PennantPark Floating Rate Capital Ltd.
Form 497
March 20, 2013
**Table of Contents**

Filed Pursuant to Rule 497
File No. 333-180084

**The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, March 20, 2013**

**Preliminary Prospectus Supplement**

**To the Prospectus dated July 26, 2012**

## 3,000,000 Shares

## Common Stock

We are offering for sale 3,000,000 shares of our common stock. Our common stock is traded on the NASDAQ Global Select Market under the symbol PFLT. The last reported closing price for our common stock on March 19, 2013 was $14.23 per share. The net asset value of our common stock on December 31, 2012 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $13.99 per share.

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 business development company, or a BDC, under the Investment Company Act of 1940, as amended, or the 1940 Act. Our investment objectives are to generate current income and capital appreciation by investing primarily in Floating Rate Loans, and other investments, made to U.S. middle-market private companies. Floating Rate Loans, or variable-rate investments, pay interest at variable-rates, which are determined periodically, on the basis of a floating base lending rate such as the London Interbank Offered Rate, or LIBOR, with or without a floor plus a fixed spread over it. We are externally managed by PennantPark Investment Advisers, LLC. PennantPark Investment Administration, LLC provides the administrative services necessary for us to operate.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read them before you invest in our securities and keep them for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or the SEC. You may also obtain such information free of charge or make stockholder inquiries by contacting us in writing at 590 Madison Avenue, New York, NY 10022, by calling us collect at (212) 905-1000 or by visiting our website at *www.pennantpark.com*. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus. The SEC also maintains a website at *www.sec.gov* that contains such information free of charge.

**Investing in our securities involves a high degree of risk, including the risk of the use of leverage. Before buying any shares of our common stock, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page S-12 of this prospectus supplement and page 8 of the accompanying prospectus.**

**Neither the SEC nor any state securities commission, nor any other regulatory body, has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discounts and commissions (sales load) [(1)] | $ | $ |
| Proceeds to PennantPark Floating Rate Capital, Ltd (before estimated expenses of $400,000) | $ | $ |

(1) Our investment adviser, PennantPark Investment Advisers, LLC, has agreed to pay the underwriters $ million, or $ per share of the sales load in connection with this offering, which is not reflected in the above table. All other expenses of the offering including the sales load not paid by our investment adviser will be borne by us.

**The underwriters may also purchase up to an additional 450,000 shares from us at the public offering price, within 30 days from the date of this prospectus supplement to cover overallotments, if any. If the underwriters exercise this option in full, the total public offering price will be $ , the underwriting discount and commissions (sales load) that will be paid by us will be $ million and the underwriting discount and commission paid by PennantPark Investment Advisers, LLC will be $ million and total proceeds, before expenses, will be $ .**

**The underwriters expect to deliver the shares on or about March , 2013.**

**Morgan Stanley** **J.P. Morgan** **Keefe, Bruyette & Woods**

*A Stifel Company*

**The date of this prospectus supplement is March , 2013.**

**Table of Contents**

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus when considering whether to purchase any securities offered by this prospectus. We have not authorized anyone to provide you with additional information, or information different from that contained in this prospectus supplement and the accompanying prospectus. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers are permitted. The information contained in this prospectus supplement and the accompanying prospectus is accurate only as of the date of this prospectus supplement and the accompanying prospectus. Our business, financial condition, results of operations and prospects may have changed since then. We will update these documents to reflect material changes only as required by law.

## TABLE OF CONTENTS

### PROSPECTUS SUPPLEMENT



### PROSPECTUS

**Table of Contents**

**Table of Contents**

## SUPPLEMENTAL PROSPECTUS SUMMARY

*This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider in making an investment decision. References to our portfolio and investments include investments we make through our consolidated subsidiary. Some of the statements in this prospectus supplement and the accompanying prospectus constitute forward-looking statements, which apply to both us and any consolidated subsidiaries and relate to future events, future performance or future financial condition. The forward-looking statements involve risks and uncertainties on a consolidated basis and actual results could differ materially from those projected in the forward-looking statements for many reasons, including those factors discussed in Risk Factors and elsewhere in this prospectus supplement and the accompanying prospectus. You should read carefully the more detailed information set forth under Risk Factors and the other information included in this prospectus supplement and the accompanying prospectus. In this prospectus supplement and the accompanying prospectus except where the context suggests otherwise: the terms we, us, our, and Company refer to PennantPark Floating Rate Capital Ltd. and its consolidated subsidiary; Funding I or our subsidiary refers to our consolidated subsidiary, PennantPark Floating Rate Funding I, LLC; PennantPark Investment Advisers or Investment Adviser refers to PennantPark Investment Advisers, LLC; and PennantPark Investment Administration or Administrator refers to PennantPark Investment Administration, LLC.*

### General Business of PennantPark Floating Rate Capital Ltd.

PennantPark Floating Rate Capital Ltd. is a BDC whose objectives are to generate current income and capital appreciation. We seek to achieve our investment objective by investing primarily in Floating Rate Loans, and other instruments, made to U.S. middle-market private companies.

We believe that Floating Rate Loans to U.S. middle-market private companies offer attractive risk-adjusted returns 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. We may also invest in public middle-market U.S. companies that are thinly traded or have a small market-capitalization. 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 investments may have terms of 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, which means our net assets plus any borrowings for investments purposes, will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest which may, from time to time, include variable rate derivative instruments. We generally expect that senior secured loans, 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 second-lien, high yield, mezzanine and distressed debt securities and to a lesser extent equity investments. Our investment size may generally range between $1 million and $10 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, or the 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 tax purposes we elected to be treated, and intend to qualify annually, as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended, or the Code.

**Our Investment Adviser and Administrator**

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing what we believe is an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years and average over 20 years of experience in the mezzanine lending, leveraged finance, distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this experience and history have resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which provides us with access to substantial investment opportunities across the capital markets. Our Investment Adviser has a rigorous investment approach, which is based upon intensive financial analysis with a focus on capital preservation, diversification and active management. Since our Investment Adviser s inception in 2007, it has raised over $1.5 billion in debt and equity capital and has invested over $2.1 billion in over 200 companies with over 100 different financial sponsors through its managed funds.

Our Administrator has experienced professionals with substantial backgrounds in finance and administration of registered investment companies. In addition to furnishing us with clerical, bookkeeping and record keeping services, the Administrator also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. The Administrator assists in the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, monitors the payment of our expenses as well as the performance of administrative and professional services rendered to us by others. Furthermore, our Administrator provides, on our behalf, managerial assistance to those portfolio companies to which we are required to offer such assistance. See Risk Factors Risks Relating to our Business and Structure There are significant potential conflicts of interest which could impact our investment returns in the accompanying prospectus for more information.

**Market Opportunity**

We believe that the limited amount of capital available to the middle-market companies, coupled with the desire of these companies for flexible sources of capital, creates an attractive investment environment for us.

**We believe middle-market companies have faced increasing difficulty in raising debt through the capital markets.** While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings. We believe this has made it harder for middle-market companies to raise funds by issuing high-yield debt securities.

**We believe middle-market companies have faced difficulty raising debt in private markets.** Banks, finance companies, hedge funds and collateralized loan obligation, or CLO, funds have withdrawn capital from the middle-market resulting in opportunities for alternative funding sources.

Table of Contents

**We believe that the current credit market dislocation for middle-market companies improves the risk-adjusted returns of our investments.** In the current credit environment, market participants have reduced lending to middle-market and non-investment grade borrowers. As a result, we believe there is less competition in our market, more conservative capital structures, higher yields and stronger covenants.

**We believe there is a large pool of uninvested private equity capital likely to seek to combine their capital with sources of debt capital to complete private investments.** We expect that private equity firms will continue to be active investors in middle-market companies. These private equity funds generally seek to leverage their investments by combining their capital with senior secured loans and/or mezzanine debt provided by other sources, and we believe that our capital is well-positioned to partner with such equity investors. We expect such activity to be funded by the substantial amounts of private equity capital that have been raised in recent years.

**We believe there is a substantial supply of opportunities.** A high volume of financings will come due in the next few years. Additionally, we believe that demand for debt financing from middle-market companies will remain strong because these companies will continue to require credit to refinance existing debt, to support growth initiatives and to finance acquisitions. We believe the combination of strong demand by middle-market companies and the reduced supply of credit described above should increase lending opportunities for us. We believe this supply of opportunities coupled with lack of demand offers attractive risk-adjusted returns to investors.

**Competitive Advantages**

We believe that we have the following competitive advantages over other capital providers in middle-market companies:

***a. Experienced Management Team***

The senior investment professionals of our Investment Adviser have worked together for many years and average over 20 years of experience in mezzanine lending, leveraged finance, distressed debt and private equity businesses. The senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this extensive experience and history has resulted in a strong reputation across the capital markets.

Lending to middle-market companies requires in depth diligence, credit expertise, restructuring experience and active portfolio management. For example, lending to middle-market companies in the United States is generally more labor intensive than lending to larger companies due to the smaller size of each investment and the fragmented nature of the information available with respect to such companies. Specialized due diligence and underwriting capabilities, and more extensive ongoing monitoring are required by the lender.

***b. Disciplined Investment Approach with Strong Value Orientation***

We employ a disciplined approach in selecting investments that meet the long-standing, consistent value-oriented investment criteria employed by our Investment Adviser. Our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we are highly selective in deploying our capital. We believe this approach continues to enable us to build an attractive investment portfolio that meets our return and value criteria over the long-term.

Table of Contents

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through our Investment Adviser, conduct a rigorous due diligence process that draws from our Investment Adviser s experience, industry expertise and network of contacts. Among other things, our due diligence is designed to ensure that each prospective portfolio company will be able to meet its debt service obligations. See Investment Objectives and Policies Investment Selection Criteria in the accompanying prospectus for more information.

In addition to engaging in extensive due diligence, our Investment Adviser seeks to reduce risk by focusing on businesses with:

- strong competitive positions;
- positive cash flow that is steady and stable;
- experienced management teams with strong track records;
- potential for growth and viable exit strategies; and
- capital structures offering appropriate risk-adjusted terms and covenants.

***c. Ability to Source and Evaluate Transactions through our Investment Adviser s Research Capability and Established Network***

The management team of the Investment Adviser has long-term relationships with financial sponsors, management consultants and management teams that we believe enable us to evaluate investment opportunities effectively in numerous industries, as well as provide us access to substantial information concerning those industries. We identify potential investments both through active origination and through dialogue with numerous financial sponsors, management teams, members of the financial community and corporate partners with whom the professionals of our Investment Adviser have long-term relationships.

***d. Flexible Transaction Structuring***

We are flexible in structuring investments and tailor investments to meet the needs of a portfolio company while also generating attractive risk-adjusted returns. We can invest in any part of a capital structure, and our Investment Adviser has extensive experience in a wide variety of securities for leveraged companies throughout economic and market cycles.

Our Investment Adviser seeks to minimize the risk of capital loss without foregoing potential for capital appreciation. In making investment decisions, we seek to invest in companies that we believe can generate positive risk-adjusted returns.

We believe that the in-depth coverage and experience of our Investment Adviser will enable us to invest throughout various stages of the economic and market cycles and to provide us with ongoing market insights in addition to a significant investment sourcing engine.

**Recent Developments**

Under terms agreed among us, the Investment Adviser and underwriters of our initial public offering, the Investment Adviser paid 2% of the underwriters sales load, or approximately $2.1 million in the aggregate, on our behalf in connection with our initial public offering. We agreed to repay such amount to the Investment Adviser upon its achievement of a benchmark return over four consecutive quarters, and the Investment Adviser agreed to use such amount to purchase shares of our common stock over a six-month period following such repayment. We met the conditions for repayment to the Investment Adviser at the end of the quarter ended

Table of Contents

December 31, 2012 and subsequently repaid approximately $2.1 million to the Investment Adviser. The Investment Adviser announced that it intends to purchase shares of our common stock in the secondary market over the applicable six-month purchase period. The Investment Adviser has since completed the required purchase of shares of our common stock in the secondary market. Certain investment professionals of the Investment Adviser purchased over $1 million of shares of our stock in transactions completed on or prior to February 21, 2013.

On February 5, 2013, our stockholders elected four directors, including Messrs. Marshall Brozost and Samuel L. Katz, each of whom will serve as Class I directors until the 2015 annual meeting, or until his successor is duly elected and qualifies or until his earlier resignation, removal from office, death or incapacity, and Messrs. Adam K. Bernstein and Jeffrey Flug, each of whom will serve as Class II directors until the 2016 annual meeting, or until his successor is duly elected and qualifies or until his earlier resignation, removal from office, death or incapacity. Also on that date, our investment management agreement, or the Investment Management Agreement, and our administration agreement, or the Administration Agreement, were reapproved by our board of directors, including a majority of our directors who are not interested persons of PennantPark Investment.

**Competition**

Our primary competitors provide financing to middle-market companies and include other BDCs, commercial and investment banks, commercial finance companies, CLO funds and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities at middle-market companies can be intense. However, we believe that there has been a reduction in the amount of debt capital available to middle-market companies since the downturn in the credit markets, which began in mid-2007. We believe this has resulted in a less competitive environment for making new investments.

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. See Risk Factors Risks Relating to our Business and Structure We operate in a highly competitive market for investment opportunities in the accompanying prospectus for more information.

**Leverage**

We maintain a five-year, $100.0 million Credit Facility, which matures in May 2017, with SunTrust Bank, or the Lender. During the Credit Facility s first three years beginning in May 2012, or the revolving period, it bears interest at LIBOR plus 225 basis points, and after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years. The Credit Facility is secured by all of the assets held by Funding I, under which we had drawn $85.8 million outstanding with a weighted average interest rate of 2.47%, excluding the unused commitment fee of 0.375%, as of December 31, 2012. We believe that our capital resources provide us with the flexibility to take advantage of market opportunities when they arise. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement and in the accompanying prospectus for more information.

Table of Contents

**Operating and Regulatory Structure**

Our investment activities are managed by PennantPark Investment Advisers and supervised by our board of directors, a majority of whom are independent of us. Under our investment management agreement, or the Investment Management Agreement, we have agreed to pay our Investment Adviser an annual base management fee based on our average adjusted gross assets as well as an incentive fee based on our investment performance. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

We have also entered into an administration agreement, or the 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. See Certain Relationships and Transactions Administration Agreement in the accompanying prospectus for more information.

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.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See Regulation in the accompanying prospectus for more information. We have elected, and intend to qualify annually, to be treated for federal income tax purposes under the Code as a RIC. See Additional Material U.S. Federal Income Tax Considerations in this prospectus supplement and Material U.S. Federal Income Tax Considerations in the accompanying prospectus for more information.

**Use of Proceeds**

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding obligations under our Credit Facility, to invest in new or existing portfolio companies or for other general corporate or strategic purposes. See Use of Proceeds in this prospectus supplement for information regarding our outstanding borrowings as of December 31, 2012, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

**Dividends on Common Stock**

We intend to continue to distribute monthly dividends to our common stockholders. Our monthly dividends, if any, are determined by our board of directors. See Distributions in the accompanying prospectus and Price Range of Common Stock in this prospectus supplement and in the accompanying prospectus for more information.

**Dividend Reinvestment Plan**

We have adopted an opt-out dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock rather than receiving the cash dividends. Registered stockholders must notify our transfer agent in writing if they wish to opt-out of the dividend reinvestment plan. See Dividend Reinvestment Plan in the accompanying prospectus for more information.

**Our Corporate Information**

Our administrative and principal executive offices are located at 590 Madison Avenue, 15th Floor, New York, NY 10022. Our common stock is quoted on the NASDAQ Global Select Market under the symbol PFLT. Our phone number is (212) 905-1000, and our Internet website address is *www.pennantpark.com*. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or accompanying prospectus. We file periodic reports, proxy statements and other information with the SEC. You may read and copy the materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an internet site at *www.sec.gov* that contains material that we file with the SEC on the EDGAR Database.

Table of Contents

## FEES AND EXPENSES

The following table will assist you in understanding the various costs and expenses that an investor in shares of our common stock will bear directly or indirectly. However, we caution you that some of the percentages indicated in the table below are estimates and may vary. The following table should not be considered a representation of our future expenses. Actual expenses may be greater or less than shown. Except where the context suggests otherwise, whenever this prospectus supplement or the accompanying prospectus contains a reference to fees or expenses paid by you or us or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in us.

| | |
|---|---|
| **Stockholder transaction expenses (as a percentage of the offering price)** | |
| Sales load | 3.00%(1) |
| Offering expenses | 0.94%(2) |
| **Total stockholder transaction expenses** | 3.94% |
| **Estimated annual expenses (as a percentage of average net assets attributable to common shares)(3)** | |
| Management fees | 1.66%(4) |
| Incentive fees | 1.56%(5) |
| Interest on borrowed funds | 1.77%(6) |
| Other expenses | 1.96%(7) |
| **Total estimated annual expenses** | 6.95%(8) |

(1) Assumes we will pay the entire underwriting discount and commission (sales load), which is a one-time fee, of 3.00% of the offering price. Our Investment Adviser has agreed to bear a portion of this underwriting discount and commission, which is not reflected in the estimated annual expenses but is reflected in the stockholder transaction expenses and which will be determined at pricing. We are not obligated to repay the sales load paid by our Investment Adviser.

(2) Amount reflects estimated offering expenses of approximately $400,000 and based on the 3,000,000 shares offered in this offering at the last reported closing price of $14.23 per share of our common stock on March 19, 2013.

(3) Net assets attributable to common shares equals average net assets at December 31, 2012 plus the anticipated net proceeds from this offering but excluding the underwriters overallotment option.

(4) The contractual management fee is calculated at an annual rate of 1.00% of our average adjusted gross total assets. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

(5) The portion of incentive fees paid with respect to net investment income is based on actual amounts incurred and payable under our Investment Management Agreement during the three months ended December 31, 2012, annualized for a full year. Such incentive fees are based on performance, vary from year to year and are not paid unless our performance exceeds specified thresholds. Incentive fees in respect of net investment income do not include incentive fees in respect of net capital gains. The portion of our incentive fee paid in respect of net capital gains 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 20.0% 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. As of December 31, 2012, our cumulative realized and unrealized capital gains exceeded our cumulative realized and unrealized capital losses and we accrued a capital gains incentive fee of less than $0.1 million in accordance with U.S. generally accepted accounting principles, or GAAP. However, Incentive fees does not include an accrual for capital gains incentive fee for the three months ended December 31, 2012 since no capital gains incentive fee was payable under our Investment Management Agreement as of December 31, 2012. As we cannot predict our future net investment income or capital gains, the incentive fee paid in future periods, if any, may be substantially different than the fee earned during the three months ended December 31, 2012. For more detailed information about the incentive fee, please see Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus for more information.

(6) As of December 31, 2012, we had $85.8 million in borrowings outstanding under our $100.0 million Credit Facility. We may use the net proceeds of this offering to repay outstanding obligations under our Credit Facility. After completing this offering, we may continue to borrow under our Credit Facility to finance our investment objectives. We have estimated the annual interest expense on borrowed funds and caution you that our actual interest expense will depend on prevailing interest rates and our rate of borrowing, which may be substantially higher than the estimate provided in this table. See Risk Factors Risks Relating To Our Business and Structure We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage in the accompanying prospectus for more information.

(7) Other expenses includes our general and administrative expenses, professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan and the expenses of the Investment Adviser reimbursable under our Investment Management Agreement and of the Administrator reimbursable under our Administration Agreement. Such expenses are based on actual other expenses for the three

months ended December 31, 2012, annualized for a full year. See the Consolidated Statement of Operations in our Consolidated Financial Statements in this prospectus supplement and in the accompanying prospectus for more information.

(8) Total estimated annual expenses as a percentage of average net assets attributable to common shares, to the extent we borrow money to make investments, are higher than the total estimated annual expenses percentage would be for a company that is not leveraged. We may borrow money to leverage our net assets and increase our total assets. The SEC requires that the total estimated annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness) rather than total assets, which include assets that have been funded with borrowed money. For a presentation and calculation of total estimated annual expenses based on average total assets, see page 38 of the accompanying prospectus.

**Example**

The following example illustrates the projected dollar amount of total cumulative expenses that you would pay on a $1,000 hypothetical investment in common shares, assuming (1) no sales load (underwriting discounts and commissions) as explained in note 1 above and included offering expenses totaling 0.94%, (2) total net estimated annual expenses of 5.39% of average net assets attributable to common shares as set forth in the table above (other than performance-based incentive fees) and (3) a 5% annual return:

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|
| Total expenses incurred | $ 63 | $ 169 | $ 274 | $ 533 |

This example and the expenses in the table above should not be considered a representation of our future expenses. Actual expenses may be greater or less than those assumed. The table above is to assist you in understanding the various costs and expenses that an investor in our common stock will bear directly or indirectly. While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Assuming a 5% annual return, the incentive fee under our Investment Management Agreement would not be earned or payable and is not included in the example. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. The example assumes that all dividends and distributions are reinvested at net asset value. Depending upon the market value of our common stock, reinvestment of dividends and distributions under our dividend reinvestment plan may occur at a price per share that differs from, and which could be lower than, net asset value. See Distributions and additional information regarding our dividend reinvestment plan in the accompanying prospectus for more information.

Table of Contents

## FORWARD-LOOKING STATEMENTS

This prospectus supplement contains statements that constitute forward-looking statements, which relate to us and our consolidated subsidiary 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 prospectus supplement 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 the credit markets on our business;
- the impact of investments that we expect to make;
- the impact of fluctuations in interest 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;
- 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 ability of our Investment Adviser to locate suitable investments for us and to monitor and administer our investments; and
- the impact of future legislation and regulation on our business and our portfolio companies.

We use words such as anticipates, believes, expects, intends, seeks, plans, estimates and similar expressions to identify forward-lookin statements. You should not place undue reliance on the forward looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in the accompanying prospectus entitled Risk Factors and elsewhere in this prospectus supplement.

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 prospectus supplement 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 prospectus supplement on information available to us on the date of this prospectus supplement, 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 prospectus supplement, 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 in the future that we may file with the SEC including annual and quarterly reports on Form 10-K/Q and current reports on Form 8-K.

Table of Contents

You should understand that, under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, or 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 statements made in connection with any offering of securities pursuant to this prospectus supplement or in periodic reports we file under the Exchange Act.

Table of Contents

## RISK FACTORS

*Before you invest in our securities, you should be aware of various risks, including those described below and in the accompanying prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus supplement and the accompanying prospectus before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock may decline, and you may lose all or part of your investment.*

***Global capital markets could enter a period of severe disruption and instability. These market conditions have historically and could again have a materially and adversely affect on debt and equity capital markets in the United States, which could have a materially negative impact on our business, financial condition and results of operations.***

The U.S. capital markets have experienced a period of disruption characterized by the freezing of credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. During this period of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time again or materially worsen in the future, including as a result of the U.S. government spending cuts that took effect March 1, 2013. We may in the future have difficulty accessing debt and equity capital, and a severe disruption and instability in the global financial markets or deterioration in credit and financing conditions could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

## USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of 3,000,000 shares of our common stock in this offering will be approximately $42.3 million (or approximately $48.7 million if the underwriters fully exercise their overallotment option), in each case based on a public offering price of $14.23 per share, which was the last reported closing price of our common stock on March 19, 2013, excluding the underwriting discounts and commissions of approximately $ million (or approximately $ million if the underwriters fully exercise their overallotment option) payable by us, but including estimated offering expenses of approximately $400,000 payable by us. The Investment Adviser has agreed to bear $ million of underwriting discounts and commissions in connection with this offering (or approximately $ million if the underwriters fully exercise their overallotment option). The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we sell in the offering, both of which will be determined at pricing.

We may use the net proceeds from selling securities pursuant to this prospectus supplement to reduce outstanding obligations under our Credit Facility, to invest in new or existing portfolio companies or for other general corporate or strategic purposes. Affiliates of certain of the underwriters serve as lenders under our Credit Facility and thereby may receive proceeds from this offering that are used to reduce our outstanding obligations under our Credit Facility.

As of December 31, 2012, we had $85.8 million in borrowings outstanding under our $100.0 million Credit Facility. Borrowings under our Credit Facility bear interest at an annual rate equal to LIBOR plus 225 basis points per annum during the revolving period, and the rate resets to LIBOR plus 425 basis points per annum for the remaining two years. At December 31, 2012, we had a weighted average interest rate on our Credit Facility at the time of 2.47%, excluding the 0.375% undrawn commitment fee. The Credit Facility is a revolving facility that matures in May 2017 and is secured by all of the assets held by Funding I. Amounts repaid under our Credit Facility remain available for future borrowings during the revolving period. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement and the accompanying prospectus for more information

We may invest the net proceeds from selling securities pursuant to this prospectus supplement in new or existing portfolio companies, and such investments may take up to a year from the closing of this offering, in part because privately negotiated investments in illiquid securities or private middle-market companies require substantial due diligence and structuring. During this period, we may use the net proceeds from this offering to reduce then-outstanding obligations under our Credit Facility, which may dilute our net asset value per share, or to invest such proceeds in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less. We expect to earn yields on such investments, if any, that are lower than the interest income that we anticipate receiving in respect of investments in non-temporary investments. As a result, any distributions we make during this investment period may be lower than the distributions that we would expect to pay when such proceeds are fully invested in non-temporary investments. The management fee payable by us will not be reduced while our assets are invested in any such securities. See Regulation Temporary Investments in the accompanying prospectus for more information.

Table of Contents

## CAPITALIZATION

The following table sets forth our cash and capitalization on December 31, 2012 (1) on an actual basis and (2) on an as-adjusted basis to reflect the effects of the sale of 3,000,000 shares of our common stock in this offering at an offering price of $14.23 per share, which was the last reported closing price of our common stock on March 19, 2013, excluding the estimated underwriting discounts and commissions of approximately $ million, which is 3% of the offering price, but including estimated offering expenses of $400,000. The as-adjusted information is illustrative only; our capitalization following the completion of this offering is subject to further adjustments. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus. You should also read this table with our Consolidated Financial Statements and related notes thereto, in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

| | As of December 31, 2012 (unaudited) | |
|---|---|---|
| | **Actual** | **As adjusted for the offering(1)** |
| Cash equivalents | $ 3,987,645 | $ 46,277,645 |
| Total assets | 186,128,979 | 228,418,979 |
| Borrowings under the Credit Facility (cost $85,775,000) | 85,775,000 | 85,775,000 |
| **Stockholders Equity** | | |
| Common stock, 6,850,667 and 9,850,667 shares, as-adjusted, are issued and outstanding, respectively. Par value is $0.001 per share and 100,000,000 shares are authorized | 6,851 | 9,851 |
| Paid in capital in excess of par value | 95,192,222 | 137,479,222 |
| Distributions in excess net investment income | (949,667) | (949,667) |
| Accumulated net realized gain on investments | 1,666,756 | 1,666,756 |
| Net unrealized depreciation on investments | (102,394) | (102,394) |
| Net unrealized depreciation on Credit Facility | | |
| Total stockholders equity | 95,813,768 | 138,103,768 |
| Total capitalization | $ 181,588,768 | $ 223,878,768 |

(1) Does not include the underwriters overallotment option.

Table of Contents

## PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market under the symbol PFLT. The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of net asset value, or NAV, and monthly dividends per share since April 8, 2011 (initial public offering). On March 19, 2013, the last reported closing price of our common stock was $14.23 per share.

| Period | NAV(1) | Closing Sales Price High | Closing Sales Price Low | Premium/ (Discount) of High Sales Price to NAV(2) | Premium/ (Discount) of Low Sales Price to NAV(2) | Dividends Declared |
|---|---|---|---|---|---|---|
| **Fiscal year ending September 30, 2013** | | | | | | |
| Second quarter (through March 19, 2013) | $ N/A | $ 14.43 | $ 12.94 | N/A% | N/A% | $ 0.2550(3) |
| First quarter | 13.99 | 13.30 | 12.35 | (5) | (12) | 0.2475 |
| **Fiscal year ended September 30, 2012** | | | | | | |
| Fourth quarter | 13.98 | 13.03 | 11.85 | (7) | (15) | 0.2400 |
| Third quarter | 13.94 | 11.93 | 11.46 | (14) | (18) | 0.2350 |
| Second quarter | 14.12 | 12.10 | 10.52 | (14) | (25) | 0.2250 |
| First quarter | 13.68 | 11.03 | 10.01 | (19) | (27) | 0.2100 |
| **Fiscal year ended September 30, 2011** | | | | | | |
| Fourth quarter | 13.44 | 12.85 | 10.34 | (4) | (23) | 0.2000 |
| Third quarter* | 14.06 | 13.70 | 12.27 | (3) | (13) | 0.0500 |

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period. See Determination of Net Asset Value in the accompanying prospectus for more information.

(2) Calculated as of the respective high or low closing sales price divided by the quarter-end NAV.

(3) Includes a dividend of $0.0875 per share payable April 1, 2013 to shareholders of record March 22, 2013. Shares purchased in this offering will not be entitled to the dividends to be paid April 1, 2013.

* From April 8, 2011 (initial public offering) to June 30, 2011.

Shares of BDCs may trade at a market price that is less than the NAV that is attributable to those shares. Our shares have traded below our NAV. Our shares traded on the NASDAQ Global Select Market at $12.70 and $12.67 as of December 31, 2012 and September 30, 2012, respectively. Our NAV was $13.99 and $13.98 per share, as of December 31, 2012 and September 30, 2012, respectively. The possibility that our shares of common stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that our NAV will decrease. It is not possible to predict whether our shares will trade at, above or below NAV in the future.

**Table of Contents**

## SELECTED FINANCIAL DATA

We have derived the financial information below from our audited and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such periods. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data for the fiscal year ended September 30, 2012, and for the period from March 4, 2011 (commencement of operation) to September 30, 2011 are derived from our Consolidated Financial Statements which have been audited by KPMG LLP, an independent registered public accounting firm. These selected financial data should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus. Interim results as of and for the three months ended December 31, 2012, are not necessarily indicative of the results that may be expected for the year ending September 30, 2013. The unaudited selected financial data for the three months ended December 31, 2012 and 2011, should be read in conjunction with our consolidated financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement.

| (Dollar amounts in thousands, except per share data) | Three Months Ended December 31, 2012(1) | Three Months Ended December 31, 2011(1) | Year ended September 30, 2012 | For the period March 4, 2011 (commencement of operations) to September 30, 2011 |
|---|---|---|---|---|
| **Consolidated Statement of operations data:** | | | | |
| Total investment income | $ 3,963 | $ 2,467 | $ 12,099 | $ 2,947 |
| Total expenses after Credit Facility debt issuance and excise taxes | 1,904 | 1,092 | 5,789 | 2,626(5) |
| Net investment income | 2,059 | 1,375 | 6,310 | 320 |
| Net realized and unrealized (loss) gain | (294) | 1,730 | 5,651 | (3,793) |
| Net increase (decrease) in net assets resulting from operations | 1,765 | 3,105 | 11,961 | (3,473) |
| **Per share data:** | | | | |
| Net asset value (at period end) | 13.99 | 13.68 | 13.98 | 13.44 |
| Net investment income(2) | 0.30 | 0.20 | 0.92 | 0.05 |
| Net realized and unrealized (loss) gain(2) | (0.04) | 0.25 | 0.83 | (0.56) |
| Net increase (decrease) in net assets resulting from operations(2) | 0.26 | 0.45 | 1.75 | (0.51) |
| Distributions declared(2),(3) | 0.25 | 0.21 | 0.91 | 0.25 |
| **Statement of Assets and Liabilities data (at period end):** | | | | |
| Total assets | 186,129 | 142,841 | 178,367 | 121,075 |
| Total investment portfolio | 180,796 | 129,328 | 171,834 | 110,724 |
| Credit Facility payable, at fair value | 85,775 | 34,749 | 75,123 | 24,650 |
| Payable for investments purchased and unfunded investments | | 12,927 | 3,358 | 3,313 |
| Total net asset value | 95,814 | 93,739 | 95,744 | 92,072 |
| **Other data:** | | | | |
| Total return*(4) | 2.15% | (0.45)% | 29.43% | (28.13)% |
| Number of portfolio companies (at period end)(1) | 64 | 45 | 61 | 38 |
| Yield on debt portfolio (at period end)(1) | 8.9% | 8.3% | 8.6% | 8.0% |

Table of Contents

* Not annualized for a period of less than a year.

(1) Unaudited.

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

(3) Determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under GAAP.

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

(5) Included start-up and organizational costs.

**Selected Quarterly Data (Unaudited)**

**(dollar amounts in thousands, except per share data)**

| | 2013 |
|---|---|
| | Q1 |
| Total investment income | $ 3,963 |
| Net investment income | $ 2,059 |
| Net realized and unrealized (loss) | $ (294) |
| Net increase in net assets resulting from operations | $ 1,765 |
| Net increase in net assets resulting from operations per common share | $ 0.26 |
| Net asset value per share at the end of the quarter | $ 13.99 |
| Market value per share at the end of the quarter | $ 12.70 |

| | 2012 | | | |
|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 |
| Total investment income | $ 3,487 | $ 3,201 | $ 2,944 | $ 2,467 |
| Net investment income | $ 1,544 | $ 1,846 | $ 1,545 | $ 1,375 |
| Net realized and unrealized gain (loss) | $ 2,400 | $ (1,459) | $ 2,980 | $ 1,730 |
| Net increase in net assets resulting from operations | $ 3,944 | $ 387 | $ 4,525 | $ 3,105 |
| Net increase in net assets resulting from operations per common share | $ 0.58 | $ 0.06 | $ 0.66 | $ 0.45 |
| Net asset value per share at the end of the quarter | $ 13.98 | $ 13.94 | $ 14.12 | $ 13.68 |
| Market value per share at the end of the quarter | $ 12.67 | $ 11.90 | $ 11.75 | $ 10.30 |

| | 2011 | |
|---|---|---|
| | Q4 | Q3* |
| Total investment income | $ 2,048 | $ 899 |
| Net investment income (loss) | $ 1,203 | $ (883) |
| Net realized and unrealized (loss) gain | $ (4,012) | $ 219 |
| Net decrease increase in net assets resulting from operations | $ (2,809) | $ (664) |
| Net decrease in net assets resulting from operations per common share | $ (0.41) | $ (0.10) |
| Net asset value per share at the end of the quarter | $ 13.44 | $ 14.06 |
| Market value per share at the end of the quarter | $ 10.55 | $ 12.69 |

* For the period March 4, 2011 (commencement of operations) to June 30, 2011.

Table of Contents

## MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

## AND RESULTS OF OPERATIONS

### Overview

PennantPark Floating Rate Capital Ltd. is a BDC whose objectives are to generate current income and capital appreciation. We seek to achieve our investment objective by investing primarily in Floating Rate Loans, and other instruments, made to U.S. middle-market private companies whose debt is rated below investment grade. Floating Rate Loans or variable-rate investments are loans that typically pay interest at variable rates, which are determined periodically, on the basis of a floating base lending rate such as LIBOR, plus a fixed spread over it.

We believe that Floating Rate Loans to U.S. middle-market private companies offer attractive risk-adjusted returns 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. We may also invest in public middle-market U.S. companies that are thinly traded or have a small market-capitalization. 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 investments may have terms of 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 which may, from time to time, include variable rate derivative instruments. We generally expect that senior secured loans, 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 second-lien, high yield, mezzanine and distressed debt securities and to a lesser extent equity investments. Our investment size may generally range between $1 million and $10 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, or the 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. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets , including securities of U.S. private companies or thinly traded public companies, public companies with a market capitalization of less than $250 million, cash, cash equivalents, U.S. government securities and high quality debt investments that mature in one year or less. In addition, for tax purposes we elected to be treated, and intend to qualify annually as a RIC under the Code.

We utilize the investing experience and contacts of PennantPark Investment Advisers in developing an attractive and diversified portfolio. The senior investment professionals of the Investment Adviser have worked together for many years and average over 20 years of experience in the mezzanine lending, leveraged finance,

Table of Contents

distressed debt and private equity businesses. In addition, our senior investment professionals have been involved in originating, structuring, negotiating, managing and monitoring investments in each of these businesses across economic and market cycles. We believe this experience and history have resulted in a strong reputation with financial sponsors, management teams, investment bankers, attorneys and accountants, which provides us with access to substantial investment opportunities across the capital markets. Our Investment Adviser has a rigorous investment approach, which is based upon intensive financial analysis with a focus on capital preservation, diversification and active management. Since our Investment Adviser s inception in 2007, it has raised over $1.5 billion in debt and equity capital and has invested over $2.1 billion in over 200 companies with over 100 different financial sponsors through its managed funds.

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, or 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, and the Investment Adviser supervise our activities.

**Revenues**

We generate revenue in the form of interest income on the debt securities we hold. Capital gains, if any, are recorded on a trade date basis upon exiting investments. Our debt investments, whether in the form of senior secured loans 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, some of our investments provide for deferred interest payments or payment-in-kind, or PIK. 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 original issue discount, or OID, commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees.

**Expenses**

Our primary operating expenses include the payment of management fees to our Investment Adviser, 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 commitment fees on the unfunded debt 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 complimentary 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 stock exchange listing fees;

fees and expenses associated with independent audits and outside legal costs;

federal, state and local taxes;

Table of Contents

- 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;
- 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.

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 December 31, 2012, our portfolio totaled $180.8 million and consisted of $157.2 million of senior secured loans, $10.5 million of second lien secured debt and $13.1 million of subordinated debt, preferred and common equity investments. Our debt portfolio consisted of 87% variable-rate investments (including 81% with a LIBOR or prime floor) and 13% fixed-rate investments. Overall, the portfolio had unrealized depreciation of $0.1 million. Our overall portfolio consisted of 64 companies with an average investment size of $2.8 million, a weighted average yield on debt investments of 8.9%, and was invested 87% in senior secured loans, 6% in second lien secured debt and 7% in subordinated debt, preferred and common equity investments.

As of September 30, 2012, our portfolio totaled $171.8 million and consisted of $150.2 million of senior secured loans, $12.0 million of second lien secured debt and $9.6 million of subordinated debt, preferred and common equity investments. Our debt portfolio consisted of 85% variable-rate investments (including 81% with a LIBOR or prime floor) and 15% fixed-rate investments. Overall, the portfolio had net unrealized appreciation of $0.3 million. Our overall portfolio consisted of 61 companies with an average investment size of $2.8 million, a weighted average yield on debt investments of 8.6%, and was invested 87% in senior secured loans, 7% in second lien secured debt and 6% in subordinated debt, preferred and common equity investments.

As of September 30, 2011, our portfolio totaled $110.7 million and consisted of $91.4 million of senior secured loans, $12.2 million of second lien secured debt, $7.1 million of subordinated debt, preferred and common equity investments. Our debt portfolio consisted of 84% variable-rate investments (including 78% with a LIBOR or prime floor) and 16% fixed-rate investments. Overall, the portfolio had net unrealized depreciation of $4.1 million. Our overall portfolio consisted of 38 companies with an average investment size of $2.9 million, a weighted average yield on debt investments of 8.0%, and was invested 83% in senior secured loans, 11% in second lien secured debt, 6% in subordinated debt, preferred and common equity investments.

For the three months ended December 31, 2012, we invested $38.9 million in 12 new portfolio companies and two existing portfolio companies with a weighted average yield on debt investments of 9.6%. Sales and repayments of investments for the three months ended December 31, 2012 totaled $30.3 million.

For the three months ended December 31, 2011, we invested $39.3 million in 13 new portfolio companies and two existing portfolio companies with a weighted average yield on debt investments of 9.4%. Sales and repayments of investments for the three months ended December 31, 2011 totaled $22.3 million.

Table of Contents

For the fiscal year ended September 30, 2012, we purchased $128.7 million of investments issued by 47 new and seven existing portfolio companies with a weighted average yield of 8.9% on debt investments. For the same period sales and repayments of investments generated proceeds of $71.5 million.

For the period from March 4, 2011 (commencement of operations) to September 30, 2011, we purchased $147.5 million of investments issued by 50 portfolio companies with a weighted average yield of 7.6% on debt investments. For the same period sales and repayments of investments generated proceeds of $33.2 million.

**CRITICAL ACCOUNTING POLICIES**

The discussion of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. Actual results could differ from these estimates. 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 Accounting Standards Codification, or ASC, serve as a single source of literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued. Changes in the economic and regulatory environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we describe our critical accounting policies in the notes to our Consolidated Financial Statements.

**Valuation of Portfolio Investments**

Our investments generally consist of illiquid securities including debt and equity investments. 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/dealers, if available, or otherwise from a principal market maker or a primary market dealer. If the board of directors has a bona fide reason to believe any such market quote does not reflect the fair value of an investment, it may independently value such investments by using the valuation procedure that it uses with respect to assets for which market quotations are not readily available. Investments of sufficient credit quality purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value.

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 described in this prospectus supplement and a consistently applied valuation process. With respect to investments for which there is no readily available market value, the factors that the board of directors may take into account in pricing our investments at fair value include, as relevant, the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate or revise our valuation. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different from our valuations and the differences may be material.

Table of Contents

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 an investment. The independent valuation firms review management s preliminary valuations in light of its 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 and responds and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and

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

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

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

Level 1: Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible by us at the measurement date.

Level 2: Inputs that are quoted prices for similar assets or liabilities in active markets, or that are quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term, if applicable, of the financial instrument.

Level 3: Inputs that are unobservable for an asset or liability because they are based on our own assumptions about how market participants would price the asset or liability.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments and 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. A review of fair value hierarchy classifications in conducted on a quarterly basis.

Table of Contents

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. ASC 825-10 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect on earnings of a company s choice to use fair value. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the Consolidated Statement of Assets and Liabilities and changes in fair value of the Credit Facility are reported in our Consolidated Statement of Operations. For the three months ended December 31, 2012 and 2011, the Credit Facility had a net change in unrealized (appreciation) depreciation of $(0.4) million and $0.4 million, respectively. As of December 31, 2012 and September 30, 2012, the Credit Facility had unrealized depreciation of zero and $0.4 million, respectively. We use a nationally recognized independent valuation service to measure the fair value of the 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 contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will generally not accrue PIK interest if 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 determine that it is probable that we will not be able to collect such interest. Loan origination fees, OID and market discount or premium are capitalized, and we then amortize such amounts as interest income or expense, as applicable, using the effective interest method. We record contractual prepayment premiums on loans and debt investments as income. Dividend income, if any, is recognized on an accrual basis on the ex-dividend date to the extent that we expect to collect such amounts.

**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 portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

**Payment-in-Kind Interest**

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. For us to maintain our status as a RIC, substantially all of this income must be paid out to stockholders in the form of dividends, even though we have not collected any cash with respect to PIK securities.

Table of Contents

**Federal Income Taxes**

We elected to be taxed, and intend to qualify annually to maintain our election to be taxed, as a RIC under Subchapter M of the Code. To maintain our RIC tax election, we must, among other requirements, meet certain source-of-income and quarterly asset diversification requirements. We also must annually distribute dividends of at least 90% of the sum of our net ordinary income and realized net short-term capital gains in excess of net realized net long-term capital losses, if any, out of the assets legally available for distribution. 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 may distribute during each calendar year an amount at least equal to the sum of (1) 98% of our net ordinary income for the calendar year, (2) 98.2% of the sum of our realized net capital gains for the one-year period ending on October 31 of the calendar year and (3) the sum of any net ordinary income plus net capital gains for preceding years that were not distributed during such years. In addition, although we may distribute realized net capital gains (i.e., net long-term capital gains in excess of 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 net ordinary income 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 realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the Consolidated Financial Statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future.

**RESULTS OF OPERATIONS**

Set forth below are the results of operations for the three months ended December 31, 2012 and 2011.

**Investment Income**

Investment income for the three months ended December 31, 2012 was $4.0 million and was attributable to $3.3 million from senior secured loans, $0.3 million from second lien secured debt investments and $0.4 million from subordinated debt investments. This compares to investment income for the three months ended December 31, 2011, which was $2.5 million, and was attributable to $2.0 million from senior secured loan investments, $0.3 million from second lien secured debt investments and $0.2 million from subordinated debt investments. The increase in investment income is due to a larger portfolio which was funded through our Credit Facility, and rotation out of lower yielding assets.

**Expenses**

Expenses for the three months ended December 31, 2012 totaled $1.9 million. Base management fees for the same period totaled $0.5 million, performance-based incentive fees totaled $0.4 million, Credit Facility expenses totaled $0.5 million, general and administrative expenses totaled $0.5 million and excise taxes were less than $0.1 million. This compares to expenses for the three months ended December 31, 2011, which totaled $1.1 million. Base management fees for the same period totaled $0.3 million, performance-based incentive fees totaled zero, Credit Facility expenses totaled $0.3 million and general and administrative expenses totaled $0.5 million. The increase in management fees, incentive fees and Credit Facility expenses is due to the growth of our portfolio.

**Net Investment Income**

Net investment income totaled $2.1 million, or $0.30 per share, for the three months ended December 31, 2012, and $1.4 million, or $0.20 per share, for the three months ended December 31, 2011. The increase in net investment income is due to a larger portfolio and higher yielding assets offset by higher Credit Facility expenses and management and incentive fees.

Table of Contents

**Net Realized Gains or Losses**

Sales and repayments of investments for the three months ended December 31, 2012 totaled $30.3 million and realized gains totaled $0.4 million. Sales and repayments of long-term investments totaled $22.3 million and realized gains totaled $0.3 million for the three months ended December 31, 2011. The increase in realized gains was driven by a higher volume of repayments than the comparable period.

**Unrealized Appreciation or Depreciation on Investments and Credit Facility**

For the three months ended December 31, 2012 and 2011, we reported unrealized (depreciation) appreciation on investments of $(0.4) million and $1.1 million, respectively. As of December 31, 2012 and September 30, 2012, net unrealized (depreciation) appreciation on investments totaled $(0.1) million and $0.3 million, respectively. The change in the three month period compared to last year is the result of the reversal of unrealized gains upon exiting our investments and changes in market values.

For the three months ended December 31, 2012 and 2011, our long-term Credit Facility had a change in unrealized (appreciation) depreciation of $(0.4) million and $0.4 million, respectively. As of December 31, 2012 and September 30, 2012, net unrealized (appreciation) depreciation on our long-term Credit Facility totaled zero and $0.4 million, respectively. The change in the three month period compared to last year was due to changes in the leveraged finance markets.

**Net Increase in Net Assets Resulting from Operations**

Net increase in net assets resulting from operations totaled $1.8 million, or $0.26 per share, for the three months ended December 31, 2012. This compares to a net increase in net assets resulting from operations which totaled $3.1 million, or $0.45 per share, for the three months ended December 31, 2011. The decrease in net assets resulting from operations compared to last year is due to changes in fair value of our investments due to changes in the leveraged finance markets.

**RESULTS OF OPERATIONS**

Set forth below are the results of operations for the year ended September 30, 2012 and the period from March 4, 2011 (commencement of operations) to September 30, 2011.

**Investment Income**

Investment income for the year ended September 30, 2012 was $12.1 million and was primarily attributable to $9.9 million from senior secured loans, $1.0 million from second lien secured debt investments and $1.2 million from subordinated debt investments. This compares to investment income for the period March 4, 2011 (commencement of operations) to September 30, 2011, which was $2.9 million, and was attributable to $2.3 million from senior secured loan investments, $0.5 million from second lien secured debt investments, and $0.1 million from subordinated debt investments. The increase in interest income over the prior year was due to both a full year of operation and the increased size of our portfolio.

**Expenses**

Expenses for the year ended September 30, 2012 totaled $5.8 million. Base management fees for the same period totaled $1.5 million, performance-based incentive fees totaled $0.6 million (including $0.3 million accrued but not to be paid under GAAP unless the net unrealized gains are realized), Credit Facility expenses totaled $1.8 million (including $0.3 million of amendment expenses) and general and administrative expenses totaled $1.9 million. We expect our Credit Facility expenses and management fees to continue to increase as a result of growth in our portfolio. Additionally, general and administrative costs increased over the prior year due to a full year of operations.

Table of Contents

Expenses for the period March 4, 2011 (commencement of operations) to September 30, 2011, totaled $2.6 million. Base management fee for the same period totaled $0.4 million, debt-issuance cost (non-recurring) totaled $1.4 million, credit facility expenses totaled $0.1 million and general and administrative expenses totaled $0.7 million. Expenses include organizational cost associated with starting up our operations.

**Net Investment Income**

Net investment income totaled $6.3 million, or $0.92 per share, for the year ended September 30, 2012. This compares to net investment income which totaled $0.3 million or $0.05 per share for the period March 4, 2011 (commencement of operations) to September 30, 2011.

**Net Realized Gains or Losses**

Sales and repayments of investments for the year ended September 30, 2012 totaled $71.5 million and realized gains totaled $0.9 million, due to sales and repayments of our debt investments. This compares to sales and repayments of long-term investments for the period March 4, 2011 (commencement of operations) to September 30, 2011 which totaled $33.2 million and net realized gains which totaled $0.3 million. The increase in sales and repayments of investments was due to shorter-term investment opportunities.

**Unrealized Appreciation or Depreciation on Investments and Credit Facility**

For the year ended September 30, 2012 and for the period March 4, 2011 (commencement of operations) to September 30, 2011, we reported unrealized appreciation (depreciation) on investments of $4.4 million and $(4.1) million, respectively. As of September 30, 2012 and September 30, 2011, net unrealized appreciation (depreciation) on investments totaled $0.3 million and $(4.1) million, respectively. Net change in unrealized appreciation on investments over the prior year was the result of changes in the overall leveraged finance markets.

For the year ended September 30, 2012 and for the period March 4, 2011 (commencement of operations) to September 30, 2011, our long-term Credit Facility had a change in unrealized depreciation of $0.4 million and zero, respectively. As of September 30, 2012 and September 30, 2011, net unrealized depreciation on our long-term Credit Facility totaled $0.4 million and zero, respectively. The net change in unrealized appreciation on the Credit Facility over the prior year was due to amending the terms and changes in the leveraged finance markets.

**Net Increase or Decrease in Net Assets Resulting from Operations**

Net increase in net assets resulting from operations totaled $12.0 million, or $1.75 per share, for the year ended September 30, 2012. This increase in net assets from operations was due to the continued growth in net investment income and both realized and unrealized appreciation on investments. We continue to find both long-term and short-term investment opportunities to grow net assets from operations.

Net decrease in net assets resulting from operations totaled $3.5 million, or $0.51 per share for the period March 4, 2011 (commencement of operations) to September 30, 2011.

**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 amended and restated Credit Facility with the Lender matures in May 2017 and its revolving period ends in May 2015. The Credit Facility allows Funding I to borrow $100 million and contains an accordian feature whereby the Credit Facility can be expanded to $600 million. As of December 31, 2012 and September 30, 2012, Funding I had $85.8 million and $75.5 million of outstanding borrowings under the Credit Facility, respectively, and carried an interest rate of 2.47%, in each case excluding the 0.375% undrawn commitment fee, and had $10.0 million and $20.6 million available, respectively, subject to satisfaction of certain conditions and the regulatory restrictions that the 1940 Act imposes on us as a BDC. As of September 30, 2011, Funding I had $24.7 million of outstanding borrowings under the Credit Facility, and carried an interest rate of 2.53%, exclusive of the 0.50% undrawn commitment fee.

During the Credit Facility s first three years beginning in May 2012, or the revolving period, the Credit Facility bears interest at LIBOR plus 225 basis points and, after the revolving period, the rate sets to LIBOR plus 425 basis points for the remaining two years, maturing in May 2017. 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, as amended, 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 (for example, fair value, as defined under ASC 820, is not permitted to be used for assets or liabilities for such compliance reporting). For a complete list of such covenants see the amended and restated revolving credit and security agreement included as an exhibit to Form 10-Q filed on August 9, 2012. As of December 31, 2012, we were in compliance with the covenants relating to our Credit Facility.

We own 100% of the equity interest in Funding I and will 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 fees) 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 Lender, (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 all management fees owed with respect to such services are 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 and by securitizing a portion of our investments among, other considerations. 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 shareholders or for other general corporate purposes.

At December 31, 2012, we had cash equivalents of $4.0 million available for investing and general corporate purposes. We believe our liquidity and capital resources are sufficient to take advantage of market opportunities.

Table of Contents

At September 30, 2012 and 2011, we had cash equivalents of $3.8 million and $7.0 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 $8.5 million for the three months ended December 31, 2012, and our financing activities provided net cash proceeds of $8.6 million for the same period. Our operating activities used cash primarily for net investing that was financed by net draws under the Credit Facility.

Our operating activities used cash of $11.3 million for the three months ended December 31, 2011, and our financing activities provided net cash proceeds of $9.0 million for the same period. Our operating activities used cash primarily for net investing that was financed by net draws under the Credit Facility.

Our operating activities used cash of $47.8 million for the year ended September 30, 2012, and our financing activities provided net cash proceeds of $44.7 million for the same period. Our operating activities used cash primarily for net investing that was provided from net draws under the Credit Facility.

Our operating activities used cash of $113.7 million for the period March 4, 2011 (commencement of operations) to September 30, 2011, and our financing activities provided net cash proceeds of $120.7 million for the same period. Our operating activities used cash primarily for investing that was provided from, primarily, proceeds from our initial public offering of common stock and draws under our Credit Facility.

***Contractual Obligations***

A summary of our significant contractual payment obligations as of December 31, 2012, 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 | $ 85.8 | $ | $ | $ 85.8 | $ |
| Accrued sales load charges | 2.1 | 2.1 | | | |
| Total contractual obligations | $ 87.9 | $ 2.1 | $ | $ 85.8 | $ |

We have entered into certain contracts under which we have material future commitments. Under our Investment Management Agreement, which was re-approved by our board of directors, including a majority of our independent directors, in February 2013, 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 re-approved by our board of directors, including a majority of our independent directors, in February 2013, 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, technology systems, insurance 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.

Table of Contents

In connection with our initial public offering, the Investment Adviser paid to the underwriters 2% of the sales load, or approximately $2.1 million in the aggregate, with respect to the offering of shares of our common stock. We (and indirectly our stockholders) were obligated to repay this amount (a) if during any four consecutive calendar quarter-periods ending on or after April 13, 2012 our Pre-Incentive Fee Net Investment Income equals or exceeds 1.75% (7.0% annualized) of our net assets at the beginning of such period (as adjusted for any issuances or repurchases of shares of our common stock) or (b) upon our liquidation. Based on actual returns through December 31, 2012, we met the conditions for repayment of the sales load.

**Recent Developments**

Under terms agreed among us, the Investment Adviser and underwriters of our initial public offering, the Investment Adviser paid 2% of the underwriters sales load, or approximately $2.1 million in the aggregate, on our behalf. We agreed to repay such amount to the Investment Adviser upon its achievement of a benchmark return over four consecutive quarters, and the Investment Adviser agreed to use such amount to purchase shares of our common stock over a six-month period following such repayment. We met the conditions for repayment to the Investment Adviser at the end of the quarter ended December 31, 2012 and repaid approximately $2.1 million to the Investment Adviser. The Investment Adviser announced that it intends to purchase shares of our common stock in the secondary market over the applicable six-month purchase period in compliance with applicable law and SEC guidance. The Investment Adviser has since completed the required purchase of shares of our common stock in the secondary market in compliance with applicable law and SEC guidance. Certain investment professionals of the Investment Adviser purchased over $1 million of shares of our stock in transactions completed on or prior to February 20, 2013.

On February 5, 2013, our stockholders elected four directors, including Messrs. Marshall Brozost and Samuel L. Katz, each of whom will serve as Class I directors until the 2015 annual meeting, or until his successor is duly elected and qualifies or until his earlier resignation, removal from office, death or incapacity, and Messrs. Adam K. Bernstein and Jeffrey Flug, each of whom will serve as Class II directors until the 2016 annual meeting, or until his successor is duly elected and qualifies or until his earlier resignation, removal from office, death or incapacity. Also on that date, our investment management agreement, or the Investment Management Agreement, and our administration agreement, or the Administration Agreement, were reapproved by our board of directors, including a majority of our directors who are not interested persons of PennantPark Investment.

**Updates to Biographical Information of Independent Directors**

In May 2012, Mr. Marshall Brozost became a partner at Schulte Roth & Zabel LLP, where he practices in the real estate and private equity groups.

**Off-Balance Sheet Arrangements**

We currently engage in no off-balance sheet arrangements, including any risk management of commodity pricing or other hedging practices.

**Dividends and Distributions**

In order to qualify as a RIC and to not be subject to corporate-level tax on income, we are required, under Subchapter M of the Code, to distribute annually dividends of at least 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, if any, out of the assets legally available for distribution. 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 may distribute during each calendar year an amount at least equal to the sum of (1) 98% of our net ordinary income for the calendar year, (2) 98.2% of our realized net capital gains for the one-year period ending on October 31 of the calendar year and (3) any net ordinary income and net capital gains for preceding years that were not distributed during such years.

Table of Contents

In addition, although we may distribute realized net capital gains (i.e. net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may retain such net capital gains or ordinary income to provide us with additional liquidity.

During the three months ended December 31, 2012 and 2011, we declared to stockholders distributions of approximately $0.25 and $0.21 per share, respectively, for total distributions of $1.7 million and $1.4 million, respectively. During the year ended September 30, 2012, we declared distributions of $0.91 per share for total distributions of $6.2 million. For the period March 4, 2011 (commencement of operations) to September 30, 2011, we declared distributions of $0.25 per share for a total distribution of $1.7 million. 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, a portion of those distributions may be deemed to be a tax return of capital to our common stockholders. Tax characteristics of all distributions will be reported to stockholders 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 distribute monthly distributions to our stockholders. Our monthly distributions, if any, are determined by our board of directors quarterly.

We maintain an opt out dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend, then stockholders cash dividends 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 dividends. We cannot assure stockholders that they will receive any dividends and distributions at a particular level.

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings applicable to us as a BDC under the 1940 Act and 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 RIC status. We cannot assure stockholders that they will receive any dividends and distributions at a particular level.

**Quantitative and Qualitative Disclosures About Market Risk**

We are subject to financial market risks, including changes in interest rates. As of December 31, 2012, our debt portfolio consisted of 87% variable-rate investments (including 81% with a LIBOR or prime floor) and 13% fixed-rate investments. As of September 30, 2012, our debt portfolio consisted of 85% variable-rate investments (including 81% with a LIBOR or prime floor) and 15% 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.

Assuming that the most recent statement of assets and liabilities were to remain constant, and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates may affect net income by more than 1% over a one-year horizon. 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 Statement 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 the statement above.

Table of Contents

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

Table of Contents

## SENIOR SECURITIES

Information about our senior securities is shown in the following table as of December 31, 2012 has been derived from our unaudited Consolidated Financial Statements. Information about our senior securities is shown in the following table as of September 30, 2012 and 2011, has been derived from our Consolidated Financial Statements which have been audited by KPMG LLP, an independent registered public accounting firm. This information about our senior securities should be read in conjunction with our Consolidated Financial Statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus supplement and in the accompanying prospectus for more information.

| Class and Year | Total Amount Outstanding (1) | Asset Coverage per Unit (2) | Average Market Value Per Unit (4) |
|---|---|---|---|
| **Credit Facility** | | | |
| Fiscal 2013 (as of December 31, 2012) | $ 85,775 | $ 2,117 | N/A |
| Fiscal 2012 | $ 75,500 | $ 2,268 | N/A |
| Fiscal 2011 | $ 24,650 | $ 4,735 | N/A |

(1) Total cost of each class of senior securities outstanding at the end of the period presented in thousands (000s).

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by cost of senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage Per Unit. This information is unaudited.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) Not applicable, as senior securities are not registered for public trading and is unaudited.

Table of Contents

## ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

As described more fully in the accompanying prospectus, we intend to qualify annually as a RIC under Subchapter M of the Code and the applicable Treasury regulations. The following discussion, which supplements and updates the discussion under the heading Material U.S. Federal Income Tax Considerations in the accompanying prospectus, is a summary of certain additional material U.S. federal income tax considerations.

Congress recently enacted, and the President recently signed, the American Taxpayer Relief Act of 2012, or ATRA. Among other things, ATRA provided for the permanent extension of the 2012 ordinary and long-term capital gains tax rates for individuals with taxable income at or below certain thresholds, which are indexed for inflation ($400,000 in the case of unmarried individuals and $450,000 in the case of married couples filing jointly). However, because ATRA did not extend the 2012 tax rates for all taxpayers, for taxable years beginning after December 31, 2012, non-corporate taxpayers will be subject to a maximum rate of tax on ordinary income of 39.6% and a maximum rate of tax on long-term capital gains of 20%.

ATRA also provided for a permanent extension of the taxation of qualified dividends received by non-corporate taxpayers at the same maximum rates applicable to long-term capital gains. Accordingly, distributions of our investment company taxable income that are reported by us as being derived from qualified dividend income will be taxed in the hands of non-corporate U.S. stockholders at the rates applicable to long-term capital gain, provided that holding period and other requirements are met by both the stockholders and us. As discussed in the accompanying prospectus, dividends distributed by us will generally not be attributable to qualified dividend income.

In addition, in the case of non-U.S. stockholders, ATRA provided for a one-year extension (as well as the retroactive application to the beginning of 2012) of the special exemption from withholding for interest-related dividends and short-term capital gain dividends. Accordingly, for our taxable years beginning prior to January 1, 2014, properly designated dividends received by a non-U.S. stockholder generally are exempt from U.S. federal withholding tax when they (1) are paid in respect of our qualified net interest income (generally, our U.S. source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which we are at least a 10% stockholder, reduced by expenses that are allocable to such income), or (2) were paid in connection with our qualified short-term capital gains (generally, the excess of our net short-term capital gain over our long-term capital loss for such taxable year). There can be no assurance that this provision will be further extended and, depending on the circumstances, we may designate all, some or none of our potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. Additionally, a portion of our distributions (e.g., interest from non-U.S. sources or any foreign currency gains) would be ineligible for this potential exemption from withholding. In order to qualify for this exemption from withholding, a non-U.S. stockholder must comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN or an acceptable substitute or successor form). In the case of shares held through an intermediary, the intermediary could withhold even if we designate the payment as qualified net interest income or qualified short-term capital gain. Non-U.S. stockholders should contact their intermediaries with respect to the application of these rules to their accounts.

An investment in shares by a non-U.S. stockholder may also be subject to U.S. federal estate tax. Non-U.S. stockholders should consult their own tax advisors with respect to the U.S. federal income tax, U.S. federal estate tax, withholding tax, and state, local and foreign tax consequences of acquiring, owning or disposing of our common stock.

*Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.*

Table of Contents

## UNDERWRITING

We intend to offer the shares through the underwriters named in the table below. Morgan Stanley & Co. LLC, J.P. Morgan Securities LLC and Keefe, Bruyette & Woods, Inc. are acting as joint bookrunners and representatives of the several underwriters. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase from us, the number of shares set forth opposite the underwriter s name.

| Underwriter Names | Number of Shares |
|---|---|
| Morgan Stanley & Co. LLC | |
| J.P. Morgan Securities LLC | |
| Keefe, Bruyette & Woods, Inc. | |
| Total | 3,000,000 |

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all shares included in this offering, other than those shares covered by the option to purchase additional shares described below, if they purchase any of the shares. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

### Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of $ per share. After the public offering, the public offering price, concession and discount may be changed.

The following table shows the per share and total underwriting discounts and commissions we will pay to the underwriters assuming both no exercise and full exercise of the underwriters overallotment option to purchase up to an additional 450,000 shares.

| | Per Share | Without Overallotment Option | With Overallotment Option |
|---|---|---|---|
| Public offering price | $ | $ | $ |
| Underwriting discount(1) | $ | $ | $ |
| Proceeds to PennantPark Floating Rate Capital Ltd. (before offering expenses of $400,000) | $ | $ | $ |

(1) Our Investment Adviser, has agreed to pay the underwriters the sales load in the amount of $ million, or $ per share, (or $ million, or $ per share if the overallotment options is fully exercised) of the sales load in connection with this offering, which is not reflected in the above table. All other expenses of the offering including the sales load not paid by our Investment Adviser will be borne by us.

Table of Contents

**Overallotment Option**

We have granted an option to the underwriters to purchase up to 450,000 additional shares at the public offering price less the underwriting discount solely to cover overallotments. The underwriters may exercise this overallotment option for 30 days from the date of this prospectus supplement. If the underwriters exercise this option, they will be obligated, subject to conditions contained in the underwriting agreement, to purchase the additional shares approximately proportionate to that underwriter s initial purchase commitment.

**No Sales of Similar Securities**

We have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus without first obtaining the written consent of Morgan Stanley & Co. LLC.

Our executive officers and directors, PennantPark Investment Advisers, LLC, and Pennant Park Investment Administration, LLC have agreed, with exceptions, not to sell or transfer any common stock for 90 days after the date of this prospectus supplement without first obtaining the written consent of Morgan Stanley & Co. LLC. Specifically, we and these other individuals and entities have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- lend or otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

**Quotation on the NASDAQ Global Select Market**

Our common stock is quoted on The NASDAQ Global Select Market under the symbol PFLT.

**Price Stabilization and Short Positions**

Until the distribution of the shares is completed, SEC rules may limit the underwriters from bidding for and purchasing our common stock. However, the underwriters may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, (i.e., if they sell more shares than are listed on the cover of this prospectus supplement), the underwriters may reduce that short position by purchasing shares in the open market. The underwriters may also elect to reduce any short position by exercising all or part of the option to purchase additional shares described above. In making this determination, the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the option to purchase additional shares. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

Table of Contents

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Neither we nor the underwriters make any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Electronic Delivery**

The underwriters may make prospectuses available in electronic (PDF) format. A prospectus in electronic (PDF) format may be made available on a web site maintained by the underwriters, and the underwriters may distribute such prospectuses electronically. The underwriters may allocate a limited number of shares for sale to their online brokerage customers.

**Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates have provided in the past to the Company and may provide from time to time in the future in the ordinary course of their business certain commercial banking, financial advisory, investment banking and other services to us for which they received or will receive customary fees and expenses. In particular, the underwriters or their affiliates may execute transactions with or on behalf of the Company. In addition, the underwriters or their affiliates may act as arrangers, underwriters or placement agents for companies whose securities are sold to us.

In the ordinary course of their various business activities, the underwriters or their affiliates may also trade in our securities, securities of our portfolio companies or other financial instruments related thereto for their own accounts or for the account of others and may extend loans or financing directly or through derivative transactions to us or any of our portfolio companies. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We may purchase securities of third parties from the underwriters or their affiliates after the offering. However, we have not entered into any agreement or arrangement regarding the acquisition of any such securities, and we may not purchase any such securities. We would only purchase any such securities if, among other things, we identified securities that satisfied our investment needs and completed our due diligence review of such securities.

After the date of this prospectus supplement, the underwriters and their affiliates may from time to time obtain information regarding specific portfolio companies or us that may not be available to the general public. Any such information is obtained by the underwriters and their affiliates in the ordinary course of its business and not in connection with the offering of the common stock. In addition, after the offering period for the sale of our common stock, the underwriters or their affiliates may develop analyses or opinions related to PennantPark Floating Rate Capital Ltd. or our portfolio companies and buy or sell interests in one or more of our portfolio companies on behalf of their proprietary or client accounts and may engage in competitive activities. There is no obligation on behalf of these parties to disclose their respective analyses, opinions or purchase and sale activities regarding any portfolio company or regarding PennantPark Floating Rate Capital Ltd. to our stockholders.

Table of Contents

Affiliates of certain of the underwriters may serve as lenders under any future credit facility. Some of the underwriters and their affiliates were underwriters in connection with our initial public offering for which they received customary fees.

The principal business addresses of the underwriters are: Morgan Stanley & Co. LLC, 1585 Broadway, New York, NY 10036; J.P. Morgan Securities LLC, 383 Madison Avenue, New York, NY 10179; Keefe, Bruyette & Woods, Inc., 787 Seventh Avenue, 4th Floor, New York, NY 10019.

**European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of warrants and shares of common stock described in this prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the shares of common stock that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of warrants may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Manager or Managers nominated by the Issuer for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For purposes of this provision, the expression an offer of shares to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase the shares, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each relevant member state and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this Prospectus.

**United Kingdom**

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order ) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person ). The shares of common stock are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares of common stock will be engaged in only with, relevant persons.

Table of Contents

**Switzerland**

This prospectus does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations ( CO ) and the shares will not be listed on the SIX Swiss Exchange. Therefore, this prospectus may not comply with the disclosure standards of the CO and/or the listing rules (including any prospectus schemes) of the SIX Swiss Exchange. Accordingly, the shares may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors, which do not subscribe to the shares with a view to distribution.

**Australia**

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Australia)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Australia) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Australia), in either case, in relation to the securities.

The securities are not being offered in Australia to retail clients as defined in sections 761G and 761GA of the Corporations Act 2001 (Australia). This offering is being made in Australia solely to wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Australia) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to wholesale clients. By submitting an application for our securities, you represent and warrant to us that you are a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Australia). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, our securities shall be deemed to be made to such recipient and no applications for our securities will be accepted from such recipient. Any offer to a recipient in Australia. and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for our securities you undertake to us that, for a period of 12 months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a wholesale client.

**Hong Kong**

Our securities may not be offered or sold in Hong Kong, by means of this prospectus or any document other than (i) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong). No advertisement, invitation or document relating to our securities may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

**Japan**

Our securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and our securities will not be offered or sold, directly or indirectly, in Japan, or to, or for the benefit of, any resident of Japan (which term as used herein means any

Table of Contents

person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

**Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore and in Singapore, the offer and sale of our securities is made pursuant to exemptions provided in sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore ( SFA ). Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our securities may not be circulated or distributed, nor may our securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (ii) to a relevant person as defined in section 275(2) of the SFA pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with the conditions (if any) set forth in the SFA. Moreover, this document is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. Prospective investors in Singapore should consider carefully whether an investment in our securities is suitable for them.

Where our securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) by a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) for a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 of the SFA, except:

(1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares of that corporation or such rights and interest in that trust are acquired at a consideration of not less than $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA;

(2) where no consideration is given for the transfer; or

(3) where the transfer is by operation of law.

In addition, investors in Singapore should note that the securities acquired by them are subject to resale and transfer restrictions specified under Section 276 of the SFA, and they, therefore, should seek their own legal advice before effecting any resale or transfer of their securities.

Table of Contents

## LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus supplement will be passed upon for PennantPark Floating Rate Capital Ltd. by Dechert LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Dechert LLP has from time to time represented the underwriters, PennantPark Floating Rate Capital Ltd. and the Investment Adviser on unrelated matters. Certain legal matters in connection with the offering will be passed upon for the underwriters by Fried, Frank, Harris, Shriver & Jacobson LLP, New York, NY.

Table of Contents

**INDEX TO FINANCIAL STATEMENTS**

**Consolidated Financial Information for the Fiscal Ended September 30, 2012**



**Consolidated Financial Information for the Quarter Ended December 31, 2012**

Table of Contents

**Management s Report on Internal Control Over Financial Reporting**

The management of PennantPark Floating Rate Capital, Ltd., or we, us, our and Company, is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is a process designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements.

The Company s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company s internal control over financial reporting as of September 30, 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control Integrated Framework* . Based on the assessment management believes that, as of September 30, 2012, our internal control over financial reporting is effective based on those criteria.

The Company s independent registered public accounting firm that audited the financial statements has issued an audit report on the effectiveness of our internal control over financial reporting as of September 30, 2012. This report appears on page S-44.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

PennantPark Floating Rate Capital Ltd. and its Subsidiary:

We have audited the accompanying consolidated statements of assets and liabilities of PennantPark Floating Rate Capital Ltd. and its Subsidiary (collectively referred to as the Company ), including the consolidated schedules of investments as of September 30, 2012 and 2011, and the related consolidated statements of operations, changes in net assets, and cash flows for the year ended September 30, 2012 and for the period March 4, 2011 (commencement of operations) to September 30, 2011. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of investments owned as of September 30, 2012 by correspondence with the custodians and portfolio companies or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PennantPark Floating Rate Capital Ltd. and its Subsidiary as of September 30, 2012 and 2011, and the results of their operations and their cash flows for the year ended September 30, 2012 and for the period March 4, 2011 (commencement of operations) to September 30, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PennantPark Floating Rate Capital, Ltd. and its Subsidiary s, internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* , issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated November 14, 2012 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

New York, New York

November 14, 2012

Table of Contents

**Report of Independent Registered Public Accounting Firm**

**On Internal Control Over Financial Reporting**

The Board of Directors and Stockholders

PennantPark Floating Rate Capital Ltd. and its Subsidiary:

We have audited PennantPark Floating Rate Capital Ltd. and its Subsidiary (the Company ) internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework* , issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management of the Company is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included on page 53 of the Annual Report on Form 10-K, and Item 9A., Controls and Procedures Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed 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. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PennantPark Floating Rate Capital, Ltd. and its Subsidiary maintained, in all material respects, effective internal control over financial reporting as of September 30, 2012, based on criteria established in *Internal Control Integrated Framework,* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statements of assets and liabilities of PennantPark Floating Rate Capital Ltd. and its Subsidiary, including the schedules of investments as of September 30, 2012 and 2011, and the related statements of operations, changes in net assets, and cash flows for the year ended September 30, 2012 and for the period March 4, 2011 (commencement of operations) to September 30, 2011 and our report dated November 14, 2012 expressed an unqualified opinion on those financial statements.

/s/ KPMG LLP

New York, New York

November 14, 2012

Table of Contents

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES**

| | September 30, 2012 | September 30, 2011 |
|---|---|---|
| **Assets** | | |
| Investments at fair value | | |
| Non-controlled, non-affiliated investments, at fair value (cost $171,578,009 and $114,829,621, respectively) | $ 171,834,400 | $ 110,724,241 |
| Cash equivalents (See Note 7) | 3,845,803 | 6,987,450 |
| Interest receivable | 1,388,867 | 732,695 |
| Receivable for investments sold | 986,278 | 2,467,500 |
| Prepaid expenses and other assets | 311,313 | 163,374 |
| **Total assets** | 178,366,661 | 121,075,260 |
| **Liabilities** | | |
| Distributions payable | 548,053 | 479,547 |
| Payable for investments purchased | 3,357,500 | 990,000 |
| Unfunded investments | | 2,323,250 |
| Credit Facility payable (cost $75,500,000 and $24,650,000, respectively) (See Notes 5 and 10) | 75,122,500 | 24,650,000 |
| Interest payable on Credit Facility | 161,550 | 150,246 |
| Management fee payable (See Note 3) | 424,747 | 266,432 |
| Performance-based incentive fees payable (See Note 3) | 506,314 | |
| Accrued other expenses | 447,120 | 143,680 |
| Accrued sales load charges (See Note 3) | 2,055,000 | |
| **Total liabilities** | 82,622,784 | 29,003,155 |
| **Net Assets** | | |
| Common stock, 6,850,667 shares are issued and outstanding. Par value $0.001 per share and 100,000,000 shares authorized. | 6,851 | 6,851 |
| Paid-in capital in excess of par value | 95,192,222 | 97,251,174 |
| Distributions in excess of net investment income | (1,313,000) | (1,392,528) |
| Accumulated net realized gain on investments | 1,223,913 | 311,988 |
| Net unrealized appreciation (depreciation) on investments | 256,391 | (4,105,380) |
| Net unrealized appreciation on Credit Facility | 377,500 | |
| **Total net assets** | $ 95,743,877 | $ 92,072,105 |
| **Total liabilities and net assets** | $ 178,366,661 | $ 121,075,260 |
| Net asset value per share | $ 13.98 | $ 13.44 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

| | Year ended September 30, 2012 | For the period March 4, 2011 (commencement of operations) to September 30, 2011 |
|---|---|---|
| **Investment income:** | | |
| From non-controlled, non-affiliated investments: | | |
| Interest | $ 11,856,483 | $ 2,946,599 |
| Other income | 242,065 | |
| **Total income** | 12,098,548 | 2,946,599 |
| **Expenses:** | | |
| Base management fee (See Note 3) | 1,494,616 | 365,433 |
| Performance-based incentive fees (Note 3) | 564,540 | |
| Interest and expenses on the Credit Facility (See Note 10) | 1,482,339 | 155,913 |
| Administrative services expenses (See Note 3) | 583,613 | 182,995 |
| Other general and administrative expenses | 1,310,084 | 556,076 |
| **Expenses before Credit Facility costs and excise tax expense** | 5,435,192 | 1,260,417 |
| Credit Facility issuance costs (See Note 10) | 311,648 | 1,366,043 |
| Excise tax | 42,027 | |
| **Total expenses** | 5,788,867 | 2,626,460 |
| **Net investment income** | 6,309,681 | 320,139 |
| **Realized and unrealized gain (loss) on investments and Credit Facility:** | | |
| Net realized gain on non-controlled, non-affiliated investments | 911,925 | 311,988 |
| Net change in unrealized appreciation (depreciation) on: | | |
| Non-controlled, non-affiliated investments | 4,361,772 | (4,105,380) |
| Credit Facility appreciation (See Note 5) | 377,500 | |
| **Net change in unrealized appreciation (depreciation) on investments and Credit Facility** | 4,739,272 | (4,105,380) |
| **Net realized and unrealized gain (loss) from investments and Credit Facility** | 5,651,197 | (3,793,392) |
| Net increase (decrease) in net assets resulting from operations | $ 11,960,878 | $ (3,473,253) |
| Net increase (decrease) in net assets resulting from operations per common share (See Note 6) | $ 1.75 | $ (0.51) |
| Net investment income per common share | $ 0.92 | $ 0.05 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Table of Contents**

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

| | Year ended September 30, 2012 | For the period March 04, 2011 (commencement of operations) to September 30, 2011 |
|---|---|---|
| **Net increase (decrease) in net assets resulting from operations:** | | |
| Net investment income | $ 6,309,681 | $ 320,139 |
| Net realized gain on investments | 911,925 | 311,988 |
| Net change in unrealized appreciation (depreciation) on investments | 4,361,772 | (4,105,380) |
| Net change in unrealized appreciation on Credit Facility | 377,500 | |
| **Net increase (decrease) in net assets resulting from operations** | 11,960,878 | (3,473,253) |
| **Distributions to stockholders:** | | |
| Distributions | (6,234,106) | (1,712,667) |
| **Capital Transactions:** | | |
| Proceeds from issuance of common stock | | 102,760,000 |
| Accrued sales load charges (See Notes 1 and 3) | (2,055,000) | (5,501,975) |
| **Net (decrease) increase in net assets resulting from capital transactions** | (2,055,000) | 97,258,025 |
| **Net increase in net assets** | 3,671,772 | 92,072,105 |
| **Net assets:** | | |
| Beginning of period | $ 92,072,105 | $ |
| End of period | $ 95,743,877 | $ 92,072,105 |
| Distributions in excess of net investment income, end of period | $ (1,313,000) | $ (1,392,528) |
| **Capital Share Activity:** | | |
| Issuance of shares from offerings | | 6,850,667 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

S-47

Table of Contents

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year ended September 30, 2012 | For the period March 04, 2011 (commencement of operations) to September 30, 2011 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net increase (decrease) in net assets resulting from operations | $ 11,960,878 | $ (3,473,253) |
| Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash used by operating activities: | | |
| Net change in unrealized (appreciation) depreciation on investments | (4,361,772) | 4,105,380 |
| Net change in unrealized appreciation on Credit Facility | (377,500) | |
| Net realized gain on investments | (911,925) | (311,988) |
| Net accretion of discount and amortization of premium | (704,452) | (136,975) |
| Purchase of investments | (128,673,695) | (147,545,077) |
| Payment-in-kind interest | (119,552) | (42,074) |
| Proceeds from dispositions of investments | 71,499,356 | 33,206,493 |
| Decrease (increase) in receivable for investments sold | 1,481,222 | (2,467,500) |
| (Increase) in interest receivable | (656,172) | (732,695) |
| (Increase) in prepaid expenses and other assets | (147,939) | (163,374) |
| Increase in payable for investments purchased | 2,367,500 | 990,000 |
| (Decrease) increase in unfunded investments | (161,370) | 2,323,250 |
| Increase in interest payable on Credit Facility | 11,304 | 150,246 |
| Increase in management fee payable | 158,315 | 266,432 |
| Increase in performance-based incentive fees payable | 506,314 | |
| Increase in accrued expenses | 303,440 | 143,680 |
| Net cash used by operating activities | (47,826,048) | (113,687,455) |
| **Cash flows from financing activities:** | | |
| Proceeds from offerings | | 102,760,000 |
| Offering costs | | (5,501,975) |
| Distributions paid to stockholders | (6,165,599) | (1,233,120) |
| Borrowings under Credit Facility (See Notes 5 and 10) | 97,650,000 | 29,000,000 |
| Repayments under Credit Facility (See Notes 5 and 10) | (46,800,000) | (4,350,000) |
| Net cash provided by financing activities | 44,684,401 | 120,674,905 |
| **Net (decrease) increase in cash equivalents** | (3,141,647) | 6,987,450 |
| **Cash equivalents, beginning of period** | 6,987,450 | |
| **Cash equivalents, end of period** | $ 3,845,803 | $ 6,987,450 |
| **Supplemental disclosure of cash flow information:** | | |
| Interest paid | $ 1,471,035 | $ 5,556 |
| Taxes paid | $ 3,952 | $ |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**September 30, 2012**

| 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 179.5%[(3),(4)]** | | | | | | | |
| **First Lien Secured Debt 156.9%** | | | | | | | |
| Airvana Network Solutions Inc. | 03/25/2015 | Telecommunications | 10.00% | L+800 | 214,286 | $ 214,838 | $ 214,018 |
| Archipelago Learning, Inc. | 05/17/2018 | Media, Broadcasting and Subscription | 7.50% | L+600 | 987,500 | 959,574 | 987,500 |
| Aspen Dental Management, Inc. | 10/06/2016 | Consumer Services | 7.00% | L+550 | 2,977,500 | 2,937,079 | 2,962,613 |
| Attachmate Corporation | 11/22/2017 | High Tech Industries | 7.25% | L+575 | 2,943,750 | 2,888,381 | 2,960,309 |
| Autoparts Holdings Limited | 07/28/2017 | Automotive | 6.50% | L+500 | 990,000 | 985,747 | 987,525 |
| Blue Coat Systems, Inc. | 02/15/2018 | High Tech Industries | 7.50% | L+600 | 3,975,000 | 3,902,979 | 4,014,750 |
| C.H.I. Overhead Doors, Inc. | 08/17/2017 | Consumer Goods: Durable | 7.25% | L+575 | 3,866,119 | 3,801,408 | 3,859,675 |
| DCS Business Services, Inc. | 03/19/2018 | Business Services | 7.25% | L+575 | 3,733,125 | 3,673,063 | 3,677,128 |
| Document Technologies, Inc. | 12/01/2016 | Business Services | 6.50% | L+500 | 990,000 | 981,827 | 987,525 |
| DS Waters of America, Inc. | 08/29/2017 | Beverage, Food and Tobacco | 10.50% | L+900 | 3,980,000 | 3,904,846 | 4,109,350 |
| EAG, Inc. | 07/28/2017 | Business Services | 6.75% | P+350 | 950,104 | 946,081 | 945,353 |
| EIG Investors Corp. | 04/20/2018 | High Tech Industries | 7.75% | L+625 | 3,990,000 | 3,952,867 | 4,009,950 |
| Emerald Performance Materials, LLC | 05/18/2018 | Chemicals, Plastics and Rubber | 6.75% | L+550 | 1,995,000 | 1,975,762 | 2,004,975 |
| eResearchtechnology, Inc. | 05/02/2018 | Healthcare and Pharmaceuticals | 8.00% | L+650 | 3,000,000 | 2,884,003 | 2,962,500 |
| Fundtech (US FT HOLDCO, INC.) | 11/30/2017 | Business Services | 7.50% | L+600 | 2,977,500 | 2,898,672 | 2,977,500 |
| GFA Brands, Inc. | 07/02/2018 | Beverage, Food and Tobacco | 7.00% | L+575 | 1,995,000 | 1,956,496 | 2,012,456 |
| Graton Economic Development Authority [(5),(8)] | 09/02/2019 | Hotel, Gaming and Leisure | 9.63% | | 3,000,000 | 3,000,000 | 3,120,000 |
| Gundle/SLT Environmental, Inc. | 05/27/2016 | Environmental Industries | 7.00% | L+550 | 2,956,829 | 2,933,351 | 2,934,653 |
| Healogics, Inc. (f/k/a National Healing Corp.) | 11/30/2017 | Healthcare and Pharmaceuticals | 8.25% | L+675 | 4,962,500 | 4,742,008 | 4,925,281 |
| HMK Intermediate Holdings LLC | 04/01/2019 | Retail | 7.25% | L+600 | 2,985,000 | 2,929,228 | 2,992,463 |
| Howard Berger Co. LLC | 08/03/2017 | Wholesale | 7.00% | L+575 | 2,743,125 | 2,702,953 | 2,715,694 |
| IDQ Holdings, Inc.[(5),(8)] | 03/30/2017 | Automotive | 11.50% | | 2,000,000 | 1,963,159 | 2,125,000 |
| Ikaria, Inc. | 06/22/2016 | Healthcare and Pharmaceuticals | 7.75% | L+650 | 1,700,000 | 1,691,500 | 1,649,000 |
| Instant Web, Inc. | 08/07/2014 | Media: Advertising, Printing and Publishing | 3.59%[(9)] | L+338 | 6,836,508 | 6,534,349 | 5,247,020 |
| K2 Pure Solutions NoCal, L.P. | 09/10/2015 | Chemicals, Plastics and Rubber | 10.00% | L+775 | 5,476,250 | 5,512,699 | 5,558,394 |
| KIK Custom Products Inc.[(6),(8)] | 06/02/2014 | Consumer Goods: Non-Durable | 8.50% | L+700 | 4,937,500 | 4,845,282 | 4,863,438 |
| Medpace Intermediateco, Inc. | 06/19/2017 | Business Services | 6.50% | L+500 | 1,844,649 | 1,821,373 | 1,766,252 |
| MModal Inc. | 08/16/2019 | Business Services | 6.75% | L+550 | 3,400,000 | 3,349,374 | 3,351,125 |
| Mood Media Corporation[(6)] | 05/07/2018 | Media: Diversified and Production | 7.00% | L+550 | 3,950,000 | 3,916,596 | 3,921,611 |
| MOSAID Technologies Incorporated[(6)] | 12/23/2016 | High Tech Industries | 8.50% | L+700 | 2,887,500 | 2,826,368 | 2,887,500 |
| MX USA, INC and KAN-DI-KI, LLC | 05/01/2017 | Healthcare and Pharmaceuticals | 6.50% | L+525 | 2,985,000 | 2,943,607 | 2,955,150 |
| NAB Holdings, LLC | 04/24/2018 | Banking, Finance, Insurance and Real Estate | 7.00% | L+550 | 987,500 | 973,817 | 997,375 |
| Pelican Products, Inc. | 07/11/2018 | Containers, Packaging and Glass | 7.00% | L+550 | 1,496,250 | 1,467,389 | 1,492,509 |
| Penton Media, Inc. | 08/01/2014 | Media: Diversified and Production | 5.00 (PIK 1.00%%) | L+400 | 5,497,407 | 4,931,995 | 4,439,156 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Potter s Holdings II, L.P. | 05/08/2017 | Containers, Packaging and Glass | 6.00% | L+450 | 1,975,000 | 1,958,715 | 1,967,594 |
| Pro Mach, Inc. | 07/06/2017 | Capital Equipment | 6.25% | L+475 | 978,077 | 970,036 | 967,889 |
| Renaissance Learning, Inc. | 10/19/2017 | Media: Broadcasting and Subscription | 7.75% | L+625 | 1,980,000 | 1,909,788 | 1,994,850 |
| Rocket Software, Inc. | 02/08/2018 | High Tech Industries | 7.00% | L+550 | 3,970,000 | 3,898,141 | 3,970,000 |
| Sabre Industries, Inc. | 08/24/2018 | Construction and Building | 7.00% | L+575 | 3,000,000 | 2,955,509 | 2,973,126 |

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**September 30, 2012**

**Issuer Name**