealized appreciation (depreciation) included in earnings	2,972,262	(532,521)
Borrowings	259,802,000	196,807,500
Repayments	(201,500,000)	(35,500,000)
Transfers in and/or out of Level 3	—	—
Ending Balance (cost – \$291,209,500 and \$190,907,500, respectively)	<u>\$ 293,663,760</u>	<u>\$ 190,374,979</u>

As of June 30, 2017, we had outstanding non-U.S. dollar borrowings on our Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Canadian Dollar	C\$ 17,500,000	\$ 12,407,501	\$ 13,475,018	July 5, 2017	\$ 1,067,517
Euro	€ 18,000,000	18,702,000	20,529,900	July 3, 2017	1,827,900
		<u>\$ 31,109,501</u>	<u>\$ 34,004,918</u>		<u>\$ 2,895,417</u>

As of September 30, 2016, we had outstanding non-U.S. dollar borrowings on our Credit Facility. Net change in fair value from foreign currency translation on outstanding borrowings is listed below:

Foreign Currency	Amount Borrowed	Borrowing Cost	Current Value	Reset Date	Change in Fair Value
Canadian Dollar	C\$ 17,500,000	\$ 12,407,501	\$ 13,338,920	October 3, 2016	\$ 931,419

The carrying value of our consolidated financial liabilities approximates fair value. 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. We elected to use the fair value option for our Credit Facility 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 had \$0.1 million in expenses relating to amendment costs on the Credit Facility during both the three and nine months ended June 30, 2017, respectively. For the same periods in the prior year, we incurred expenses of zero and \$0.9 million, respectively, relating to amendment fees on the Credit Facility. 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 Statements of Assets and Liabilities and changes in fair

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value of the Credit Facility are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities. For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, the net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value our investments.

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 portfolio company is generally presumed to be a non-controlled affiliate when we own at least 5% but 25% or less of its voting securities and a controlled affiliate when we own more than 25% of its voting securities. Transactions related to our funded investments with both controlled and non-controlled affiliates for the nine months ended June 30, 2017 were as follows:

<u>Name of Investment</u>	<u>Fair Value at September 30, 2016</u>	<u>Purchases of / Advances to Affiliates</u>	<u>Sale of / Distributions from Affiliates</u>	<u>Income Accrued</u>	<u>Fair Value at June 30, 2017</u>	<u>Net Realized Gains (Losses)</u>
Controlled Affiliates						
PennantPark Senior Secured Loan Fund I LLC *	\$ —	\$ 36,000,000	\$ —	\$ 43,962	\$ 36,022,425	\$ —
Total Controlled Affiliates	\$ —	\$ 36,000,000	\$ —	\$ 43,962	\$ 36,022,425	\$ —

* We and Kemper are the members of PSSSL, a joint venture formed as a Delaware limited liability company that is not consolidated by us for financial reporting purposes. The members of PSSSL make investments in the PSSSL in the form of equity interests and subordinated debt, and all portfolio and other material decision regarding PSSSL must be submitted to PSSSL's board of directors or investment committee, both of which are comprised of two members appointed by each of PFLT and Kemper. Because management of PSSSL is shared equally between us and Kemper, we do not believe we control PSSSL for purposes of the 1940 Act or otherwise.

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:

	<u>Three Months Ended June 30,</u>		<u>Nine Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Numerator for net increase in net assets resulting from operations	\$ 9,341,849	\$ 13,419,342	\$ 25,473,903	\$ 17,602,397
Denominator for basic and diluted weighted average shares	32,480,074	26,730,074	29,531,356	26,730,074
Basic and diluted net increase in net assets per share resulting from operations	\$ 0.29	\$ 0.50	\$ 0.86	\$ 0.66

8. CASH AND 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 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 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 June 30, 2017 and September 30, 2016, cash and cash equivalents consisted of money market funds in the amounts of \$49.0 million and \$28.9 million, respectively, at fair value.

9. FINANCIAL HIGHLIGHTS

Below are the financial highlights:

	Nine Months Ended June 30,	
	2017	2016
Per Share Data:		
Net asset value, beginning of period	\$ 14.06	\$ 13.95
Net investment income (1)	0.78	0.72
Net change in realized and unrealized gain (loss) (1)	0.08	(0.06)
Net increase in net assets resulting from operations (1)	0.86	0.66
Distributions to stockholders (1), (2)	(0.87)	(0.86)
Net asset value, end of period	<u>\$ 14.05</u>	<u>\$ 13.75</u>
Per share market value, end of period	<u>\$ 14.11</u>	<u>\$ 12.40</u>
Total return* (3)	13.42%	11.68%
Shares outstanding at end of period	<u>32,480,074</u>	<u>26,730,074</u>
Ratios** / Supplemental Data:		
Ratio of operating expenses to average net assets (4)	3.74%	2.72%
Ratio of Credit Facility related expenses to average net assets (5)	2.01%	1.46%
Ratio of total expenses to average net assets (5)	5.75%	4.18%
Ratio of net investment income to average net assets (5)	7.38%	7.05%
Net assets at end of period	<u>\$ 456,311,718</u>	<u>\$ 367,638,633</u>
Weighted average debt outstanding	<u>\$ 277,085,083</u>	<u>\$ 112,950,484</u>
Weighted average debt per share (1)	\$ 9.38	\$ 4.23
Asset coverage per unit (6)	\$ 2,554	\$ 2,391
Portfolio turnover ratio	62.21%	26.66%

* Not annualized for periods less than one year.

** Annualized for periods less than one year.

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

(2) The tax status of distributions is calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP, and reported on Form 1099-DIV each calendar year.

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

(4) Excludes Credit Facility related costs.

(5) Credit Facility amendment costs, if any, are not annualized.

(6) The asset coverage ratio for a class of senior securities representing indebtedness is calculated on 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.

10. CREDIT FACILITY

Funding I's multi-currency Credit Facility with affiliates of SunTrust Bank, or the Lenders, was \$375 million as of June 30, 2017, subject to satisfaction of certain conditions and the regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR of 200 basis points, a maturity date of August 2020 and a revolving period that ends in August 2018. As of June 30, 2017 and September 30, 2016, Funding I had \$291.2 million and \$232.9 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had an interest rate of 3.00% and 2.57%, as of June 30, 2017 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2017 and 2016, inclusive of the fee on the undrawn commitment and amendment costs on the Credit Facility, was 3.02% and 5.01%, respectively.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years, maturing in August 2020. The Credit Facility is secured by all of the assets of Funding I. Both PennantPark Floating Rate Capital Ltd. and Funding I have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility contains covenants, including, but not limited to, restrictions of loan size, industry requirements, average life of loans, geographic and individual portfolio concentrations, minimum portfolio yield and loan payment frequency. Additionally, the Credit Facility requires the maintenance of a minimum equity investment in Funding I and income ratio as well as restrictions on certain payments and issuance of debt. For instance, we must maintain at least \$25 million in equity and must maintain an interest coverage ratio of at least 125%. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of June 30, 2017, we were in compliance with the covenants relating to our Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. 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. Our Investment Adviser serves as collateral manager to Funding I under the Credit Facility.

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made all required payments of (1) cash interest and, if applicable, principal to the Lenders, (2) administrative expenses and (3) claims of other unsecured creditors of Funding I. The Investment Adviser has irrevocably directed that any 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.

11. COMMITMENTS AND CONTINGENCIES

From time to time, we, the Investment Adviser or the Administrator may be a party to legal proceedings, 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, if any, are disclosed in the Consolidated Schedules of Investments. As of June 30, 2017 and September 30, 2016, we had \$47.6 million and \$20.0 million, respectively, in commitments to fund investments. Additionally, as described in Note 4, the Company had commitments of up to \$51.5 million to PSSL as of June 30, 2017, that may be contributed primarily for the purpose of funding new investments approved by the PSSL board of directors or investment committee.

12. SUBSEQUENT EVENTS

Subsequent to quarter-end, we were awarded approximately 14 cents per share in a litigation settlement related to a former portfolio company of MCG Capital Corporation.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
PennantPark Floating Rate Capital Ltd. and its Subsidiaries

We have reviewed the accompanying consolidated statements of assets and liabilities of PennantPark Floating Rate Capital Ltd. and its Subsidiaries (collectively referred to as the "Company"), including the consolidated schedule of investments as of June 30, 2017, the related consolidated statements of operations for the three and nine months ended June 30, 2017 and 2016, and the related consolidated statements of changes in net assets and cash flows for the nine month periods ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board, the consolidated statement of assets and liabilities of the Company, including the consolidated schedule of investments, as of September 30, 2016, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended (not presented herein); and in our report dated November 22, 2016, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated statements of assets and liabilities as of September 30, 2016, is fairly stated, in all material respects, in relation to the consolidated statement of assets and liabilities from which it has been derived.

/s/ RSM US LLP

New York, New York
August 8, 2017

FORWARD-LOOKING STATEMENTS

This Report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains statements that constitute forward-looking statements, which relate to us and our consolidated subsidiaries regarding future events or our future performance or future financial condition. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about our Company, our industry, our beliefs and our assumptions. The forward-looking statements contained in this Report involve risks and uncertainties, including statements as to:

- our future operating results;
- our business prospects and the prospects of our prospective portfolio companies;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the impact of a protracted decline in the liquidity of credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest rates and foreign exchange rates on our business and our portfolio companies;
- our contractual arrangements and relationships with third parties;
- the valuation of our investments in portfolio companies, particularly those having no liquid trading market;
- the ability of our prospective portfolio companies to achieve their objectives;
- our expected financings and investments and ability to fund capital commitments to PSSS;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our prospective portfolio companies;
- the impact of price and volume fluctuations in the stock market;
- the ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments;
- the impact of future legislation and regulation on our business and our portfolio companies; and
- the impact of European sovereign debt, Brexit and other world economic and political issues.

We use words such as "anticipates," "believes," "expects," "intends," "seeks," "plans," "estimates" and similar expressions to identify forward-looking statements. You should not place undue influence on the forward-looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason.

Although we believe that the assumptions on which these forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions also could be inaccurate. Important assumptions include our ability to originate new loans and investments, certain margins and levels of profitability and the availability of additional capital. In light of these and other uncertainties, the inclusion of a projection or forward-looking statement in this Report should not be regarded as a representation by us that our plans and objectives will be achieved.

We have based the forward-looking statements included in this Report on information available to us on the date of this Report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements in this Report, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including reports on Form 10-Q/K and current reports on Form 8-K.

You should understand that under Section 27A(b)(2)(B) of the Securities Act and Section 21E(b)(2)(B) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in periodic reports we file under the Exchange Act.

The following analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the related notes thereto contained elsewhere in this Report.

Overview

PennantPark Floating Rate Capital Ltd. is a BDC whose objectives are to generate current income and capital appreciation while seeking to preserve capital by investing primarily in Floating Rate Loans and other investments made to U.S. middle-market companies.

We believe that Floating Rate Loans to U.S. middle-market companies offer attractive risk-reward to investors due to a limited amount of capital available for such companies and the potential for rising interest rates. We use the term "middle-market" to refer to companies with annual revenues between \$50 million and \$1 billion. Our investments are typically rated below investment grade. Securities rated below investment grade are often referred to as "leveraged loans" or "high yield" securities or "junk bonds" and are often higher risk compared to debt instruments that are rated above investment grade and have speculative characteristics. However, when compared to junk bonds and other non-investment grade debt, senior secured Floating Rate Loans typically have more robust capital-preserving qualities, such as historically lower default rates than junk bonds, represent the senior source of capital in a borrower's capital structure and often have certain of the borrower's assets pledged as collateral. Our debt investments may generally range in maturity from three to ten years and are made to U.S. and, to a limited extent, non-U.S. corporations, partnerships and other business entities which operate in various industries and geographical regions.

Under normal market conditions, we generally expect that at least 80% of the value of our Managed Assets will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest. We generally expect that senior secured debt, or first lien loans, will represent at least 65% of our overall portfolio. We also

generally expect to invest up to 35% of our overall portfolio opportunistically in other types of investments, including mezzanine debt and, to a lesser extent, equity investments. We seek to create a diversified portfolio by generally targeting an investment size between \$3 million and \$15 million, on average, although we expect that this investment size will vary proportionately with the size of our capital base.

Our investment activity depends on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. We have used, and expect to continue to use our Credit Facility, proceeds from the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Organization and Structure of PennantPark Floating Rate Capital Ltd.

PennantPark Floating Rate Capital Ltd., a Maryland corporation organized in October 2010, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes we elected to be treated, and intend to qualify annually, as a RIC under the Code.

Our investment activities are managed by the Investment Adviser. Under our Investment Management Agreement, we have agreed to pay our Investment Adviser an annual base management fee based on our average adjusted gross total assets as well as an incentive fee based on our investment performance. We have also entered into an Administration Agreement with the Administrator. Under our Administration Agreement, we have 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 and our allocable portion of the costs of compensation and related expenses of our Chief Compliance Officer, Chief Financial Officer and their respective staffs. Our board of directors, a majority of whom are independent of us, provides overall supervision of our activities, and the Investment Adviser supervises our day-to-day activities.

Revenues

We generate revenue in the form of interest income on the debt securities we hold and capital gains and dividends, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of senior secured debt or mezzanine debt, typically have a term of three to ten years and bear interest at a fixed or floating rate. Interest on debt securities is generally payable quarterly or semiannually. In some cases, our investments provide for deferred interest payments or PIK interest. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of amendment, commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. Loan origination fees, OID, market discount or premium are capitalized and 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 loan waiver and amendment fees, and are recorded as investment income when earned.

Expenses

Our primary operating expenses include the payment of a management fee and the payment of an incentive fee to our Investment Adviser, if any, our allocable portion of overhead under our Administration Agreement and other operating costs as detailed below. Our management fee compensates our Investment Adviser for its work in identifying, evaluating, negotiating, consummating and monitoring our investments. Additionally, we pay interest expense on the outstanding debt and unused commitment fees on undrawn amounts, under our Credit Facility. We bear all other direct or indirect costs and expenses of our operations and transactions, including:

- the cost of calculating our net asset value, including the cost of any third-party valuation services;
- the cost of effecting sales and repurchases of shares of our common stock and other securities;
- fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence and reviews of prospective investments or complementary businesses;
- expenses incurred by the Investment Adviser in performing due diligence and reviews of investments;
- transfer agent and custodial fees;
- fees and expenses associated with marketing efforts;
- federal and state registration fees and any exchange listing fees;
- federal, state, local and foreign taxes;
- independent directors' fees and expenses;
- brokerage commissions;
- fidelity bond, directors and officers, errors and omissions liability insurance and other insurance premiums;
- direct costs such as printing, mailing, long distance telephone and staff;
- fees and expenses associated with independent audits and outside legal costs;
- costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- all other expenses incurred by either the Administrator or us in connection with administering our business, including payments under our Administration Agreement that will be based upon our allocable portion of overhead, and other expenses incurred by the Administrator in performing its obligations under our 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.

Generally, during periods of asset growth, we expect our general and administrative expenses to be relatively stable or to decline as a percentage of total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities would be additive to the expenses described above.

PORTFOLIO AND INVESTMENT ACTIVITY

As of June 30, 2017, our portfolio totaled \$698.9 million and consisted of \$613.3 million of senior secured debt, \$32.4 million of second lien secured debt, \$32.5 million of subordinated debt and \$20.7 million of preferred and common equity. Our debt portfolio consisted of 99% variable-rate investments (including 9% where LIBOR was below the floor) and 1% fixed-rate investments. As of June 30, 2017, we had one company on non-accrual, representing 0.4% and 0.2% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized appreciation of \$1.4 million. Our overall portfolio consisted of 86 companies with an average investment size of \$8.1 million, had a weighted average yield on debt investments of 8.2%, and was invested 88% in senior secured debt, 4% in second lien secured debt, 5% in subordinated debt and 3% in preferred and common equity.

As of September 30, 2016, our portfolio totaled \$598.9 million and consisted of \$548.4 million of senior secured debt, \$36.6 million of second lien secured debt and \$13.9 million of subordinated debt, preferred and common equity. Our debt portfolio consisted of 99% variable-rate investments (including 94% where LIBOR was below the floor) and 1% fixed-rate investments. As of September 30, 2016, we had one company on non-accrual, representing 0.2% and 0.1% of our overall portfolio on a cost and fair value basis, respectively. Overall, the portfolio had net unrealized appreciation of \$1.0 million. Our overall portfolio consisted of 98 companies with an average investment size of \$6.1 million, had a weighted average yield on debt investments of 7.8%, and was invested 92% in senior secured debt, 6% in second lien secured debt and 2% in subordinated debt, preferred and common equity.

For the three months ended June 30, 2017, we invested \$136.7 million in four new and 14 existing portfolio companies with a weighted average yield on debt investments of 8.3%. Sales and repayments of investments for the three months ended June 30, 2017 totaled \$172.9 million. For the nine months ended June 30, 2017, we invested \$407.8 million in 25 new and 37 existing portfolio companies with a weighted average yield on debt investments of 7.8%. Sales and repayments of investments for the nine months ended June 30, 2017 totaled \$314.8 million.

For the three months ended June 30, 2016, we invested \$101.2 million in 14 new and six existing portfolio companies with a weighted average yield on debt investments of 7.4%. Sales and repayments of investments for the three months ended June 30, 2016 totaled \$40.3 million. For the nine months ended June 30, 2016, we invested \$257.7 million in 29 new and 16 existing portfolio companies with a weighted average yield on debt investments of 8.1%. Sales and repayments of investments for the nine months ended June 30, 2016 totaled \$97.1 million.

CRITICAL ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with 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 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. In addition to the discussion below, we describe our critical accounting policies in the notes to our Consolidated Financial Statements.

Investment Valuations

We expect that there may not be readily available market values for many of the 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.

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 the 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 our 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.

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 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 our 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.

In addition to using the above inputs in cash equivalents, investments 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.

The carrying value of our consolidated financial liabilities approximates fair value. 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. We elected to use the fair value option for our Credit Facility 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 had \$0.1 million in expenses relating to amendment costs on the Credit Facility during both the three and nine months ended June 30, 2017, respectively. For the same periods in the prior year, we incurred expenses of zero and \$0.9 million, respectively, relating to amendment fees on the Credit Facility. 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 Statements of Assets and Liabilities and changes in fair value of the Credit Facility are reported in our Consolidated Statements of Operations. We elected not to apply ASC 825-10 to any other financial assets or liabilities. For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, the net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of our Credit Facility in a manner consistent with the valuation process that the board of directors uses to value our investments.

Revenue Recognition

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 collectible. 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 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.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

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 and Credit Facility during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

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.

Payment-in-Kind Interest or PIK

We have investments in our portfolio which contain a PIK interest provision. PIK interest is added to the principal balance of the investment and is recorded as income. In order for us to maintain our ability to be treated as a RIC for federal income tax purposes, substantially all of this income must be paid out to stockholders in the form of dividends for U.S. federal income tax purposes, even though we have not collected any cash with respect to interest on PIK securities.

Federal Income Taxes

We have elected to be treated, and intend to qualify annually to maintain our election to be treated, as a RIC under Subchapter M of the Code. To maintain our RIC tax election, we must, among other requirements, meet certain annual source-of-income and quarterly asset diversification requirements. We also must annually distribute dividends for U.S. federal income tax purposes to our stockholders out of the assets legally available for distribution of an amount generally at least equal to 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, or investment company taxable income, determined without regard to any deduction for dividends paid.

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our net ordinary income (subject to certain deferrals and elections) for the calendar year, (2) 98.2% of the excess, if any, of our capital gains over our capital losses, or capital net gain income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of the calendar year plus (3) the sum of any net ordinary income plus capital gain net income for preceding years that was not distributed during such years and on which we did not incur any federal income tax. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

Because federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and net realized gain 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 appropriate tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

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.

RESULTS OF OPERATIONS

Set forth below are the results of operations for the three and nine months ended June 30, 2017 and 2016.

Investment Income

Investment income for the three and nine months ended June 30, 2017 was \$15.2 million and \$41.0 million, respectively, and was attributable to \$13.9 million and \$37.1 million from senior secured loans and \$1.3 million and \$3.9 million from second lien secured debt and subordinated debt. This compares to investment income for the three and nine months ended June 30, 2016, which was \$10.8 million and \$30.9 million, respectively, and was attributable to \$9.0 million and \$26.0 million from senior secured loans and the remainder from second lien secured debt and subordinated debt. The increase in investment income compared to the same periods in the prior year was primarily due to the growth of our portfolio.

Expenses

Expenses for the three and nine months ended June 30, 2017 totaled \$7.0 million and \$18.0 million, respectively. Base management fee for the same periods totaled \$1.8 million and \$5.1 million, incentive fee totaled \$1.4 million (including \$0.2 million on realized gains and \$0.4 million on unrealized gains accrued but not payable) and \$3.4 million (including \$0.2 million on realized gains and \$0.9 million on unrealized gains accrued but not payable), Credit Facility expenses totaled \$2.5 million and \$6.3 million, general and administrative expenses totaled \$1.2 million and \$3.0 million and provision for taxes totaled \$0.1 million and \$0.2 million, respectively. This compares to expenses for the three and nine months ended June 30, 2016, which totaled \$4.0 million and \$11.7 million, respectively. Base management fee for the same periods totaled \$1.3 million and \$3.6 million, incentive fee totaled \$0.5 million and \$1.3 million, Credit Facility expenses totaled \$1.3 million and \$4.2 million (including \$0.9 million of amendment expenses) and general and administrative expenses totaled \$0.9 million and \$2.6 million, respectively. The increase in expenses compared with the same periods in the prior year was primarily due to increases in base management and incentive fees as a result from the growth of our portfolio.

Net Investment Income

Net investment income totaled \$8.2 million and \$23.0 million, or \$0.25 and \$0.78 per share, for the three and nine months ended June 30, 2017, respectively. Net investment income totaled \$6.8 million and \$19.2 million, or \$0.26 and \$0.72 per share, for the three and nine months ended June 30, 2016, respectively. The increase in net investment income compared to the same period in the prior year was primarily due to the growth of our portfolio.

Net Realized Gains or Losses

Sales and repayments of investments for the three and nine months ended June 30, 2017 totaled \$172.9 million and \$314.8 million and net realized gains totaled \$2.5 million and \$5.0 million, respectively. Sales and repayments of investments totaled \$40.3 million and \$97.1 million and realized gains (losses) totaled \$0.2 million and \$(2.0) million for the three and nine months ended June 30, 2016, respectively. The change in realized gains/losses was primarily due to changes in the market conditions of our investments and the values at which they were realized.

Unrealized Appreciation or Depreciation on Investments and Credit Facility

For the three and nine months ended June 30, 2017, we reported a net change in unrealized appreciation on investments of \$0.6 million and \$0.4 million, respectively. For the three and nine months ended June 30, 2016, we reported a net change in unrealized appreciation (depreciation) on investments of \$6.1 million and \$(0.1) million, respectively. As of June 30, 2017 and September 30, 2016, our net unrealized appreciation on investments totaled \$1.4 million and \$1.0 million, respectively. The net change in unrealized appreciation on our investments was driven primarily by changes in capital market conditions, the financial performance of certain portfolio companies and the reversal of unrealized depreciation (appreciation) on investments that were sold.

For the three and nine months ended June 30, 2017, our Credit Facility had a net change in unrealized appreciation of \$1.9 million and \$3.0 million, respectively. For the three and nine months ended June 30, 2016, our Credit Facility had a net change in unrealized depreciation of \$0.3 million and \$0.5 million, respectively. As of June 30, 2017 and September 30, 2016, net unrealized (appreciation) depreciation on our Credit Facility totaled \$(2.5) million and \$0.5 million, respectively. The change in net unrealized depreciation compared to the same periods in the prior year was primarily due to changes in the capital markets.

Net Change in Net Assets Resulting from Operations

Net change in net assets resulting from operations totaled \$9.3 million and \$25.5 million, or \$0.29 and \$0.86 per share, respectively, for the three and nine months ended June 30, 2017. This compares to a net change in net assets resulting from operations which totaled \$13.4 million and \$17.6 million, or \$0.50 and \$0.66 per share, respectively, for the three and nine months ended June 30, 2016. The decrease/increase in the change in net assets from operations compared to the same periods in the prior year was primarily due to changes in portfolio investment values during the reporting periods.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are derived from public offerings, our Credit Facility, cash flows from operations, including investment sales and repayments, and income earned. Our primary use of funds from operations includes investments in portfolio companies and payments of fees and other operating expenses we incur. We have used, and expect to continue to use, our Credit Facility, the rotation of our portfolio and proceeds from public and private offerings of securities to finance our investment objectives.

Funding I's multi-currency Credit Facility with the Lenders was \$375 million as of June 30, 2017, subject to satisfaction of certain conditions and regulatory restrictions that the 1940 Act imposes on us as a BDC, has an interest rate spread above LIBOR of 200 basis points, a maturity date of August 2020 and a revolving period that ends in August 2018. As of June 30, 2017 and September 30, 2016, Funding I had \$291.2 million and \$232.9 million of outstanding borrowings under the Credit Facility, respectively. The Credit Facility had an interest rate of 3.00% and 2.57%, as of June 30, 2017 and September 30, 2016, respectively, excluding the undrawn commitment fees of 0.375%. The annualized weighted average cost of debt for the nine months ended June 30, 2017 and 2016, inclusive of the fee on the undrawn commitment and amendment costs on the Credit Facility, was 3.02% and 5.01%, respectively. As of June 30, 2017 and September 30, 2016, we had \$83.8 million and \$117.1 million of unused borrowing capacity under our Credit Facility, respectively, subject to the regulatory restrictions.

During the revolving period, the Credit Facility bears interest at LIBOR plus 200 basis points and, after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years, maturing in August 2020. The Credit Facility is secured by all of the assets of Funding I. Both PennantPark Floating Rate Capital Ltd. and Funding I have made customary representations and warranties and are required to comply with various covenants, reporting requirements and other customary requirements for similar credit facilities.

The Credit Facility contains covenants, including but not limited to, restrictions of loan size, currency types and amounts, industry requirements, average life of loans, geographic and individual portfolio concentrations, minimum portfolio yield and loan payment frequency. Additionally, the Credit Facility requires the maintenance of a minimum equity investment in Funding I and income ratio as well as restrictions on certain payments and issuance of debt. For instance, we must maintain at least \$25 million in equity and must maintain an interest coverage ratio of at least 125%. The Credit Facility compliance reporting is prepared on a basis of accounting other than GAAP. As of June 30, 2017, we were in compliance with the covenants relating to our Credit Facility.

We own 100% of the equity interest in Funding I and treat the indebtedness of Funding I as our leverage. 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. Our Investment Adviser serves as collateral manager to Funding I under the Credit Facility.

Our interest in Funding I (other than the management fee) is subordinate in priority of payment to every other obligation of Funding I and is subject to certain payment restrictions set forth in the Credit Facility. We may receive cash distributions on our equity interests in Funding I only after it has made (1) all required cash interest and, if applicable, principal payments to the Lenders, (2) required administrative expenses and (3) claims of other unsecured creditors of Funding I. We cannot assure you that there will be sufficient funds available to make any distributions to us or that such distributions will meet our expectations from Funding I. The Investment Adviser 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.

We may raise equity or debt capital through both registered offerings and private offerings of securities, securitizing a portion of our investments among other considerations or mergers and acquisitions. Furthermore, our Credit Facility availability depends on various covenants and restrictions as discussed in the preceding paragraphs. The primary use of existing funds and any funds raised in the future is expected to be for repayment of indebtedness, investments in portfolio companies, cash distributions to our stockholders or for other general corporate purposes. In February 2017, we completed a follow-on public offering of 5,750,000 shares of common stock, which resulted in proceeds to us of \$14.08 per share, including the exercise of the underwriters' option to purchase additional shares, for gross proceeds of \$81.0 million and net proceeds of \$80.5 million after offering expenses. Our Investment Adviser paid \$5.0 million in connection with this offering, which included the sales load and an additional supplemental payment.

At June 30, 2017 and September 30, 2016, we had cash equivalents of \$49.0 million and \$28.9 million, respectively, available for investing and general corporate purposes. We believe our liquidity and capital resources are sufficient to take advantage of market opportunities.

Our operating activities used cash of \$93.9 million for the nine months ended June 30, 2017, and our financing activities provided cash of \$113.8 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from our recent equity offering and net borrowings under the Credit Facility.

Our operating activities used cash of \$143.2 million for the nine months ended June 30, 2016, and our financing activities provided cash of \$138.5 million for the same period. Our operating activities used cash primarily for our investment activities and our financing activities provided cash primarily from net borrowings under the Credit Facility.

PennantPark Senior Secured Loan Fund I LLC

In May 2017, we and Trinity, a subsidiary of 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. As of June 30, 2017, PSSL had total assets of \$77.8 million. PSSL's portfolio consisted of debt investments in 14 portfolio companies as of June 30, 2017. As of June 30, 2017, at fair value, the largest investment in a single portfolio company in PSSL was \$6.1 million and the five largest investments totaled \$29.8 million. PSSL invests in portfolio companies in the same industries in which we may directly invest.

We provide capital to PSSL in the form of subordinated notes and equity interests. The subordinated notes are junior in right of payment to the repayment of temporary contributions made by us to fund investments of PSSL. As of June 30, 2017, we and Kemper owned 87.5% and 12.5%, respectively, of each of the outstanding subordinated notes and equity interests. Our investment in PSSL consisted of equity interests of \$10.8 million and subordinated notes of \$25.2 million as of June 30, 2017. As of the same date, we had commitments to fund subordinated notes to PSSL of \$61.3 million, of which \$36.1 million was unfunded. As of June 30, 2017, we had commitments to fund equity interests in PSSL of \$26.2 million, of which \$15.4 million was unfunded.

We and Kemper each appointed two members to PSSL's four person board of directors and investment committee. All material decisions with respect to PSSL, including those involving its investment portfolio, require unanimous approval of a quorum of the board of directors or investment committee. Quorum is defined as (i) the presence of two members of the board of directors or investment committee; provided that at least one individual is present that was elected, designated or appointed by each member; (ii) the presence of three members of the board of directors or investment committee, provided that the individual that was elected, designated or appointed by the member with only one individual present shall be entitled to cast two votes on each matter; and (iii) the presence of four members of the board of directors or investment committee shall constitute a quorum, provided that two individuals are present that were elected, designated or appointed by each member.

Additionally, PSSL has entered into the PSSL Credit Facility with Capital One, N.A. through its wholly-owned subsidiary PSSL Subsidiary, which as of June 30, 2017 allowed PSSL Subsidiary to borrow up to \$100.0 million at any one time outstanding, subject to leverage and borrowing base restrictions.

Below is a summary of PSSL's portfolio:

	June 30, 2017
Total investments (1)	\$ 70,707,374
Weighted average cost yield on income producing investments (2)	7.5%
Number of portfolio companies in PSSL	14
Largest portfolio company investment (1)	\$ 6,055,020
Total of five largest portfolio company investments (1)	\$ 29,764,646

(1) At fair value.

(2) The weighted average cost yield on income producing investments is computed based upon a combination of the cash flows to date and the contractual interest payments, principal amortization and principal due at maturity without giving effect to closing fees received, base management fees, incentive fees or general fund related expenses.

Below is a listing of PSSL's individual investments as of June 30, 2017:

PennantPark Senior Secured Loan Fund I LLC
Schedule of Investments
June 30, 2017
(Unaudited)

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index (1)	Par	Cost	Fair Value (2)
Investments in Non-Controlled, Non-Affiliated Portfolio Companies—571.7%							
First Lien Secured Debt—571.7%							
Alvogen Pharma US, Inc. (3)	04/04/2022	Healthcare and Pharmaceuticals	6.23%	L+500	3,766,541	\$ 3,725,241	\$ 3,700,626
API Technologies Corp.	04/22/2022	Aerospace and Defense	7.80%	L+650	4,987,406	4,937,654	4,912,595
By Light Professional IT Services, LLC	05/16/2022	High Tech Industries	8.43%	L+725	5,987,234	5,838,216	5,927,362
Country Fresh Holdings, LLC	03/31/2023	Beverage, Food and Tobacco	6.73%	L+550	4,937,500	4,863,654	4,889,647
IGM RFE1 B.V. (3), (4)	10/12/2021	Chemicals, Plastics and Rubber	8.00%	E+800	€ 4,968,553	5,666,884	5,666,884
Impact Sales, LLC	12/30/2021	Wholesale	8.15%	L+700	2,992,481	2,977,543	2,992,481
LSF9 Atlantis Holdings, LLC	05/01/2023	Retail	7.06%	L+600	6,000,000	6,071,161	6,055,020
Mission Critical Electronics, Inc.	09/28/2022	Capital Equipment	6.30%	L+500	4,085,733	4,060,081	4,067,531
Morphe, LLC	02/10/2023	Consumer Goods: Non-Durable	7.30%	L+600	4,937,500	4,869,692	4,863,438
One Sixty Over Ninety, LLC	03/03/2022	Media: Advertising, Printing and Publishing	10.51%	L+921	6,000,000	5,880,288	5,940,000
Snak Club, LLC	07/19/2021	Beverage, Food and Tobacco	6.00%	L+500	4,874,995	4,874,995	4,874,995
The Infosoft Group, LLC	12/02/2021	Media: Broadcasting and Subscription	6.55%	L+525	5,962,264	5,962,264	5,962,264
VIP Cinema Holdings, Inc.	03/01/2023	Consumer Goods: Durable	7.06%	L+600	4,937,500	5,008,226	4,974,531
Worley Claims Services, LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.21%	L+800	6,000,000	5,940,231	5,880,000
Total First Lien Secured Debt						70,676,130	70,707,374
Total Investments in Non-Controlled, Affiliated Portfolio Companies						70,676,130	70,707,374
Cash and Cash Equivalents—48.9%							
BlackRock Federal FD Institutional 30						6,046,864	6,046,864
Total Investments and Cash Equivalents—620.6%						\$ 76,722,994	\$ 76,754,238
Liabilities in Excess of Other Assets—(520.6)%							
Members' Equity—100.0%							\$ 12,368,485

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, EURIBOR or Prime rate. 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 PSSL's accounting policy.

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

(4) Par amount is denominated in Euros (€) as denoted.

Below is the financial information for PSSL:

PennantPark Senior Secured Loan Fund I LLC
Statement of Assets and Liabilities

	June 30, 2017
	(Unaudited)
Assets	
Investments at fair value	
Non-controlled, non-affiliated investments (cost—\$70,676,130)	\$ 70,707,374
Cash and cash equivalents (cost—\$6,046,864)	6,046,864
Prepaid expenses and other assets	1,047,384
Total assets	77,801,622
Liabilities	
Payable for investments purchased	10,541,879
PSSL Credit Facility payable	26,000,000
Subordinated debt payable	28,800,000
Accrued other expenses	91,258
Total liabilities	65,433,137
Members' equity	12,368,485
Total liabilities and members' equity	\$ 77,801,622

PennantPark Senior Secured Loan Fund I LLC
Statements of Operations
(Unaudited)

	For the period
	May 4, 2017 (inception)
	through June 30, 2017
Investment income:	
From non-controlled, non-affiliated investments:	
Interest	\$ 93,441
Total investment income	93,441
Expenses:	
Interest and expenses on PSSL Credit Facility	35,680
Interest expense on subordinated debt	50,242
Other general and administrative expenses	13,136
Total expenses	99,058
Net investment loss	(5,617)
Net unrealized gain from investments	31,244
Net increase in members' equity resulting from operations	\$ 25,627

Contractual Obligations

A summary of our significant contractual payment obligations at cost as of June 30, 2017, including borrowings under our Credit Facility and other contractual obligations, is as follows:

	Payments due by period (millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Credit Facility	\$ 291.2	\$ —	\$ —	\$ 291.2	\$ —
Commitment to PSSL	51.5	—	—	—	51.5
Unfunded investments (1)	42.5	—	0.7	26.5	15.3
Total contractual obligations	\$ 385.2	\$ —	\$ 0.7	\$ 317.7	\$ 66.8

(1) Unfunded investments are disclosed in the Consolidated Schedule of Investments and Note 11 of our Consolidated Financial Statements.

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which 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 2017, PennantPark Investment Advisers serves as our Investment Adviser. Payments under our Investment Management Agreement in each reporting period are equal to (1) a management fee equal to a percentage of the value of our gross assets and (2) an incentive fee based on our performance.

Under our Administration Agreement, which was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2017, the Administrator furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. If requested to provide managerial assistance to our portfolio companies, we or the Administrator will be paid an additional amount based on the services provided. Payment under our Administration Agreement is based upon our allocable portion of the Administrator's overhead in performing its obligations under our Administration Agreement, including rent and our allocable portion of the costs of our Chief Compliance Officer, Chief Financial Officer and their respective staffs.

If any of our contractual obligations discussed above are terminated, our costs under new agreements that we enter into may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Management Agreement and our Administration Agreement. Any new investment management agreement would also be subject to approval by our stockholders.

Recent Developments

Subsequent to quarter-end, we were awarded approximately 14 cents per share in a litigation settlement related to a former portfolio company of MCG Capital Corporation.

Off-Balance Sheet Arrangements

We currently engage in no off-balance sheet arrangements other than our funding requirements for the unfunded investments described above.

Distributions

In order to be treated as a RIC for federal income tax purposes and to not be subject to corporate-level tax on undistributed income or gains, we are required, under Subchapter M of the Code, to annually distribute dividends for U.S. federal income tax purposes to our stockholders out of the assets legally available for distribution of an amount generally at least equal to 90% of our investment company taxable income, determined without regard to any deduction for dividends paid.

Although not required for us to maintain our RIC tax status, in order to preclude the imposition of a 4% nondeductible federal excise tax imposed on RICs, we must distribute dividends for U.S. federal income tax purposes to our stockholders in respect of each calendar year of an amount at least equal to the sum of (1) 98% of our net ordinary income (subject to certain deferrals and elections) for the calendar year, (2) 98.2% of the excess, if any, of our capital gains over our capital losses, or capital gain net income (adjusted for certain ordinary losses) for the one-year period ending on October 31 of the calendar year plus (3) the sum of any net ordinary income plus capital gain net income for preceding years that was not distributed during such years and on which we did not incur any federal income tax. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions in the manner described above, we have retained and may continue to retain such net capital gains or investment company taxable income, contingent on maintaining our ability to be subject to tax as a RIC, in order to provide us with additional liquidity.

During the three and nine months ended June 30, 2017, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$9.3 million and \$25.6 million, respectively. For the same periods in the prior year, we declared distributions of \$0.285 and \$0.855 per share, respectively, for total distributions of \$7.6 million and \$22.9 million, respectively. We monitor available net investment income to determine if a tax return of capital may occur for the fiscal year. To the extent our taxable earnings fall below the total amount of our distributions for any given fiscal year, common stockholders will be notified of the portion of those distributions deemed to be a tax return of capital. Tax characteristics of all distributions will be reported to stockholders subject to information reporting on Form 1099-DIV after the end of the calendar year and in our periodic reports filed with the SEC.

We intend to continue to make monthly distributions to our stockholders. Our monthly distributions, if any, are determined by the board of directors quarterly.

We maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a distribution, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage ratio for borrowings applicable to us as a BDC under the 1940 Act and/or due to provisions in future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our ability to be subject to tax as a RIC. We cannot assure stockholders that they will receive any distributions at a particular level.

Item 3. Quantitative And Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. As of June 30, 2017, our debt portfolio consisted of 99% variable-rate investments (including 9% where LIBOR was below the floor) and 1% fixed-rate investments. The variable-rate loans are usually based on a LIBOR rate and typically have durations of three months, after which they reset to current market interest rates. Variable-rate investments subject to a floor generally reset by reference to the current market index after one to nine months only if the index exceeds the floor. In regards to variable-rate instruments with a floor, we do not benefit from increases in interest rates until such rates exceed the floor and thereafter benefit from market rates above any such floor. In contrast, our cost of funds, to the extent it is not fixed, will fluctuate with changes in interest rates since it has no floor.

Assuming that the most recent Consolidated Statements of Assets and Liabilities was to remain constant, and no actions were taken to alter the existing interest rate sensitivity, the following table shows the annualized impact of hypothetical base rate changes in interest rates:

Change In Interest Rates	Change In Interest Income, Net Of Interest Expense (in thousands)		Change In Interest Income, Net of Interest Expense Per Share	
Up 1%	\$	3,438	\$	0.11
Up 2%	\$	7,312	\$	0.23
Up 3%	\$	11,185	\$	0.34
Up 4%	\$	15,059	\$	0.46

Although management believes that this measure is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in the credit market, credit quality, size and composition of the assets on the Consolidated Statements of Assets and Liabilities and other business developments that could affect net increase in net assets resulting from operations or net investment income. Accordingly, no assurances can be given that actual results would not differ materially from those shown above.

Because we borrow money to make investments, our net investment income is dependent upon the difference between the rate at which we borrow funds and the rate at which we invest these funds, as well as our level of leverage. As a result, there can be no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income or net assets.

We may hedge against interest rate and foreign currency fluctuations by using standard hedging instruments such as futures, options and forward contracts or our Credit Facility subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates and foreign currencies, they may also limit our ability to participate in benefits of lower interest rates or higher exchange rates with respect to our portfolio of investments with fixed interest rates. During the periods covered by this Report, we did not engage in interest rate hedging activities.

Item 4. Controls and Procedures

As of the period covered by this Report, 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 filings with the SEC 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.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None of us, our Investment Adviser or our Administrator, is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us, or against our Investment Adviser or Administrator. From time to time, we, our Investment Adviser or Administrator, may be a party to certain legal proceedings, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. MCG Capital Corporation, or MCG, was a party to certain legal proceedings, including the enforcement of its rights under contracts with its portfolio companies. We inherited this litigation upon the closing of our acquisition of MCG. While the outcome of these and any future 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, although we cannot assure you that amounts received in settlement may not be requested to be returned or that we may not be found liable in any such litigation.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should consider carefully the factors discussed in Part I “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing PennantPark Floating Rate Capital Ltd. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Unless specifically indicated otherwise, the following exhibits are incorporated by reference to exhibits previously filed with the SEC:

- 3.1 Articles of Amendment and Restatement of the Registrant (Incorporated by reference to the Registrant's Pre-Effective Amendment No. 3 to the Registration Statement on Form N-2 (File No. 333-170243), filed on March 29, 2011).
- 3.2 Amended and Restated Bylaws of the Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 814-00891), filed on December 2, 2015).
- 4.1 Form of Share Certificate (Incorporated by reference to the Registrant's Pre-Effective Amendment No. 5 to the Registration Statement on Form N-2 (File No. 333-170243), filed on April 5, 2011).
- 10.1* Limited Liability Company Agreement of PennantPark Senior Secured Loan Fund I LLC, dated as of May 4, 2017, by and between PennantPark Floating Rate Capital Ltd. and Trinity Universal Insurance Company.
- 11 Computation of Per Share Earnings (included in the notes to the Consolidated Financial Statements contained in this Report).
- 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 the Registrant's Annual Report on Form 10-K (File No. 814-00891), filed on November 17, 2011).

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

PENNANTPARK FLOATING RATE CAPITAL LTD.

Date: August 8, 2017

By:

/s/ Arthur H. Penn

Arthur H. Penn
Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

Date: August 8, 2017

By:

/s/ Aviv Efrat

Aviv Efrat
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

**PENNANTPARK SENIOR SECURED LOAN FUND I LLC
LIMITED LIABILITY COMPANY AGREEMENT**

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATES OR OTHER JURISDICTIONS. THEY ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE REGISTRATION AND QUALIFICATION REQUIREMENTS OF SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AS SET FORTH HEREIN. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE OR OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAVE APPROVED OR DISAPPROVED OF THESE SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**PENNANTPARK SENIOR SECURED LOAN FUND I LLC
LIMITED LIABILITY COMPANY AGREEMENT**

This Limited Liability Company Agreement, dated as of May 4, 2017, of PennantPark Senior Secured Loan Fund I LLC (the "Company") is entered into by and between PennantPark Floating Rate Capital Ltd. and Trinity Universal Insurance Company (each, a "Member" and collectively, the "Members").

WHEREAS, the Members desire to form a co-managed limited liability company under the Act (as defined below) for the purposes and pursuant to the terms set forth herein;

NOW THEREFORE, in consideration of the mutual agreements set forth below, and intending to be legally bound, the Members hereby agree as follows:

**ARTICLE 1
DEFINITIONS**

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"1940 Act" has the meaning set forth in Section 7.1(f)(ii).

"Acceptance Period" has the meaning set forth in Section 7.1(g)(ii).

"Act" means the Limited Liability Company Act of the State of Delaware, as from time to time in effect.

"Administrative Agent" means PennantPark Investment Administration, LLC or any other entity retained by the Company with Prior Board Approval to perform administrative services for the Company.

"Administration Agreement" means the Administration Agreement between the Company and the Administrative Agent, as amended from time to time in accordance with the terms hereof.

"Advisers Act" has the meaning set forth in Section 6.13(b).

"Affiliate" means, with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person.

"Agreement" means this Limited Liability Company Agreement, as amended from time to time in accordance with the terms hereof.

"Board" means the Board of Directors of the Company.

"Board Approval" means, as to any matter requiring Board Approval hereunder, the unanimous approval or subsequent ratification of a quorum of the Directors.

"Capital Account" means, as to a Member, the capital account maintained on the books of the Company for such Member in accordance with the terms hereof.

"Capital Commitment" means, as to each Member, the total amount set forth in such Member's Subscription Agreement delivered herewith and on the Member List, which is contributed and/or agreed to be contributed to the Company by such Member as a Capital Contribution.

"Capital Contribution" means, as to each Member, the aggregate amount of cash actually contributed to the equity capital of the Company by such Member or the fair market value of any property contributed to the equity capital of the Company by such Member (as determined by Prior Board Approval), each in accordance with the terms hereof.

"Certificate of Formation" means the certificate of formation of the Company filed under the Act, as amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" has the meaning set forth in the recitals.

"Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Default Date" has the meaning set forth in Section 3.3(a).

"Defaulting Member" has the meaning set forth in Section 3.3(a).

"Director" means each Person elected, designated or appointed to serve as a member of the Board.

"Election to Purchase" has the meaning set forth in Section 8.3(e).

“Entire Interest” means all of a Member’s interests in the Company, including the Member’s transferable interest and all management and other rights.

“Expenses” means all costs and expenses, of whatever nature, directly or indirectly borne by the Company, including expenses under the Administration Agreement.

“GAAP” means United States generally accepted accounting principles, in effect from time to time.

“GAAP Profit or GAAP Loss” means, as to any transaction or fiscal period, the net income or loss of the Company under GAAP.

“Investment” means an investment of any type held, directly or indirectly, by the Company, other than interests in Subsidiaries.

“Investment Committee” means a committee consisting of two PFLT IC Representatives and two Trinity IC Representatives.

“LIBOR Rate” means the one-month London InterBank Offered Rate, which for purposes hereof shall be deemed to equal for each day of a calendar month such rate as of the first day of such month.

“Loss” has the meaning set forth in Section 6.15(a).

“Member” and “Members” have the meaning set forth in the recitals and also includes any Person that becomes a Member of the Company after the date hereof under the terms of this Agreement.

“Member List” has the meaning set forth in Section 2.7.

“Notice of Intent” has the meaning set forth in Section 7.1(g)(i).

“Organization Costs” means all out-of-pocket costs and expenses reasonably incurred directly by the Company or for the Company by a Member or its Affiliates in connection with the formation and capitalization of the Company and the preparation by the Company to commence its business operations.

“Person” means an individual, corporation, partnership, association, joint venture, company, limited liability company, trust, governmental authority or other entity.

“PFLT” means PennantPark Floating Rate Capital Ltd., or any Person substituted for PennantPark Floating Rate Capital Ltd. as a Member pursuant to the terms of this Agreement.

“PFLT IC Representative” means a Person designated by PFLT to act as its representative in approving or disapproving matters requiring Prior Investment Committee Approval hereunder. PFLT may designate, remove, or designate a successor to, a PFLT IC Representative by written notice thereof to Trinity.

“Portfolio Company” means, with respect to any Investment, any Person that is the issuer of any securities or the debtor under any loan or other debt obligations that is the subject of such Investment. For the avoidance of doubt, Subsidiaries are not Portfolio Companies.

“Prior Board Approval” means, as to any matter requiring Prior Board Approval hereunder, the unanimous prior approval of a quorum of the Directors.

“Prior Investment Committee Approval” means, as to any matter requiring Prior Investment Committee Approval hereunder, the unanimous prior approval of a quorum of the members of the Investment Committee.

“Proceeding” has the meaning set forth in Section 6.15(a).

“Profit or Loss” means, as to any transaction or fiscal period, the GAAP Profit or GAAP Loss with respect to such transaction or period, with such adjustments thereto as may be required by this Agreement; provided that in the event that the Value of any Company asset is adjusted under Section 9.5, the amount of such adjustment shall in all events be taken into account in the same manner as gain or loss from the disposition of such asset for purposes of computing Profit or Loss, and the gain or loss from any disposition of such asset shall be calculated by reference to such adjusted Value; and provided further, that GAAP Profit or GAAP Loss may be adjusted with Board Approval to amortize Organization Costs over four years.

“Proportionate Share” means, as to any Member, the percentage that its Capital Account represents of all Capital Accounts.

“Sale Period” has the meaning set forth in Section 7.1(g)(iii).

“SEC” means the U.S. Securities and Exchange Commission.

“Subscription Agreement” means any subscription agreement entered into by any Member in respect of its Capital Commitment.

“Subsidiary” as to the Company, means any Affiliate Controlled by the Company directly, or indirectly through one or more intermediaries.

“Tax Liability” has the meaning set forth in Section 6.16(b).

“Tax Matters Member” has the meaning set forth in Section 6.16(a).

“Temporary Advance” has the meaning set forth in Section 3.2.

“Temporary Advance Rate” means, with respect to any period, the rate equal to (i) the sum of the average LIBOR Rate during such period (expressed as an annual rate) plus eight percent (8.00%) per annum, multiplied by (ii) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365; provided that the Temporary Advance Rate for any Temporary Advance outstanding for less than three (3) business days shall equal zero.

“Transfer” or “transfer” means, with respect to any Member’s interest in the Company, the direct or indirect sale, assignment, transfer, withdrawal, mortgage, pledge, hypothecation, exchange or other disposition of any part or all of such interest, whether or not for value and whether such disposition is voluntary, involuntary, by operation of law or otherwise, and a “transferee” or “transferor” means a Person that receives or makes a transfer.

“Treasury Regulations” means all final and temporary federal income tax regulations, as amended from time to time, issued under the Code by the United States Treasury Department.

“Trinity” means Trinity Universal Insurance Company, or any Person substituted for Trinity as a Member pursuant to the terms of this Agreement.

“Trinity IC Representative” means a Person designated by Trinity to act as its representative in approving or disapproving matters requiring Prior Investment Committee Approval hereunder. Trinity may designate, remove, or designate a successor to, a Trinity IC Representative by written notice thereof to PFLT.

“Value” means, as of the date of computation with respect to some or all of the assets of the Company or any assets acquired by the Company, the value of such assets determined in accordance with Section 9.5.

ARTICLE 2 GENERAL PROVISIONS

Section 2.1 Formation of the Limited Liability Company. The Company was formed under and pursuant to the Act upon the filing of the Certificate of Formation with the office of the Secretary of State of the State of Delaware. The Members hereby agree to continue the Company under and pursuant to the Act. The Members agree that the rights, duties, obligations and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein. Each Person admitted as a Member as of the date hereof shall be admitted as a Member at the time such Person has executed this Agreement or a counterpart of this Agreement.

Section 2.2 Company Name. The name of the Company shall be “PennantPark Senior Secured Loan Fund I LLC,” or such other name as approved by Prior Board Approval.

Section 2.3 Place of Business; Agent for Service of Process.

(a) The registered office of the Company in the State of Delaware is located at 1209 Orange Street, Wilmington, Delaware 19801, or such other place as the Members may designate. The name of its registered agent for service at such address is The Corporation Trust Company or such other Person as the Members may designate.

(b) The initial principal business office of the Company shall be at 590 Madison Avenue, 15th Floor, New York, New York 10022.

Section 2.4 Purpose and Powers of the Company.

(a) The purpose and business of the Company shall be (i) to make Investments, either directly or indirectly, as may be approved from time to time in accordance with the terms hereof and (ii) to engage in any other lawful acts or activities as the Board deems reasonably necessary or advisable for which limited liability companies may be organized under the Act.

(b) Subject to any limitations in this Agreement, the Company shall have the power and authority to take any and all actions necessary, appropriate, proper, advisable, convenient or incidental to, or for the furtherance of, the purposes set forth in Section 2.4(a).

(c) The Company may enter into and perform Subscription Agreements between the Company and each Member, without any further act, vote or approval of any Member notwithstanding any other provision of this Agreement (other than Section 3.1(a) hereof), the Act or any other applicable law, rule or regulation; provided that (i) the Capital Commitment of PFLT under any such Subscription Agreement shall equal 87.5% of the total Capital Commitments made under all such Subscription Agreements and (ii) the Capital Commitment of Trinity under any such Subscription Agreement shall equal 12.5% of the total Capital Commitments made under all such Subscription Agreements.

Section 2.5 Fiscal Year. The fiscal year of the Company shall be the period ending on September 30 of each year.

Section 2.6 Liability of Members. Except as expressly provided in this Agreement, including with respect to the requirement to make Capital Contributions, a Member shall have such liability for the repayment, satisfaction and discharge of the debts, liabilities and obligations of the Company only to the extent required by the Act. A Member that receives a distribution made in violation of the Act shall be liable to the Company for the amount of such distribution to the extent, and only to the extent, required by the Act.

Section 2.7 Member List. The Administrative Agent shall maintain a list (the "Member List") setting forth, with respect to each Member, such Member's name, address, Capital Commitment, Capital Contributions and such other information as the Administrative Agent may deem necessary or desirable or as required by the Act. The Administrative Agent shall from time to time update the Member List as necessary to reflect accurately the information therein. Any reference in this Agreement to the Member List shall be deemed to be a reference to the Member List as in effect from time to time. No action of the Members shall be required to supplement or amend the Member List. Revisions to the Member List as a result of changes to the information set forth therein made in accordance with the terms of this Agreement or to evidence the making of Capital Commitments and/or Capital Contributions shall not constitute an amendment of this Agreement.

ARTICLE 3 COMPANY CAPITAL AND INTERESTS

Section 3.1 Capital Commitments.

(a) Each Member's Capital Commitment shall be set forth on the Member List and in such Member's Subscription Agreement and shall be payable in cash in U.S. dollars, or with Prior Board Approval, other property. Following the approval of any Investment by the Investment Committee or Prior Board Approval of a Capital Contribution, the Administrative Agent shall issue a notice to each Member setting forth the terms of the associated Capital Contribution, including the payment date (provided that notice shall be provided no less than three (3) business days prior to the payment date). Capital Contributions shall be made by all Members pro rata based on their respective Capital Commitments.

(b) Capital Contributions which are not used within forty-five (45) business days shall be returned to the Members in the same proportion in which made, in which case such amount shall be added back to the unfunded Capital Commitments of the Members and may be recalled by the Company as set forth in this Article 3.

Section 3.2 Temporary Advances. A Member, in its discretion, may make loans of cash or other property ("Temporary Advances") to temporarily fund the Company until Capital Contributions are made by the Members as set forth in Section 3.1. Such Temporary Advances plus interest at the Temporary Advance Rate shall be repaid in cash from the other Member's Capital Contributions under Section 3.1, with any unreturned Temporary Advances plus interest at the Temporary Advance Rate paid as set forth in Section 5.1.

Section 3.3 Defaulting Members.

(a) Upon the failure of any Member (a "Defaulting Member") to pay in full any portion of such Member's Capital Commitment within ten (10) business days after written notice from the other Member (the "Default Date") that such payment is overdue, the other Member, in its sole discretion, shall have the right to pursue one or more of the following remedies on behalf of the Company if such failure has not been cured in full within such ten-business day period:

(i) collect such unpaid portion (and all attorneys' fees and other costs incident thereto) by exercising and/or pursuing any legal remedy the Company may have; and

(ii) upon ten (10) business days' written notice (which period may commence during the ten-business day notice period provided above), and provided that the overdue payment has not been made, dissolve and wind down the Company in accordance with Article 8.

Except as set forth below, the non-defaulting Member's election to pursue any one of such remedies shall not be deemed to preclude such Member from pursuing any other such remedy, or any other available remedy, simultaneously or subsequently.

(b) Notwithstanding any provision of this Agreement to the contrary,

(i) a Defaulting Member shall remain fully liable to the creditors of the Company to the extent provided by law as if such default had not occurred and shall remain subject to Section 2.6;

(ii) a Defaulting Member shall not be entitled to distributions made after the Default Date until the default is cured and any such distributions to which such Defaulting Member would otherwise have been entitled if such default had not occurred shall be debited against the Capital Account of the Defaulting Member so as to reduce the remaining amount of the default; and

(iii) the Company shall not make new Investments after the Default Date until the default is cured.

Section 3.4 Interest or Withdrawals. No Member shall be entitled to receive any interest on any Capital Contribution to the Company. Except as otherwise specifically provided herein, no Member shall be entitled to withdraw any part of its Capital Contributions or Capital Account balance.

Section 3.5 Admission of Additional Members.

(a) The Members may, with Prior Board Approval, (i) admit additional Members upon terms approved by Prior Board Approval, (ii) permit existing Members to subscribe for additional interests in the Company and (iii) admit a substitute Member in accordance with Section 7.1.

(b) Each additional Member shall execute and deliver a written instrument satisfactory to the existing Members whereby such Member becomes a party to this Agreement, as well as a subscription agreement and any other documents reasonably required by the Board. Each such additional Member shall thereafter be entitled to all the rights and subject to all the obligations of Members as set forth herein. Upon the admission

of or the increase in the interest of any Member as herein provided, the Administrative Agent shall update the Member List, to reflect such admission or increase.

ARTICLE 4 ALLOCATIONS

Section 4.1 Capital Accounts.

(a) A Capital Account shall be maintained for each Member consisting of such Member's Capital Contributions, increased or decreased by Profit or Loss allocated to such Member, decreased by the cash or Value of property distributed to such Member (giving net effect to any liabilities the property is subject to, or which the Member assumes), and otherwise maintained consistent with this Agreement. In the event that the Administrative Agent determines that it is prudent to modify the manner in which Capital Accounts, including all debits and credits thereto, are computed in order to be maintained consistent with this Agreement, the Administrative Agent is authorized to make such modifications to the extent that they do not result in a material adverse effect to any Member. For U.S. federal income tax purposes, Capital Accounts shall be maintained in a manner consistent with the Code and applicable Treasury Regulations.

(b) Profit or Loss shall be allocated among Members as of the end of each fiscal year of the Company; provided that Profit or Loss shall also be allocated at the end of (i) each period terminating on the date of any withdrawal by any Member, (ii) each period terminating immediately before the date of any admission or increase in Capital Commitment of any Member, (iii) the liquidation of the Company, or (iv) any period which is determined by Board Approval to be appropriate. Organization Costs shall be amortized over four (4) years or such other period deemed appropriate by Board Approval.

Section 4.2 Allocations. Profit or Loss shall be allocated among the Members as provided by this Section 4.2. Profit shall be allocated among the Members (i) first, pro rata until the cumulative amount of profit allocated to a Member (or any transferee of any Member) equals the cumulative amount of loss previously allocated to such Member (or any transferee of such member) and (ii) thereafter pro rata in accordance with the Members' Capital Accounts. Loss (after taking into account any interest expense incurred on Temporary Advances) shall be allocated among the Members pro rata in accordance with their Capital Accounts.

Section 4.3 Changes of Interests. For purposes of allocating Profit or Loss for any fiscal year or other fiscal period between any permitted transferor and transferee of a Company interest, or between any Members whose relative Company interests have changed during such period, or to any withdrawing Member that is no longer a Member in the Company, the Company shall allocate according to any method allowed by the Code and selected by Prior Board Approval. Distributions with respect to an interest in the Company shall be payable to the owner of such interest on the date of distribution. For purposes of determining the Profit or Loss allocable to or the distributions payable to a permitted transferee of an interest in the Company or to a Member whose interest has otherwise increased or decreased, Profit or Loss allocations and distributions made to predecessor owners with respect to such transferred interest or increase of interest shall be deemed allocated and made to the permitted transferee or other holder.

Section 4.4 Income Taxes and Tax Capital Accounts.

(a) The Company shall be treated as a partnership for U.S. federal income tax purposes.

(b) Each item of income, gain, loss, deduction or credit determined in accordance with the Code and the applicable Treasury Regulations shall be allocated in the same manner as such item is allocated pursuant to Section 4.2 or Section 4.3, as appropriate.

(c) The allocation methodology set forth in Article IV is intended to comply with certain requirements of the Treasury Regulations. In the event of any variation between the adjusted tax basis and value of any Company property reflected in the Members' Capital Accounts maintained for federal income tax purposes, such variation shall be taken into account in allocating taxable income or loss for income tax purposes in accordance with, and to the extent consistent with, the principles under Section 704 of the Code and applicable Treasury Regulations. A decision to use a method to allocate such variation pursuant to Treasury Regulation Section 1.704-3 shall be considered a tax election requiring Prior Board Approval.

(d) Notwithstanding anything to the contrary herein, if the Code or Treasury Regulations require an adjustment to be made to a Capital Account of a Member, or some other event or events occurs or occur necessitating or justifying, in the Board's judgment, an adjustment deemed equitable to the Board, the Board shall make such adjustment in the determination and allocation among the Members of Capital Accounts, or items of income, deduction, gain, loss for tax purposes, accounting procedures or such other financial or tax items as shall equitably take into account such event and applicable provisions of law, and the determination thereof in the sole discretion of the Board shall be final and conclusive as to all of the Members.

ARTICLE 5 DISTRIBUTIONS

Section 5.1 General.

(a) To the extent of available cash and cash equivalents, the Company shall make distributions in such amounts and at such times as determined by Prior Board Approval, to the Members in accordance with Section 5.1(b) below; provided that the amount of any such distribution may be reduced as provided by Section 5.2 and Section 5.3.

(b) Any distribution under this Section 5.1 shall be shared among the Members as follows:

- (i) First, to pay any outstanding Temporary Advances and any interest accrued thereon; and
- (ii) Second, to the Members as distributions in respect of their interests in the Company in proportion to their respective Capital Accounts.

Section 5.2 Withholding. The Company may withhold from any distribution to any Member any amount which the Company has paid or is obligated to pay in respect of any withholding or other tax, including any interest, penalties or additions with respect thereto, imposed on any interest or income of or distributions to such Member, and such withheld amount shall be considered an interest payment or a distribution, as the case may be, to such Member for purposes hereof. If no payment is then being made to such Member in an amount sufficient to pay the Company's withholding obligation, any amount which the Company is obligated to pay shall be deemed an interest-free advance from the Company to such Member, payable by such Member by withholding from subsequent distributions or within seven (7) business days after receiving written request for payment from the Company.

Section 5.3 Certain Limitations. Notwithstanding the foregoing provisions:

(a) In no event shall the Company make a distribution to the extent that it would (i) render the Company insolvent or (ii) violate Section 18-607(a) of the Act or other applicable law.

(b) Any distributions shall require Prior Board Approval and shall be made in cash or, in the sole discretion of the Board, in-kind in such Company assets as may be selected by the Board in its sole discretion. Distributions shall be made on a pro rata basis to all Members (in proportion to their respective Capital Accounts), provided, that the value of any asset distributed in-kind shall equal the fair market value of such asset on the date of distribution as determined by Prior Board Approval, and, provided, further, that, for the avoidance of doubt, the Board shall not be required to distribute the same Company assets to each Member. Securities listed on a national securities exchange that are not restricted as to transferability and unlisted securities for which an active trading market exists and that are not restricted as to transferability shall be valued in the manner contemplated by Section 9.5 as of the close of business on the day preceding the distribution, and all other securities and non-cash assets shall be valued as determined in the last valuation made pursuant to Section 9.5.

ARTICLE 6 MANAGEMENT OF COMPANY

Section 6.1 Management Generally.

(a) The management of the Company and its business and affairs shall be vested in the Board. The Board shall act as the "manager" of the Company for the purposes of the Act and the Members shall not manage or control the business and affairs of the Company except where required by non-waivable provisions of applicable law or this Agreement. Matters requiring Prior Board Approval or Board Approval are set forth in further detail in Schedule A hereto, which is incorporated by reference herein.

(b) Notwithstanding the foregoing, Prior Investment Committee Approval, rather than Prior Board Approval or Board Approval, shall be required for the matters detailed in Schedule B hereto.

(c) The Company is entering into the Administration Agreement with the Administrative Agent, pursuant to which certain functions are provided by the Administrative Agent. The Members agree that the Administration Agreement is hereby approved by the Members; provided, that any subsequent amendments to the Administration Agreement shall require Prior Board Approval. The function of the Administrative Agent shall be non-discretionary and administrative only.

Section 6.2 Board of Directors.

(a) The Members may determine at any time by mutual agreement the number of Directors to constitute the Board and the authorized number of Directors may be increased or decreased by the Members at any time by mutual agreement, upon notice to all Directors; provided that at all times each Member has an equal number of Directors on the Board. The initial number of Directors shall be four (4), and each Member shall elect, designate or appoint two (2) Directors. Each Director elected, designated or appointed by a Member shall hold office until a successor is elected and qualified by such Member or until such Director's earlier death, resignation, expulsion or removal.

(b) Subject to matters requiring Board Approval and Prior Board Approval, the Board shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise. The Board shall have the authority to bind the Company.

Section 6.3 Meetings of the Board of Directors. The Board may hold meetings, both regular and special, within or outside the State of Delaware. Meetings of the Board may be called by any Director on not less than 24 hours' notice to each Director by telephone, facsimile, mail, email or any other similar means of communication, with such notice stating the place, date, time and other necessary details of the meeting (and the means by which each Director may participate by telephone or video conference) and the purpose or purposes for which such meeting is called. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 6.4 Quorum; Acts of the Board.

(a) At all meetings of the Board: (i) the presence of two (2) Directors shall constitute a quorum for the transaction of business, provided that at least one (1) Director is present that was elected, designated or appointed by each Member; (ii) the presence of three (3) Directors shall constitute a quorum for the transaction of business, provided that the Director that was elected, designated or appointed by the Member with only one (1) Director present shall be entitled to cast two votes on each matter and (iii) the presence of four (4) Directors shall constitute a quorum, provided that two (2) Directors are present that were elected, designated or appointed by each Member. If a quorum shall not be present at any meeting of the Board, the Directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(b) Every act or decision done or made by the Board shall require the unanimous approval of all Directors present at a meeting duly held at which a quorum is present. The Company shall not have the authority without Prior Board Approval to approve or undertake any item set forth in Section 1 of Schedule A hereto (as such schedule may be amended from time to time with Prior Board Approval). Any action required or permitted to be taken at any meeting of the Board may be taken without a meeting, without notice and without a vote if: (i) two (2) Directors entitled to vote with respect to the subject matter thereof consent thereto in writing (including by e-mail), and the writing or writings are filed with the minutes of proceedings of the Board, provided that one (1) Director elected, designated or appointed by each Member provides such consent; or (ii) all Directors entitled to vote with respect to the subject matter thereof consent thereto in writing (including by e-mail), and the writing or writings are filed with the minutes of proceedings of the Board.

Section 6.5 Investment Committee.

(a) The Members may determine at any time by mutual agreement the number of members of the Investment Committee and the authorized number of members of the Investment Committee may be increased or decreased by the Members at any time by mutual agreement, upon notice to all members of the Investment Committee; provided that at all times each Member has an equal number of members of the Investment Committee. The initial number of members of the Investment Committee shall be four (4), and each Member shall elect, designate or appoint two (2) members of the Investment Committee. Each member of the Investment Committee elected, designated or appointed by a Member shall hold office until a successor is elected and qualified by such Member or until such individual's earlier death, resignation, expulsion or removal.

(b) Subject to matters requiring Prior Board Approval or Board Approval, the Investment Committee shall have the power to do any and all acts necessary, convenient or incidental to or for the furtherance of the purposes described herein, including all powers, statutory or otherwise. The Investment Committee shall have the authority to bind the Company.

Section 6.6 Meetings of the Investment Committee. The Investment Committee may hold meetings, both regular and special, within or outside the State of Delaware. Meetings of the Investment Committee may be called by any Member on not less than 24 hours' notice to each member of the Investment Committee by telephone, facsimile, mail, email or any other similar means of communication, with such notice stating the place, date, time and other necessary details of the meeting (and the means by which each member of the Investment Committee may participate by telephone or video conference) and the purpose or purposes for which such meeting is called.

Section 6.7 Quorum; Acts of the Investment Committee.

(a) At all meetings of the Board or Investment Committee: (i) the presence of two (2) members shall constitute a quorum for the transaction of business, provided that at least one (1) member is present that was elected, designated or appointed by each Member; (ii) the presence of three (3) members shall constitute a quorum for the transaction of business, provided that the member that was elected, designated or appointed by the Member with only one (1) member present shall be entitled to cast two votes on each matter and (iii) the presence of four (4) members shall constitute a quorum, provided that two (2) members are present that were elected, designated or appointed by each Member. If a quorum shall not be present at any meeting of the Investment Committee, the members present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(b) Every act or decision done or made by the Investment Committee shall require the unanimous approval of all members present at a meeting duly held at which a quorum is present. Any action required or permitted to be taken at any meeting of the Investment Committee may be taken without a meeting, without notice and without a vote if: (i) two (2) members entitled to vote with respect to the subject matter thereof consent thereto in writing (including by e-mail), and the writing or writings are filed with the minutes of proceedings of the Investment Committee, provided that one (1) member elected, designated or appointed by each Member provides such consent; or (ii) all members entitled to vote with respect to the subject matter thereof consent thereto in writing (including by e-mail), and the writing or writings are filed with the minutes of proceedings of the Investment Committee.

Section 6.8 Electronic Communications. Members of the Board and Investment Committee may participate in meetings of the Board or Investment Committee, as the case may be, by means of telephone or video conference, and such participation in a meeting shall constitute presence in person at the meeting to the extent permissible by applicable law. If all the participants are participating by telephone or video conference, the meeting shall be deemed to be held at the principal place of business of the Company.

Section 6.9 Compensation; Expenses. The Directors and members of the Investment Committee will not receive any compensation for their service as Director or member of the Investment Committee, as applicable. However, the Directors and members of the Investment Committee shall be reimbursed for their reasonable out-of-pocket expenses, if any, of attendance at meetings of the Board or Investment Committee, as the case may be.

Section 6.10 Removal and Resignation; Vacancies. Unless otherwise restricted by law, any Director or member of the Investment Committee may be removed or expelled, with or without cause, at any time solely by the Member that elected, designated or appointed such individual. Any Director or member of the Investment Committee may resign at any time by giving written notice to the Member who elected, designated or appointed such individual. Such resignation shall take effect at the time specified therein and, unless tendered to take effect upon

acceptance thereof, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy caused by removal or expulsion of a Director or member of the Investment Committee or the resignation of a Director or member of the Investment Committee in accordance with this Section 6.10 shall be filled solely by the action of the Member who previously elected, designated or appointed such individual in order to fulfill the Board composition requirements of Section 6.2(a) and Investment Committee composition requirements of Section 6.5(a).

Section 6.11 Directors as Agents. To the extent of their powers set forth in this Agreement, the Directors are agents of the Company for the purpose of the Company's business, and the actions of the Directors taken in accordance with such powers set forth in this Agreement shall bind the Company. Notwithstanding the last sentence of Section 18-402 of the Act, except as provided in this Agreement or in a resolution of the Board expressly authorizing such action, which resolution is duly adopted by the Board by the affirmative vote required for such matter pursuant to the terms of this Agreement, an individual Director may not bind the Company.

Section 6.12 Duties of Board, PFLT IC Representatives and Trinity IC Representatives. To the extent that, at law or in equity, a Director of the Company or a PFLT IC Representative or Trinity IC Representative has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any Member, such individual acting in good faith pursuant to the terms of this Agreement shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of such individual otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such individual.

Section 6.13 Reliance by Third Parties. Notwithstanding any other provision of this Agreement, any contract, instrument or act on behalf of the Company by a Member, a Director, an officer or any other Person delegated by Board Approval, Prior Board Approval or Prior Investment Committee Approval, as applicable, shall be conclusive evidence in favor of any third party dealing with the Company that such Person has the authority, power and right to execute and deliver such contract or instrument and to take such act on behalf of the Company. This Section shall not be deemed to limit the liabilities and obligations of such Person to seek Board Approval, Prior Board Approval or Prior Investment Committee Approval in accordance with the terms of this Agreement.

Section 6.14 Members' Outside Transactions; Investment Opportunities.

(a) Each Member shall devote such time and effort as is reasonably necessary to diligently administer the activities and affairs of the Company, but shall not be obligated to spend full time or any specific portion of their time to the activities and affairs of the Company.

(b) The Administrative Agent and its Affiliates manage, advise and/or administer other investment funds and other accounts and may manage, advise and/or administer additional funds and other accounts in the future, some of which may have similar mandates as the Company. The Administrative Agent and its Affiliates are subject to the provisions of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the rules, regulations and interpretations thereof, with respect to the allocation of investment opportunities among such other investment funds and other accounts and the Company. Except for any obligations under the Advisers Act, neither the Administrative Agent nor its Affiliates shall be obligated to offer any investment opportunity, or portion thereof, to the Company.

(c) Subject to the foregoing provisions of this Sections 6.14 and other provisions of this Agreement, each of the Members, the Administrative Agent and each of their respective Affiliates and members may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature and description, individually and with others, including the formation and management of other investment funds, with or without the same or similar purposes as the Company, and the ownership of and investment in securities, and neither the Company nor any other Member shall have any right in or to any such activities or the income or profits derived therefrom.

Section 6.15 Indemnification.

(a) Subject to the limitations and conditions as provided in this Section 6.15, each Person who was or is made a party to or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or arbitral or in the nature of an alternative dispute resolution in lieu of any of the foregoing (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such Person, or a Person of which such Person is the legal representative, is or was a Member, a Director, PFLT IC Representative or Trinity IC Representative, or a representative, officer, director or employee thereof, shall be indemnified by the Company to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against all liabilities and expenses (including judgments, penalties (including excise and similar taxes and punitive damages), losses, fines, settlements and reasonable expenses (including, without limitation, reasonable attorneys' and experts' fees)) actually incurred by such Person in connection with such Proceeding, appeal, inquiry or investigation (each a "Loss"), unless such Loss shall have been primarily the result of bad faith, gross negligence, fraud or intentional misconduct by the Person seeking indemnification hereunder, in which case such indemnification shall not cover such Loss to the extent resulting from such gross negligence, fraud or intentional misconduct. A Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder shall continue to be entitled to indemnity hereunder. The rights granted pursuant to this Section 6.15 shall be contract rights to the indemnified Persons hereunder, and no amendment, modification or repeal of this Section 6.15 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings, appeals, inquiries or investigations arising prior to any such amendment, modification or repeal. To the fullest extent permitted by law, no Person entitled to indemnification under this Section 6.15 shall be liable to the Company or any Member for any act or omission performed or omitted by or on behalf of the Company; provided that such act or omission has not been fully adjudicated to constitute bad faith, gross negligence, fraud or intentional misconduct. In addition, any Person entitled to indemnification under this Section 6.15 may consult with legal counsel selected with reasonable care and shall incur no liability to the Company or any Member to the extent that such Person acted or refrained from acting in good faith in reliance upon the opinion or advice of such counsel.

(b) The right to indemnification conferred in Section 6.15(a) shall include the right to be paid or reimbursed by the Company for the reasonable expenses incurred by a Person entitled to be indemnified under Section 6.15(a) who was, is or is threatened to be made, a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Company of a written undertaking by such Person to repay all amounts so advanced if it shall be finally adjudicated that such indemnified Person is not entitled to be indemnified under this Section 6.15 or otherwise.

(c) The Company, with Prior Board Approval, may indemnify and advance expenses to an employee or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and advance expenses to a Member under Sections 6.15(a) and (b).

(d) The right to indemnification and the advancement and payment of expenses conferred in this Section 6.15 shall not be exclusive of any other right that a Member or other Person indemnified pursuant to this Section 6.15 may have or hereafter acquire under any law (common or statutory) or provision of this Agreement.

(e) The indemnification rights provided by this Section 6.15 shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of each Person indemnified pursuant to this Section 6.15.

Section 6.16 Tax Matters Member.

(a) PFLT is hereby designated, and shall serve as, the "tax matters partner" (as defined in Section 6231 of the Code) or, after the effective date of Section 1101 of the Bipartisan Budget Act of 2015 (or any successor or similar provision of federal, state or local law), the "partnership representative" (in such capacity, the "Tax Matters Member"). The provisions of this Section 6.16 shall apply to all actions taken on behalf of the Members by the Tax Matters Member in its capacity as such. The Tax Matters Member shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the tax matters partner of the Company. The Tax Matters Member shall have the right to retain professional assistance in respect of any audit of the Company and all reasonable, documented out-of-pocket expenses and fees incurred by the Tax Matters Member on behalf of the Company as Tax Matters Member shall be reimbursed by the Company. In the event the Tax Matters Member receives notice of a final Company adjustment under Section 6223(a) of the Code, it shall either (i) file a court petition for judicial review of such final adjustment within the period provided under Section 6226(a) of the Code, a copy of which petition shall be mailed to all Members on the date such petition is filed, or (ii) mail a written notice to all Members within such period that describes its reasons for determining not to file such a petition. Each Member shall be a "notice partner" within the meaning of Section 6231(a)(8) of the Code. For the avoidance of doubt, the Tax Matters Member shall not take any action requiring Prior Board Approval or Prior Investment Committee Approval prior to such Prior Board Approval or Prior Investment Committee Approval, as applicable, being obtained.

(b) If the Company is subject to any tax liability imposed under Subchapter C of Chapter 63 of the Code, as well as any related interest, penalties, or other charges or expenses (collectively, a "Tax Liability"), the Board (or the Tax Matters Member, in consultation with the Board) shall allocate among the Members any Tax Liability in a manner it determines to be fair and equitable and the Capital Accounts hereunder by deducting amounts from Capital Accounts or reducing amounts otherwise distributable to Members, taking into account any modifications attributable to a Member pursuant to Section 6225(c) of the Code and any similar state and local authority. To the extent that a portion of a Tax Liability for a prior tax year relates to a former Member, the Board (or the Tax Matters Member, in consultation with the Board) may require a former Member to indemnify the Company for its allocable portion of such tax. Each Member acknowledges that, notwithstanding the Transfer or withdrawal of all or any portion of its interest in the Company, pursuant to this Section 6.16, it may remain liable for Tax Liabilities with respect to its allocable share of income and gain of the Company for the Company's tax years (or portions thereof) prior to such Transfer or withdrawal, as applicable, under the Subchapter C of Chapter 63 of the Code or any similar state or local provisions. Any Tax Liability that is payable by the Company shall, to the extent attributable to a Member (or a former Member's) interest in the Company, be treated as distributed or otherwise paid to such Member in the same manner as a withholding tax. The Members acknowledge and agree that the Board and/or the Tax Matters Member shall be permitted to take any actions to avoid Tax Liability being imposed on the Company or any of its subsidiaries or portfolio companies under Subchapter C of Chapter 63 of the Code. Each Member agrees that, notwithstanding the Transfer of all or any portion of its interest in the Company, if requested by the Board, it shall provide the appropriate Internal Revenue Service Form W-9 or any other certificate or documentation, which, the Board reasonably determines, is necessary.

(c) No Member shall take any position on any tax return that is inconsistent with a Form 1065, Schedule K-1 it receives from the Company for the relevant tax year (or with the treatment of any item on any statement of such Member's share of any adjustment to income, gain, loss or deduction furnished to such Member by the Company in accordance with Section 6226 of the Code.

(d) Each Member's obligation to comply with the requirements of this Section 6.16 shall survive such Member's ceasing to be a Member of the Company, the termination, dissolution, liquidation or winding up of the Company, and/or the termination of this Agreement.

ARTICLE 7 TRANSFERS OF COMPANY INTERESTS; WITHDRAWALS

Section 7.1 Transfers by Members.

(a) Subject to the requirements of this Article 7, the Entire Interest of a Member may be Transferred with Prior Board Approval. Notwithstanding the foregoing, without Prior Board Approval, (i) any Member may Transfer its Entire Interest to an Affiliate of such Member, if the transferor remains liable for its Capital Commitment (such Transfer, a "Permitted Affiliate Transfer") and (ii) any Member may make a transfer in accordance with Section 7.1(g) or Section 8.3(e), in each case if such Transfer is otherwise in accordance with the requirements of this Article 7.

(b) No Transfer by a Member shall be binding upon the Company until the Company receives an executed copy of such documentation as reasonably requested by the other Member to demonstrate that such Transfer is in accordance with this Article 7.

(c) Any Person which acquires an interest in the Company by Transfer in accordance with the provisions of this Agreement shall be admitted as a substitute Member, provided the requirements of this Agreement are satisfied. The admission of a transferee as a substitute Member shall be conditioned upon the transferee's written assumption, in form and substance reasonably satisfactory to the other Member, of all obligations of the transferor in respect of the Transferred interest and execution of an instrument reasonably satisfactory to the other Member whereby such transferee becomes a party to this Agreement. Any transferee of the interest of a Member, irrespective of whether such transferee has accepted and adopted in writing the terms and provisions of this Agreement, shall be deemed by the acceptance of such Transfer to have agreed to be subject to the terms and provisions of this Agreement in the same manner as its transferor.

(d) The Capital Contribution of a Member that is an assignee of all or a portion of an equity interest in the Company shall include the Capital Contribution of the assignor (or a pro rata portion thereof in the case of an assignment of less than the Entire Interest of the assignor).

(e) In the event any Member shall be adjudicated as bankrupt, or in the event of the winding up or liquidation of a Member, the legal representative of such Member shall, upon written notice to the other Member of the happening, become a transferee of such Member's interest, subject to all of the terms of this Agreement as then in effect.

(f) As additional conditions to the validity of any Transfer of a Member's interest, such assignment shall not:

- (i) violate the registration provisions of the Securities Act of 1933, as amended, or the securities laws of any applicable jurisdiction;
- (ii) cause the Company to cease to be entitled to the exemption from the definition of an "investment company" pursuant to either Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act");
- (iii) result in the Company having more than ninety (90) members;
- (iv) cause the termination (unless only for tax purposes under Section 708(b)(1)(B) of the Code) or dissolution of the Company;
- (v) cause the Company to be treated as a "publicly traded partnership" subject to tax as a corporation within the meaning of Section 7704 of the Code;
- (vi) unless the other Member waives in writing the application of this clause (vi) with respect to such assignment (which the other Member may refuse to do in its absolute discretion), be to a Person which is an employment benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, as amended from time to time; or
- (vii) cause the Company or the other Member to be in violation of, or effect an assignment to a Person that is in violation of, applicable law.

The non-Transferring Member may require reasonable evidence as to the foregoing, including an opinion of counsel reasonably acceptable to the non-Transferring Member. Any purported Transfer as to which the conditions set forth in clauses (i) through (vii) are not satisfied shall be void ab initio. A Transferring Member shall be responsible for all costs and expenses incurred by the Company, including reasonable legal fees and expenses, in connection with any assignment or proposed assignment.

(g) Except for Permitted Affiliate Transfers, each Member hereby unconditionally and irrevocably grants to the other Member or its designee a right of first offer to purchase or designate a third party to purchase all, but not less than all, of any interest in the Company that such other Member may propose to Transfer to another Person at the valuation most recently approved in accordance with Section 9.5.

(i) The Member proposing to make a Transfer that would be subject to this Section 7.1(g) must deliver written notice of its intention to Transfer such interest (the "Notice of Intent") to the other Member not later than twenty (20) business days prior to the proposed closing date of such Transfer. Such Notice of Intent shall contain the material terms and conditions of the proposed Transfer and shall identify the proposed transferee of such interest, if known.

(ii) The Member receiving the Notice of Intent shall have the right, for a period of fifteen (15) business days from the date of receipt of the Notice of Intent (the "Acceptance Period"), to accept the interest or to designate a third-party purchaser to accept such interest at the valuation most recently approved in accordance with Section 9.5 and on the terms stated in the Notice of Intent. Such acceptance shall be made by delivering a written notice to the selling Member and the Company within the Acceptance Period stating that it elects to exercise its right of first offer and, if applicable, providing the identity of any Person that the non-transferring Member designates as the purchaser.

(iii) Following expiration of the Acceptance Period, the selling Member shall be free to sell its interest in the Company to a third party in a Transfer that otherwise meets the requirements of this Section 7.1 on terms and conditions it deems acceptable (but at a price not less than the price and on terms not more favorable to the purchaser thereof than the price and terms stated in the Notice of Intent); provided that such sale takes place within twenty (20) business days after the expiration of the Acceptance Period (the "Sale Period"). To the extent the selling Member Transfers its interest in the Company during the Sale Period, the selling Member shall promptly notify the Company, and the Company shall promptly notify the other Member, as to the terms of such Transfer and the name of the owner(s) to whom the interest was Transferred. If no such sale occurs during the Sale Period, any attempted Transfer of such interest shall again be subject to the right of first offer set forth in this Section 7.1(g) and such procedures shall be repeated de novo.

Section 7.2 Withdrawal by Members. Members may withdraw from the Company only as provided by this Agreement.

(a) Notwithstanding any provision contained herein to the contrary, if a Member shall obtain an opinion of counsel to the effect that, as a result of the other Member's ownership of an interest in the Company, the Company would be required to register as an investment company under the 1940 Act, such other Member shall, upon written notice from such first Member, withdraw from or reduce (in accordance with the provisions of clause (c) below) its interest in the Company (including its Capital Commitment) to the extent such first Member has determined, based upon such opinion of counsel, to be necessary in order for the Company not to be required to so register. Each Member shall, upon written request from the other Member, promptly furnish to the other Member such information as the other Member may reasonably request from time to time in order to make a determination pursuant to this Section 7.2(a), but in no event later than ten (10) business days after such request.

(b) Notwithstanding any provision herein to the contrary, if a Member shall breach such Member's obligations under Section 7.2(a), or if the other Member shall obtain an opinion of counsel to the effect that any contribution or payment by a Member to the Company would cause the Company or the other Member to be in violation of, or to the effect that such Member is in violation of, any law or regulation to which the Company, a Member, or such Member's investment in the Company may be subject from time to time and which violation would reasonably be expected to have a material adverse effect on the Company, such Member shall, upon written notice from the other Member, withdraw from the Company in accordance with the provisions of Section 7.2(c). Each Member shall, upon written request from the other Member, promptly furnish to the other Member such information as the other Member may reasonably request from time to time in order to make a determination pursuant to this Section 7.2(b), but in no event later than ten (10) business days after such request.

(c) If a Member partially withdraws its interest in the Company pursuant to this Section 7.2, it shall receive, in full payment for such withdrawn interest from first cash and cash equivalents available for distribution pursuant to Article 5, the sum of the portion of the Capital Account attributable to such withdrawn interest (adjusted to reflect the Value of the Company as determined as of the date of the last valuation pursuant to Section 9.5). If a Member withdraws its entire interest in the Company pursuant to this Section 7.2, then the Company shall terminate as provided by Article 8.

ARTICLE 8 TERM, DISSOLUTION AND LIQUIDATION OF COMPANY

Section 8.1 Term. Except as provided in Section 8.2, the Company shall continue without dissolution until all Investments are liquidated by the Company.

Section 8.2 Dissolution. The Company shall be dissolved and its affairs wound up upon the occurrence of any of the following events:

- (a) the expiration of the term of the Company determined pursuant to Section 8.1;
- (b) distribution of all assets of the Company;

(c) (i) the full withdrawal of a Member of the Company pursuant to Section 7.2, or (ii) a bankruptcy, insolvency, dissolution or liquidation of a Member, or (iii) the making of an assignment for the benefit of creditors by a Member, or (iv) a default under Section 3.3 by a Member which remains uncured or unwaived after the expiration of the cure period set forth in Section 3.3, in each case of clauses (ii) through (iv) above at the election of the other Member by providing written notice of such election;

(d) a determination by any regulatory agency to subject PFLT's participation in the Company to an accounting or reporting treatment or other consequence which PFLT, in its sole discretion, determines to be materially adverse to it, a change in any accounting rule or guidance that would subject PFLT's participation in the Company to an accounting treatment or other consequence which PFLT, in its sole discretion, determines to be materially adverse to it, or a change by any regulatory agency of any assent it may have granted regarding PFLT's interest in the Company or the terms of such assent or its conclusions regarding the accounting or reporting treatment or other consequence which PFLT, in its sole discretion, determines to be materially adverse to it, in each case at the election of PFLT by providing written notice of such election to the other Member;

(e) passage of the Small Business Credit Availability Act or any bill with similar effects on the business development company industry as those proposed as part of the Small Business Credit Availability Act;

(f) the entry of a decree of judicial dissolution pursuant to the Act, in which event the provisions of Section 8.3, as modified by said decree, shall govern the winding up of the Company's affairs; or

(g) a written notice by a Member to the other Member to dissolve the Company, which notice shall become effective as stated therein but no less than ninety (90) days after delivery (unless the other Member waives such notification requirement).

Section 8.3 Wind-down.

(a) Upon the dissolution of the Company, the Company shall be liquidated in accordance with this Article and the Act. The liquidation shall be conducted and supervised by the Board in the same manner provided by Article 6 with respect to the operation of the Company during its term; provided that in the case of a dissolution and winding up of the Company pursuant to Sections 8.2(c) or 8.2(d), the Member that elects such dissolution and winding up (or in the case of a full withdrawal of a Member under Section 8.2(c), the non-withdrawing Member) may elect further, by written notice to the other Member, to exercise as liquidating agent all of the rights, powers and authority with respect to the assets and liabilities of the Company in connection with the liquidation of the Company, to the same extent as the Board would have during the term of the Company.

(b) From and after the date on which an event set forth in Section 8.2 becomes effective, the Company shall cease to make Investments after that date, except for (i) Investments which the Company was committed to make in whole or in part (as evidenced by a commitment letter, term sheet or letter of intent, or definitive legal documents under which less than all advances have been made) on or before such effective date and (ii) at the election of the Board by Prior Board Approval. Capital calls against the Capital Commitment of the Members shall cease from and after such effective date; provided that capital calls against the Capital Commitment of the Members may continue to fund the allocable share of Investments in which the Company continues to participate (as set forth in the immediately preceding sentence). Expenses and all other obligations of the Company. Subject to the foregoing, the Members shall continue to bear an allocable share of Expenses and other obligations of the Company until all Investments in which the Company participates are repaid or otherwise disposed of in the normal course of the Company's activities.

(c) Distributions to the Members during the winding down of the Company shall be made no less frequently than quarterly to the extent consisting of a Member's allocable share of cash and cash equivalents, after taking into account reasonable reserves deemed appropriate by Prior Board Approval (or in the event of a dissolution and winding up of the Company pursuant to Sections 8.2(c), 8.2(d) or 8.2(e), by a Member that has elected to act as liquidating agent pursuant to Section 8.3(a)), to fund Investments in which the Company continues to participate (as set forth in the immediately preceding paragraph), Expenses and all other obligations (including contingent obligations) of the Company. Unless waived by Prior Board Approval, the Company also shall withhold ten percent (10%) of distributions in any calendar year, which withheld amount shall be distributed within sixty (60) days after the completion of the annual audit covering such year. A Member shall remain a member of the Company until all Investments are repaid or otherwise disposed of, the Member's allocable share of all Expenses and all other obligations (including contingent obligations) of the Company are paid, and all distributions are made hereunder, at which time the Member shall have no further rights under this Agreement.

(d) Upon dissolution of the Company, final allocations of all items of Profit and Loss shall be made in accordance with Section 4.2. Upon dissolution of the Company, the assets of the Company shall be applied in the following order of priority:

(i) To creditors (other than Members) in satisfaction of liabilities of the Company (whether by payment or by the making of reasonable provision for payment thereof), including to establish any reasonable reserves which the Board may by Prior Board Approval, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company;

(ii) To creditors who are Members in satisfaction of liabilities of the Company (whether by payment or by the making of reasonable provision for payment thereof), including to establish any reasonable reserves which the Board may by Prior Board Approval, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company;

(iii) To establish any reserves which the Board may by Prior Board Approval, in its reasonable judgment, deem necessary or advisable for any contingent, conditional or unmatured liability of the Company to Members; and

(iv) The balance, if any, to the Members in accordance with Section 5.1(d).

(e) Notwithstanding the foregoing, upon the occurrence of an event described in Sections 8.2(d) or 8.2(e), the Member that may elect a dissolution and winding up (or in the case of an event described in Section 8.2(c), the Member not subject to such event) (such Member, the "Electing Member") may elect alternatively by written notice to the other Member, for a period of twenty (20) business days following the occurrence of such event, to purchase the other Member's Entire Interest or designate a third party to effect such purchase (such election, the "Election to Purchase"). The purchase price for such Entire Interest shall be payable in cash within sixty (60) business days after the Election to Purchase is delivered to the other Member, and shall be equal to the Capital Account of the other Member adjusted to reflect the Value of the Company as determined as of the date of the last valuation pursuant to Section 9.5. Each Member hereby agrees to sell its Entire Interest to the Electing Member or the third party designated by the Electing Member at such price if the Election to Purchase is timely exercised by the Electing Member. If the Electing Member does not exercise the Election to Purchase within the 20-business day period set forth in this Section 8.3(e) or if the Electing Member or its third-party designee does not purchase the other Member's Entire Interest within sixty (60) business days after the Election to Purchase is delivered to the other Member, then the Election to Purchase shall terminate and (i) in the case of an event described in Section 8.2(c), the other Member shall withdraw its Entire Interest pursuant to Section 7.2, and the Company shall terminate as provided by Article 8 or (ii) in the case of the occurrence of an event described in Section 8.2(d) or 8.2(e), the Electing Member shall retain the option to elect the dissolution of the Company pursuant to Section 8.2(c), 8.2(d) or 8.2(e), as applicable. After any purchase pursuant to an Election to Purchase, the other Member shall no longer be a member of the Company, and the Electing Member, or third party designee of the Electing Member that has consummated the purchase, may dissolve or continue the Company as it may determine.

(f) In the event that an audit or reconciliation relating to the fiscal year in which a Member receives a distribution under this Section 8.3 reveals that such Member received a distribution in excess of that to which such Member was entitled, the other Member may, in its discretion, seek repayment of such distribution to the extent that such distribution exceeded what was due to such Member.

(g) Each Member shall be furnished with a statement prepared by the Company's accountant, which shall set forth the assets and liabilities of the Company as of the date of complete liquidation, and each Member's share thereof. Upon compliance with the distribution plan set forth in this Section 8.3, the Members shall cease to be such, and either Member may execute, acknowledge and cause to be filed a certificate of cancellation of the Company.

ARTICLE 9 ACCOUNTING, REPORTING AND VALUATION PROVISIONS

Section 9.1 Books and Accounts.

(a) Complete and accurate books and accounts shall be kept and maintained for the Company at its principal office. Such books and accounts shall be kept on the accrual basis method of accounting and shall include separate Capital Accounts for each Member. Each Member or its duly authorized representative, at its own expense, shall at all reasonable times and upon reasonable prior written notice to the Administrative Agent have access to, and may inspect, such books and accounts and any other records of the Company for any purpose reasonably related to its interest in the Company.

(b) All Company funds shall be deposited in the name of the Company in such bank account or accounts or with such custodian, and securities owned by the Company may be deposited with such custodian, as may be designated by Board Approval from time to time and withdrawals therefrom shall be made upon such signature or signatures on behalf of the Company as may be designated by Board Approval from time to time.

Section 9.2 Financial Reports; Tax Return.

(a) The Company shall engage an independent certified public accountant selected and approved by Board Approval to act as the accountant for the Company and to audit the Company's books and accounts as of the end of each fiscal year. As soon as practicable, but no later than seventy-five (75) days after the end of such fiscal year (other than clause (iii) which shall be no later than ninety (90) days after the end of such fiscal year), the Board shall cause the Administrative Agent to deliver, by any of the methods described in Section 10.6, to each Member and to each former Member who withdrew during such fiscal year:

(i) audited financial statements of the Company as of the end of and for such fiscal year, including a balance sheet and statement of income, together with the report thereon of the Company's independent certified public accountant, which annual financial statements shall be approved by Prior Board Approval;

(ii) a schedule of investments of the Company, including both the cost and the valuation of such securities as determined pursuant to Section 9.5, and a statement of such Member's Capital Account;

(iii) to the extent that the requisite information is then available, a Form 1065, Schedule K-1 for such Member with respect to such fiscal year, prepared in accordance with the Code, together with corresponding forms for state income tax purposes, setting forth such Member's distributive share of Company items of Profit or Loss for such fiscal year and the amount of such Member's Capital Account determined in accordance with Section 4.4 at the end of such fiscal year; and

(iv) such other financial information and documents with respect to the Company and its business as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to comply with regulatory requirements applicable to it or to prepare its federal and state income tax returns.

(b) As soon as practicable, but in no event later than forty-five (45) days after the end of each fiscal year, the Board shall cause the Administrative Agent to deliver, by any of the methods described in Section 10.6, to each Member the information and documents described in Section 9.2(a)(i), (ii) and (iv) above, in draft form and subject to completion of the audit for such fiscal year, to facilitate satisfaction of each Member's annual reporting obligations.

(c) The Members shall cause the Administrative Agent to prepare and timely file after the end of each tax year of the Company all federal and state income tax returns of the Company for such tax year. As soon as practicable, but no later than ninety (90) days after the end of each tax year of the Company, the Board shall cause the Administrative Agent to deliver, by any of the methods described in Section 10.6, to each Member and to each former Member who withdrew during such tax year, to the extent that the requisite information is then available, a Form 1065, Schedule K-1 for such Member with respect to such tax year, prepared in accordance with the Code, together with corresponding forms for state income tax purposes, setting forth such Member's distributive share of Company items of Profit or Loss for such tax year and the amount of such Member's Capital Account determined in accordance with Section 4.4 at the end of such tax year. For purposes of this Section 9.2, a Member's distributive share of Company items of Profit or Loss shall mean an amount equal to such Member's distributive share of the Company's taxable income or loss for a tax year (or portion of such tax year), determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the corresponding adjustments required to be made to such Member's Capital Account in accordance with the capital accounting maintenance rules of Section 704 of the Code and Treasury Regulations Sections 1.704-1 and 1.704-2, as appropriate

(d) As soon as practicable, but in no event later than forty-five (45) days after the end of each of the first three fiscal quarters of a fiscal year, the Board shall cause the Administrative Agent to prepare and deliver, by any of the methods described in Section 10.6, to each Member (i) unaudited financial information (to include a statement of assets and liabilities, statement of operations and statement of cash flows) with respect to such Member's allocable share of Profit or Loss and changes to its Capital Account as of the end of such fiscal quarter and for the portion of the fiscal year then ended, (ii) a statement of holdings of securities of the Company as to which such Member participates, including both the cost and the valuation of such securities as determined pursuant to Section 9.5, and (iii) such other financial information as the Administrative Agent deems appropriate, or as a Member may reasonably require and request, to enable such Member to comply with regulatory requirements applicable to it.

Section 9.3 Tax Elections.

(a) The Company may, by Prior Board Approval, but shall not be required to, make any election pursuant to the provisions of Sections 754 or 1045 of the Code, or any other election required or permitted to be made by the Company under the Code.

(b) In the event the Company is required, without an election under Section 754 of the Code, to adjust the basis of its assets pursuant to Section 734 or Section 743 of the Code, the Board shall, in complying with such requirements, interpret and apply this Agreement to effect the purposes of such required adjustments.

(c) Each Member agrees to furnish to the Board such information as may be required for the Company to comply with any tax accounting, withholding or reporting obligations, including any obligation to make any mandatory basis adjustments to Company property pursuant to Section 754 of the Code

Section 9.4 Confidentiality.

(a) Each Member agrees to maintain the confidentiality of the Company's records, reports and affairs, and all information and materials furnished to such Member by the Company, PFLT, PFLT's investment adviser, the Administrative Agent or their Affiliates with respect to their respective businesses and activities; each Member agrees not to provide to any other Person copies of any financial statements, tax returns or other records or reports, or other information or materials, provided or made available to such Member; and each Member agrees not to disclose to any other Person any information contained therein (including any information respecting Portfolio Companies), without the express prior written consent of the disclosing party; provided that:

(i) PFLT may disclose (1) any such information as may be required by law in connection with its filings with the SEC and (2) the names of borrowers of loans made by the Company and summaries of such loan transactions in any marketing materials of PFLT and its Affiliates; and

(ii) any Member may provide financial statements, tax returns and other information contained therein: (1) to such Member's accountants, internal and external auditors, legal counsel, financial advisors and other fiduciaries and representatives (who may be Affiliates of such Member) as long as such Member instructs such Persons to maintain the confidentiality thereof and not to disclose to any other Person any information contained therein; (2) to bona fide potential transferees of such Member's Entire Interest that agree in writing, for the benefit of the Company, to maintain the confidentiality thereof, but only after reasonable advance notice to the Company; (3) if and to the extent required by law (including judicial or administrative order); provided that, to the extent legally permissible, the Company is given prior notice to enable it to seek a protective order or similar relief; (4) to representatives of any governmental regulatory agency or authority with jurisdiction over such Member, or as otherwise may be necessary to comply with regulatory requirements applicable to such Member; and (5) in order to enforce rights under this Agreement.

(b) Notwithstanding the foregoing, the following shall not be considered confidential information for purposes of this Agreement: (i) information generally known to the public; (ii) information obtained by a Member from a third party who is not prohibited from disclosing the information; (iii) information in the possession of a Member prior to its disclosure by the Company, PFLT, PFLT's investment adviser, the Administrative Agent or their Affiliates; or (iv) information which a Member can show by written documentation was developed independently of disclosure by the Company, PFLT, PFLT's investment adviser, the Administrative Agent or their Affiliates. Without limitation to the foregoing, no party shall engage in the purchase, sale or other trading of securities or derivatives thereof based upon confidential information.

(c) To the extent permitted by applicable law, and notwithstanding the provisions of this Article 9, each of the Company, PFLT, PFLT's investment adviser, the Administrative Agent or any of their Affiliates may, in its reasonable discretion, keep confidential from any Member information to the extent such Person reasonably determines that: (i) disclosure of such information to such Member likely would have a material adverse effect upon the Company or a Portfolio Company due to an actual or likely conflict of business interests between such Member and one or more other parties or an actual or likely imposition of additional statutory or regulatory constraints upon the Company, PFLT, PFLT's investment adviser, the Administrative Agent, any of its Affiliates or a Portfolio Company; or (ii) such Member cannot or will not adequately protect against the improper disclosure of confidential information, the disclosure of which likely would have a material adverse effect upon the Company, PFLT, PFLT's investment adviser, the Administrative Agent, any of its Affiliates or a Portfolio Company. Notwithstanding the foregoing, each of the Company, PFLT, the Administrative Agent or any of their Affiliates shall promptly provide to each Member all relevant information and documents related to any notice or request (whether written or oral) received from any governmental or regulatory agency involving any pending or threatened Proceeding in connection with the activities or operations of the Company.

(d) The Members: (i) acknowledge that the Company, PFLT, the Administrative Agent, its Affiliates, and their respective direct or indirect members, members, managers, officers, directors and employees are expected to acquire confidential third-party information that, pursuant to fiduciary, contractual, legal or similar obligations, cannot be disclosed to the Company or the Members; and (ii) agree that none of such Persons shall be in breach of any duty under this Agreement or the Act as a result of acquiring, holding or failing to disclose such information to the Company or the Members.

Section 9.5 Valuation.

(a) Valuations shall be made as of the end of each fiscal quarter and upon liquidation of the Company in accordance with the following provisions and the Company's valuation guidelines then in effect (which shall be consistent with PFLT's valuation guidelines then in effect):

(i) Within thirty (30) days after the date as of which a valuation is to be made, the Administrative Agent shall deliver to the Board a report as to the recommended valuation as of such date, and provide such Persons with a reasonable opportunity to request information and to provide comments with respect to the report.

(ii) The recommended valuation as of such date shall be deemed final if (A) such valuation is approved by Prior Board Approval or (B) there is no objection by the Board to such valuation within ten (10) business days of the Board's receipt of the Administrative Agent's report.

(iii) If there is an objection to the recommended valuation by the Board, then the Administrative Agent shall cause a valuation of the asset(s) subject to unresolved objection to be made as of such date by an approved valuation expert (if not already made), and shall determine a valuation of such asset(s) consistent with the valuation as of such date by the approved valuation expert, and such valuation shall be final. For this purpose, a valuation of an asset as of such date shall be considered consistent with a valuation

of an approved valuation expert if it is equal to the recommended value or within the recommended range of values determined by the approved valuation expert as of such date. An approved valuation expert shall mean an independent valuation consultant that either has been approved by Prior Board Approval or has been referenced as the independent valuation consultant of the Company in a previous valuation report by the Administrative Agent without objection by any Director.

(iv) Liabilities of the Company shall be taken into account at the amounts at which they are carried on the books of the Company, and provision shall be made in accordance with GAAP for contingent or other liabilities not reflected on such books and, in the case of the liquidation of the Company, for the expenses (to be borne by the Company) of the liquidation and winding up of the Company's affairs.

(v) No value shall be assigned to the Company name and goodwill or to the office records, files, statistical data, or any similar intangible assets of the Company not normally reflected in the Company's accounting records.

(b) All valuations shall be made in accordance with the foregoing shall be final and binding on all Members, absent actual and apparent error. Valuations of the Company's assets by independent valuation consultants shall be at the Company's expense.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.1 Power of Attorney.

(a) Each Member irrevocably constitutes and appoints the Administrative Agent the true and lawful attorney-in-fact of such Member to execute, acknowledge, swear to and file any of the following:

(i) Any certificate or other instrument (i) which may be required to be filed by the Company under the laws of the United States, the State of Delaware, or any other jurisdiction, or (ii) which the Administrative Agent shall deem advisable to file; provided that no such certificate or instrument shall have the effect of amending this Agreement other than as permitted hereby;

(ii) Any amendment or modification of any certificate or other instrument referred to in this Section 10.1; and

(iii) Any agreement, document, certificate or other instrument which any Member is required to execute in connection with the termination of such Member's interest in the Company and the withdrawal of such Member from the Company, or in connection with the reduction of such Member's interest in the Company, in each case in accordance with the terms of this Agreement, which such Member has failed to execute and deliver within ten (10) days after written request by the other Member.

It is expressly acknowledged by each Member that the foregoing power of attorney is coupled with an interest and shall survive death, legal incapacity and assignment by such Member of its interest in the Company; provided, however, that if a Member shall assign all of its interest in the Company and the assignee shall, in accordance with the provisions of this Agreement, become a substitute Member, such power of attorney shall survive such assignment only for the purpose of enabling each attorney-in-fact to execute, acknowledge, swear to and file any and all instruments necessary to effect such substitution.

(b) Each Member agrees to execute, upon five (5) business days' prior written notice, a confirmatory or special power of attorney, containing the substantive provisions of this Section 10.1, in form satisfactory to the Administrative Agent.

Section 10.2 Governing Law; Jurisdiction; Jury Waiver. This Agreement shall be governed by, and construed in accordance with, the law of the State of Delaware. To the fullest extent permitted by law, in the event of any dispute or controversy arising out of the terms and conditions of this Agreement, the parties hereto consent and submit to the jurisdiction of the courts of the State of New York in the county of New York and of the U.S. District Court for the Southern District of New York.

EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.3 Certificate of Formation; Other Documents. The Members agree to execute such instruments and documents as may be required by law or which a Member or the Board deems necessary or appropriate to carry out the intent of this Agreement.

Section 10.4 Force Majeure. Whenever any act or thing is required of the Company or a Member hereunder to be done within any specified period of time, the Company and the Member shall be entitled to such additional period of time to do such act or thing as shall equal any period of delay resulting from causes beyond the reasonable control of the Company or the Member, including, without limitation, bank holidays, and actions of governmental agencies, and excluding, without limitation, economic hardship; provided that this provision shall not have the effect of relieving the Company or the Member from the obligation to perform any such act or thing.

Section 10.5 Waivers.

(a) No waiver of the provisions hereof shall be valid unless in writing and then only to the extent set forth in such writing. Any right or remedy of the Members hereunder may be waived by Prior Board Approval, and any such waiver shall be binding on all Members, other than situations where such rights or remedies are non-waivable under applicable law. Except as specifically herein provided, no failure or delay by any

party in exercising any right or remedy hereunder shall operate as a waiver thereof, and the waiver of a particular right or remedy on one occasion shall not be deemed a waiver of any other right or remedy or a waiver on any other occasion.

(b) Except as otherwise provided in this Agreement or for situations in which the approval or consent of all or certain Members is required by non-waivable provisions of applicable law, any approval or consent of the Members may be given by Prior Board Approval, and any such approval or consent shall be binding on all Members.

Section 10.6 Notices. All notices, demands, solicitations of consent or approval, and other communications hereunder shall be in writing or by electronic mail (with or without attached PDFs), and shall be sufficiently given if personally delivered or sent by postage prepaid, registered or certified mail, return receipt requested, or sent by electronic mail, overnight courier or facsimile transmission, addressed as follows: if intended for the Company, to the Company's principal office determined pursuant to Section 2.3; and if intended for any Member, to the address of such Member set forth on the Member List, or to such other address as any Member may designate by written notice. Notices shall be deemed to have been given (i) when personally delivered, (ii) if sent by registered or certified mail, on the earlier of (A) three days after the date on which deposited in the mails or (B) the date on which received, or (iii) if sent by electronic mail, overnight courier or facsimile transmission, on the date on which received; provided that notices of a change of address shall not be deemed given until the actual receipt thereof. The provisions of this Section shall not prohibit the giving of written notice in any other manner; however, any such written notice shall be deemed given only when actually received.

Section 10.7 Construction.

(a) The captions used herein are intended for convenience of reference only and shall not modify or affect in any manner the meaning or interpretation of any of the provisions of this Agreement.

(b) As used herein, the singular shall include the plural, the masculine gender shall include the feminine and neuter, and the neuter gender shall include the masculine and feminine, unless the context otherwise requires.

(c) The words "hereof," "herein," and "hereunder," and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

(d) The words "including" and "include" and other words of similar import shall be deemed to be followed by the phrase "without limitation."

(e) The word "or" shall be disjunctive but not necessarily exclusive.

(f) References in this Agreement to Articles, Sections and Schedules are intended to refer to Articles, Sections and Schedules of this Agreement unless otherwise specifically stated.

(g) Unless otherwise specified, references herein to applicable statutes or other laws are references to the federal laws of the United States.

(h) Nothing in this Agreement shall be deemed to create any right in or benefit for any creditor of the Company that is not a party hereto, and this Agreement shall not be construed in any respect to be for the benefit of any creditor of the Company that is not a party hereto.

Section 10.8 Amendments. This Agreement may be amended at any time and from time to time by a written instrument executed by each Member.

Section 10.9 Legal Counsel. Schedule C is incorporated by reference herein.

Section 10.10 Execution. This Agreement may be executed in any number of counterparts and all such counterparts together shall constitute one agreement binding on all Members.

Section 10.11 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and assigns of the parties hereto; provided that this provision shall not be construed to permit any assignment or transfer which is otherwise prohibited hereby.

Section 10.12 Severability. If any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and all other applications thereof shall not in any way be affected or impaired thereby.

Section 10.13 Computation of Time. In computing any period of time under this Agreement, the day of the act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, Sunday or legal holiday on which banks in New York are closed, in which event the period shall run until the end of the next day which is not a Saturday, Sunday or such a legal holiday. Any reference to "business day" shall refer to any day which is not a Saturday, Sunday or such a legal holiday. Any references to time of day shall refer to New York time.

Section 10.14 Entire Agreement. This Agreement and the Subscription Agreements constitute the entire agreement between the parties and supersede all prior agreements, understandings and arrangements with respect to the subject matter hereof.

[Signatures appear on next page]

**CERTIFICATION PURSUANT TO SECTION 302
CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Arthur H. Penn, Chief Executive Officer of PennantPark Floating Rate Capital Ltd., certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Floating Rate Capital Ltd.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2017

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 302
CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Aviv Efrat, Chief Financial Officer of PennantPark Floating Rate Capital Ltd., certify that:

1. I have reviewed this Report on Form 10-Q of PennantPark Floating Rate Capital Ltd.;

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared; and

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 8, 2017

/s/ Aviv Efrat

Name: Aviv Efrat

Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with this Report on Form 10-Q for the three and nine months ended June 30, 2017, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Arthur H. Penn, Chief Executive Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Arthur H. Penn

Name: Arthur H. Penn

Title: Chief Executive Officer

Date: August 8, 2017

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)**

In connection with this Report on Form 10-Q for the three and nine months ended June 30, 2017, or the Report, of PennantPark Floating Rate Capital Ltd., or the Registrant, as filed with the Securities and Exchange Commission on the date hereof, I, Aviv Efrat, Chief Financial Officer of the Registrant, hereby certify, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Aviv Efrat

Name: Aviv Efrat
Title: Chief Financial Officer
Date: August 8, 2017