

ELECTRONIC ARTS INC.
Form 4
August 01, 2016

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

(Print or Type Responses)

1. Name and Address of Reporting Person *
COLEMAN LEONARD S JR

(Last) (First) (Middle)

209 REDWOOD SHORES
PARKWAY

(Street)

REDWOOD CITY, CA 94065

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
ELECTRONIC ARTS INC. [EA]

3. Date of Earliest Transaction
(Month/Day/Year)
07/28/2016

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

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

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	07/28/2016		M	10,000	A 11 24,496	D	

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

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

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

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Healthcare, Education
and Childcare 8.00% 76,357 765,307 1,187,410

CI (IHS) Investment Holdings, LLC ⁽⁹⁾ (Interactive Health Solutions, Inc.)

Healthcare, Education
and Childcare 38,179 382,654 593,705

Convergint Technologies Holdings, LLC (Convergint Technologies LLC)

Electronics 8.00% 2,375 2,375,000 2,584,106

CT Technologies Holdings, LLC

Business Services 9.00% 326,215 326,215 326,215

HW Topco, Inc.

Other Media 8.00% 3,591 24,177 35,091

TZ Holdings, L.P., Series A

Insurance 686 685,820 685,820

TZ Holdings, L.P., Series B

Insurance 6.50% 1,312 1,312,006 862,664

VRide Holdings, Inc.

Personal Transportation 8.00% 1,824,167 1,824,167 156,029

Total Preferred Equity/Partnership Interests

9,463,292 8,051,870

Explanation of Responses:

Common Equity/Warrants/Partnership Interests 10.1~~(f)~~

Acentia, LLC, Class A Units ⁽¹²⁾

Electronics	1,998	\$2,000,000	\$1,572,603
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AH Holdings, Inc. (Warrants)

03/23/2021 Healthcare, Education and Childcare	753	2,499,319	
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Alegeus Technologies Holding Corp., Class A (Alegeus Technologies, LLC)

Financial Services	1	950	807
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Autumn Games, LLC

Broadcasting and Entertainment	1,333,330	3,000,000	
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CI (Galls) Prime Investment Holdings, LLC ⁽¹¹⁾

Distribution	1,505,000	1,505,000	2,308,777
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CI (IHS) Investment Holdings, LLC (Interactive Health Solutions, Inc.)

Healthcare, Education and Childcare	23,416	234,693	364,156
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CI (IHS) Investment Holdings, LLC ⁽⁹⁾ (Interactive Health Solutions, Inc.)

Healthcare, Education and Childcare	11,708	117,346	182,078
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Convergint Technologies Holdings, LLC (Convergint Technologies LLC)

Electronics	2,375	212,881	
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CT Technologies Holdings, LLC

Explanation of Responses:

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Business Services	5,556	1,918,346	7,285,399
HW Topco, Inc.			
Other Media	386,770	2,697,835	3,400,855

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****SEPTEMBER 30, 2013**

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par/ Shares	Cost	Fair Value ⁽³⁾
Kadmon Holdings, LLC, Class A		Healthcare, Education and Childcare			1,079,920	1,236,832	11,085,403
Kadmon Holdings, LLC, Class D		Healthcare, Education and Childcare			1,079,920	1,028,807	1,028,807
Learning Care Group (US) Inc. (Warrants)	04/27/2020	Education			6,649	779,920	4,300,696
Magnum Hunter Resources Corporation (Eureka Hunter Pipeline, LLC)		Oil and Gas			1,221,932	3,057,500	7,539,320
Magnum Hunter Resources Corporation (Warrants)(Eureka Hunter Pipeline, LLC)	10/14/2013	Oil and Gas			122,193	105,697	
Magnum Hunter Resources Corporation (Warrants)(Eureka Hunter Pipeline, LLC)	04/16/2016	Oil and Gas			122,193	182,499	205,667
MidOcean JF Holdings Corp. (JF Acquisition, LLC)		Distribution			1,850	1,850,294	1,845,784
MidOcean PPL Holdings, Corp. (Pre-Paid Legal Services, Inc.)		Personal, Food and Miscellaneous Services			3,000	3,000,000	5,441,976
Paradigm Acquisition Corp.		Healthcare, Education and Childcare			20,000	2,000,000	3,720,481

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QMG HoldCo, LLC, Class A (Questex Media Group, LLC)		Other Media		4,325	1,306,167	2,073,419
QMG HoldCo, LLC, Class B (Questex Media Group, LLC)		Other Media		531		254,563
SPG Boyd Holdings Corp. (LTI Flexible Products, Inc.)		Chemical, Plastic and Rubber		300,000	3,000,000	5,571,120
TRAK Acquisition Corp. (Warrants)	12/29/2019	Business Services		3,500	29,400	606,681
Transportation 100 Holdco, L.L.C. ⁽¹³⁾ (Intermediate Transportation 100, L.L.C.)		Cargo Transport		137,923	2,111,588	379,453
TZ Holdings, L.P.		Insurance		2	9,567	
Vestcom Parent Holdings, Inc. (Vestcom International, Inc.)		Printing and Publishing		211,797	2,325,555	2,626,512
VRide Holdings Inc.		Personal Transportation		9,166	9,166	
VText Holdings, Inc.		Business Services		35,526	4,050,000	5,966,074
Total Common Equity/Warrants/Partnership Interests					37,557,162	70,472,831
Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies					928,078,589	968,471,042
Investments in Non-Controlled, Affiliated Portfolio Companies 11.0%^{(1),(2)}						
Subordinated Debt/Corporate Notes 5.7%						
DirectBuy Holdings, Inc.	11/05/2019	Consumer Products	12.00%	11,428,224	\$ 11,428,224	\$ 11,428,224
			(PIK 12.00%)			
Service Champ, Inc.	10/02/2017	Auto Sector	12.50%	28,000,000	27,474,713	28,248,043
Total Subordinated Debt/Corporate Notes					38,902,937	39,676,267
Preferred Equity 0.2%						
PAS International Holdings, Inc.		Aerospace and Defense		53,071	20,059,340	1,694,296

Common Equity/Partnership Interest 5.1%

DirectBuy Holdings, Inc.		Consumer Products	104,719	21,492,822	5,556,207
DirectBuy Holdings, Inc. (Warrants)	11/05/2022	Consumer Products	15,486		821,505
EnviroSolutions Holdings, Inc.		Environmental Services	142,684	11,891,822	21,265,345
NCP-Performance		Leisure, Amusement, Motion Pictures and Entertainment	375,000	3,750,000	2,500,165
New Service Champ Holdings, Inc. (Service Champ, Inc.)		Auto Sector	16,800	2,721,600	5,222,015
PAS International Holdings, Inc.		Aerospace and Defense	53,071	202,620	
Total Common Equity/Partnership Interest				40,058,864	35,365,237
Total Investments in Non-Controlled, Affiliated Portfolio Companies				99,021,141	76,735,800

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

SEPTEMBER 30, 2013

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par/ Shares	Cost	Fair Value ⁽³⁾
Investments in Controlled, Affiliated Portfolio Companies 4.7%^{(1),(2)}							
First Lien Secured Debt 1.6%							
SuttonPark Holdings, Inc.	06/30/2020	Business Services	14.00% ⁽⁷⁾		9,250,000	9,250,000	9,556,385
Universal Pegasus International, LLC ⁽⁹⁾	12/31/2015	Oil and Gas			1,916,667	1,787,941	1,916,667
Total First Lien Secured Debt						11,037,941	11,473,052
Second Lien Secured Debt 2.4%							
Universal Pegasus International, LLC	12/31/2015	Oil and Gas	15.00%		16,615,645	14,709,502	16,449,489
			(PIK 15.00%)				
Subordinated Debt/Corporate Notes 0.3%							
SuttonPark Holdings, Inc.	6/30/2020	Business Services	14.00% ⁽⁷⁾		2,250,000	2,250,000	1,961,667
Preferred Equity 0.4%⁽⁸⁾							
SuttonPark Holdings, Inc.		Business Services	14.00%		2,000	2,000,000	1,981,948
Universal Pegasus International Holdings, Inc.		Oil and Gas	8.00%		376,988	34,420,612	1,102,555

(Universal
Pegasus
International,
LLC)

Total Preferred Equity		36,420,612	3,084,503
Common Equity 0.0%			
SuttonPark Holdings, Inc.	Business Services	100	100
Total Investments in Controlled, Affiliated Portfolio Companies		64,418,155	32,968,711
Total Investments 154.6%		1,091,517,885	1,078,175,553
Cash and Cash Equivalents 8.4%			
Cash		2,667,511	2,667,511
BlackRock Liquidity Funds, Temp Cash, Institutional Shares		2,446,232	2,446,232
BNY Mellon Cash Reserve		53,327,086	53,327,086
Total Cash and Cash Equivalents		58,440,829	58,440,829
Total Investments, Cash and Cash Equivalents 163.0%		\$ 1,149,958,714	\$ 1,136,616,382
Liabilities in Excess of Other Assets (63.0%)			(439,110,183)
Net Assets 100.0%			\$ 697,506,199

- (1) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is deemed as non-controlled when we own less than 25% of a portfolio company's voting securities and controlled when we own 25% or more of a portfolio company's voting securities.
- (2) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is deemed as non-affiliated when we own less than 5% of a portfolio company's voting securities and affiliated when we own 5% or more of a portfolio company's voting securities (see Note 6).
- (3) Valued based on our accounting policy (see Note 2).
- (4) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR, or L or Prime, or P rate.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-income producing securities.
- (7) Coupon is payable in cash and/or PIK.
- (8) Coupon is subject to a LIBOR or Prime rate floor.
- (9) Represents the purchase of a security with delayed settlement (unfunded investments). This security does not have a basis point spread above an index.
- (10) Non-U.S. company or principal place of business outside the U.S.
- (11) Investment is held through PNNT CI (Galls) Prime Investment Holdings, LLC, a consolidated subsidiary.
- (12) Investment is held through PNNT Acentia LLC, a consolidated subsidiary.
- (13) Investment is held through PNNT Transportation 100 Holdco, L.L.C., a consolidated subsidiary.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2012

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par/ Shares	Cost	Fair Value ⁽³⁾
Investments in Non-Controlled, Non-Affiliated Portfolio Companies				130.3%^{(1),(2)}			
First Lien Secured Debt 41.7%							
Aircell Business Aviation Services LLC	06/21/2017	Communications	11.25%	L+975 ⁽⁸⁾	14,906,250	\$ 14,332,682	\$ 14,906,250
American Surgical Holdings, Inc.	03/23/2015	Healthcare, Education and Childcare	14.00%	L+1,000 ⁽⁸⁾	17,811,828	17,441,366	17,811,828
Brand Energy and Infrastructure Services, Inc.	02/07/2014	Energy/Utilities	3.68%	L+325	2,000,000	1,757,029	1,973,334
CEVA Group PLC ^{(5),(10)}	10/01/2016	Cargo Transport	11.63%		7,500,000	7,355,237	7,687,500
CEVA Group PLC ^{(5),(10)}	04/01/2018	Cargo Transport	11.50%		1,000,000	990,089	880,000
Columbus International, Inc. ^{(5), (10)}	11/20/2014	Communications	11.50%		10,000,000	10,000,000	11,100,000
Good Sam Enterprises, LLC ⁽⁵⁾	12/01/2016	Consumer Products	11.50%		12,000,000	11,795,443	12,720,000
Hanley-Wood, L.L.C.	01/13/2017	Other Media	8.00%	L+650 ⁽⁸⁾	1,752,896	1,752,896	1,752,896
IDQ Holdings, Inc. ⁽⁵⁾	04/01/2017	Auto Sector	11.50%		11,500,000	11,288,165	12,218,750
Instant Web, Inc.	08/07/2014	Printing and Publishing	14.50%	L+950 ⁽⁸⁾	24,115,645	23,829,738	23,802,142
Interactive Health Solutions, Inc.	10/04/2016	Healthcare, Education and Childcare	11.50%	L+950 ⁽⁸⁾	18,525,000	18,165,492	18,571,313
Jacuzzi Brands Corp.	02/07/2014	Home and Office Furnishings, Housewares and Durable Consumer	2.28%	L+225	9,598,649	9,598,649	6,371,103

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Products							
K2 Pure Solutions NoCal, L.P.	09/10/2015	Chemicals, Plastics and Rubber	10.00%	L+775 ⁽⁸⁾	18,952,500	18,216,865	19,236,788
Kadmon Pharmaceuticals, LLC	10/31/2012	Healthcare, Education and Childcare	15.00%	L+1,300 ⁽⁸⁾	4,931,494	4,992,740	5,110,409
Learning Care Group, Inc.	04/27/2016	Education	12.00%		26,052,632	25,640,832	25,857,237
Penton Media, Inc.	08/01/2014	Other Media	5.00%	L+400 ⁽⁸⁾	37,775,294	33,971,917	30,503,550
			(PIK 1.00%)				
Pre-Paid Legal Services, Inc., Tranche A	12/30/2016	Personal, Food and Miscellaneous Services	7.50%	L+600 ⁽⁸⁾	1,552,846	1,533,687	1,556,728
Pre-Paid Legal Services, Inc., Tranche B	12/30/2016	Personal, Food and Miscellaneous Services	11.00%	L+950 ⁽⁸⁾	35,000,000	34,118,800	35,350,000
Questex Media Group LLC ⁽⁹⁾	12/16/2012	Other Media	1.36%		133,603	133,603	133,603
Tekelec Global Inc. (First Out)	01/29/2018	Telecommunications	9.00%	L+750 ⁽⁸⁾	850,000	838,369	850,000
Tekelec Global Inc. (Second Out)	01/29/2018	Telecommunications	13.50%	L+1,200 ⁽⁸⁾	10,625,000	10,338,450	10,848,126
Worley Claims Services, LLC	07/06/2017	Insurance	12.50%	L+1,100 ⁽⁸⁾	14,934,000	14,934,000	14,859,330
Yonkers Racing Corp. ⁽⁵⁾	07/15/2016	Hotels, Motels, Inns and Gaming	11.38%		4,500,000	4,401,515	4,860,000
Total First Lien Secured Debt						277,427,564	278,960,887
Second Lien Secured Debt 25.3%							
American Gilsonite Company ⁽⁵⁾	09/01/2017	Diversified Natural Resources, Precious Metals and Minerals	11.50%		25,400,000	25,400,000	26,098,500
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	6.33%	L+600	13,600,000	13,378,432	12,729,600
Brand Energy and Infrastructure Services, Inc.	02/07/2015	Energy/Utilities	7.36%	L+700	12,000,000	11,866,485	11,232,000
DirectBuy Holdings, Inc. ⁽⁵⁾ ⁽⁶⁾	02/01/2017	Consumer Products	12.00%		34,000,000	31,964,822	10,880,000
Eureka Hunter Pipeline, LLC	08/16/2018	Energy/Utilities	12.50%		45,000,000	44,543,688	45,000,000
Greatwide Logistics Services, L.L.C.	03/01/2014	Cargo Transport	11.00%	L+700 ⁽⁸⁾	3,184,219	3,184,222	2,292,640
			(PIK 11.00%)				
	07/31/2017		12.50%	L+1,100 ⁽⁸⁾	20,512,821	20,059,979	20,512,821

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Paradigm Management Services, LLC		Healthcare, Education and Childcare					
Questex Media Group LLC, Term Loan A	12/15/2014	Other Media	9.50%	L+650 ⁽⁸⁾	2,752,666	2,752,666	2,584,753
Questex Media Group LLC, Term Loan B	12/15/2015	Other Media	11.50%	L+850 ⁽⁸⁾	2,230,508	2,230,508	2,002,996
Realogy Corp.	10/15/2017	Buildings and Real Estate	(PIK 11.50%) 13.50%		10,000,000	10,000,000	10,062,500

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

SEPTEMBER 30, 2012

Issuer Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par/ Shares	Cost	Fair Value ⁽³⁾
ROC Finance LLC and ROC Finance 1 Corp.	09/01/2018	Hotels, Motels, Inns and Gaming	12.13%		16,000,000	15,752,822	18,560,000
TransFirst Holdings, Inc.	06/15/2015	Financial Services	6.22%	L+600	7,811,488	7,511,344	7,411,149
Total Second Lien Secured Debt						188,644,968	169,366,959
Subordinated Debt/Corporate Notes 52.4%							
Acentia, LLC	10/02/2017	Electronics	13.75%		19,000,000	\$ 18,563,943	\$ 19,000,000
Affinion Group Holdings, Inc.	11/15/2015	Consumer Products	11.63%		35,552,000	34,172,451	24,175,360
Alegeus Technologies, LLC	02/15/2019	Financial Services	12.00%		8,930,000	8,754,461	8,930,000
Convergint Technologies LLC	03/26/2018	Electronics	12.00%		23,277,586	22,812,086	22,812,034
Diversitech Corporation	01/29/2017	Manufacturing/ Basic Industry	13.50% ⁽⁷⁾		11,000,000	10,836,901	11,275,000
Escort, Inc.	06/01/2016	Electronics	14.75%		25,254,035	24,751,548	25,254,035
Galls, LLC; Quartermaster Inc.	03/31/2017	Distribution	13.00%		21,797,263	21,399,764	21,906,249
JF Acquisition, LLC	06/30/2017	Distribution	14.00%		17,171,374	16,748,220	17,377,430
Last Mile Funding Corp.	06/30/2016	Cargo Transport	14.50%		45,597,139	44,677,474	45,095,570
Learning Care Group (US) Inc.	06/30/2016	Education	15.00%		5,277,718	4,696,436	4,815,918

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LTI Flexible Products, Inc.	01/19/2019	Chemical, Plastic and Rubber	12.50%	30,000,000	30,000,000	30,000,000
LTI Flexible Products, Inc. ⁽⁹⁾	01/11/2014	Chemical, Plastic and Rubber		5,000,000	4,825,000	5,000,000
Mailsouth, Inc.	06/15/2017	Printing and Publishing	14.50%	15,000,000	14,632,413	15,210,000
			(PIK 2.00%)			
PAS Technologies, Inc.	05/12/2017	Aerospace and Defense	15.02%	17,123,218	16,783,033	17,123,218
			(PIK 3.02%)			
Prince Mineral Holdings Corp.	12/03/2016	Mining, Steel, Iron and Non-Precious Metals	13.50%	26,696,517	26,263,685	26,696,517
			(PIK 2.00%)			
Realogy Corp.	04/15/2018	Buildings and Real Estate	11.00%	10,000,000	9,247,298	9,400,000
TRAK Acquisition Corp.	12/29/2015	Business Services	15.00% ⁽⁷⁾	12,020,950	11,708,199	12,020,950
TrustHouse Services Group, Inc.	06/03/2019	Beverage, Food, and Tobacco	14.25%	14,778,578	14,527,411	14,778,578
			(PIK 2.25%)			
TrustHouse Services Group, Inc. ⁽⁹⁾	06/02/2014	Beverage, Food, and Tobacco		4,000,000	3,920,000	4,000,000
Veritext Corp.	12/31/2015	Business Services	13.00%	16,200,000	15,916,579	16,200,000
Total Subordinated Debt/Corporate Notes					355,236,902	351,070,859
Preferred Equity/Partnership Interests 1.7%⁽⁶⁾						
AH Holdings, Inc. (American Surgical Holdings, Inc.)		Healthcare, Education and Childcare	6.00%	211	500,000	624,081
AHC Mezzanine, LLC		Other Media		7,505	318,896	
Alegeus Technologies Holding Corp., Series A (Alegeus Technologies, LLC)		Financial Services		949	949,050	1,031,820
CI (IHS) Investment Holdings, LLC (Interactive		Healthcare, Education and Childcare	8.00%	76,357	765,307	881,885

Health Solutions, Inc.)					
CI (IHS) Investment Holdings, LLC ⁽⁹⁾ (Interactive Health Solutions, Inc.)	Healthcare, Education and Childcare		38,179	382,654	
Convergent Technologies Holdings, LLC	Electronics		2,375	2,375,000	2,375,000
HW Topco, Inc. (Hanley-Wood, LLC)	Other Media	8.00%	3,591	24,177	27,916
PAS Tech Holdings, Inc., Series A-1 (PAS Technologies, Inc.)	Aerospace and Defense	8.00%	20,000	1,980,000	823,710
TrustHouse Services Holdings, LLC	Beverage, Food, and Tobacco	12.00%	1,099	984,344	1,111,742

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CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

SEPTEMBER 30, 2012

Issuer Name	Maturity	Industry	Basis Point Spread		Par/ Shares	Cost	Fair Value ⁽³⁾
			Current Coupon	Above Index ⁽⁴⁾			
TZ Holdings, L.P., Series A (Trizetto Group, Inc.)		Insurance			686	685,820	685,820
TZ Holdings, L.P., Series B (Trizetto Group, Inc.)		Insurance	6.50%		1,312	1,312,006	1,666,679
Verde Parent Holdings, Inc.		Personal Transportation	8.00%		1,824,167	1,824,167	1,949,629
Total Preferred Equity/Partnership Interests						12,101,421	11,178,282
Common Equity/Warrants/Partnership Interests 9.2%							
Acentia, LLC, Class A Units ⁽¹²⁾		Electronics			1,998	\$ 2,000,000	\$ 1,737,396
AH Holdings, Inc. (Warrants) (American Surgical Holdings, Inc.)	03/23/2021	Healthcare, Education and Childcare			753		2,063,780
Alegeus Technologies Holding Corp., Class A (Alegeus Technologies, LLC)		Financial Services			1	950	1,033
Autumn Games, LLC		Broadcasting and Entertainment			1,333,330	3,000,000	
CI (Galls) Prime Investment Holdings, LLC ⁽¹¹⁾ (Galls, LLC; Quartermaster Inc.)		Distribution			1,505,000	1,505,000	1,680,720
CI (IHS) Investment Holdings, LLC (Interactive Health Solutions, Inc.)		Healthcare, Education and Childcare			23,416	234,693	270,457
					11,708	117,346	

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CI (IHS) Investment Holdings, LLC ⁽⁹⁾ (Interactive Health Solutions, Inc.)		Healthcare, Education and Childcare			
Convergent Technologies Holdings, LLC (Convergent Technologies) LLC		Electronics	2,375		
CT Technologies Holdings, LLC		Business Services	5,556	1,904,033	6,665,183
DirectBuy Investors, L.P.		Consumer Products	30,000	1,350,000	
HW Topco, Inc. (Hanley-Wood, LLC)		Other Media	348,912	2,443,050	2,642,438
Kadmon Holdings, LLC, Class A (Kadmon Pharmaceuticals, LLC)		Healthcare, Education and Childcare	1,079,920	1,236,832	12,013,688
Kadmon Holdings, LLC, Class D (Kadmon Pharmaceuticals, LLC)		Healthcare, Education and Childcare	1,079,920	1,028,807	1,028,807
Learning Care Group (US) Inc. (Warrants)	04/27/2020	Education	1,267	779,920	
Magnum Hunter Resources Corporation (Eureka Hunter Pipeline, LLC)		Oil and Gas	1,221,932	3,239,999	5,425,378
Magnum Hunter Resources Corporation (Warrants) (Eureka Hunter Pipeline, LLC)	10/14/2013	Oil and Gas	122,193	105,697	31,778
MidOcean JF Holdings Corp. (JF Acquisition, LLC)		Distribution	1,700	1,700,000	1,641,575
MidOcean PPL Holdings, Inc. (Pre-Paid Legal Services, Inc.)		Personal, Food and Miscellaneous Services	3,000	3,000,000	4,377,360
Paradigm Acquisition Corp. (Paradigm Management Services, LLC)		Healthcare, Education and Childcare	20,000	2,000,000	2,124,491

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PAS Tech Holdings, Inc. (PAS Technologies, Inc.)		Aerospace and Defense	20,000	20,000	
QMG HoldCo, LLC, Class A (Questex Media Group, Inc.)		Other Media	4,325	1,306,166	1,404,661
QMG HoldCo, LLC, Class B (Questex Media Group, Inc.)		Other Media	531		172,457
SPG Boyd Holdings Corp. (LTI Flexible Products, Inc.)		Chemical, Plastic and Rubber	300,000	3,000,000	3,000,000
Titan Private Holdings I, LLC Class A (Tekelec Global, Inc.)		Telecommunications	2,276,847	2,274,883	6,182,426
TRAK Acquisition Corp. (Warrants)	12/29/2019	Business Services	3,500	29,400	1,197,412
Transportation 100 Holdco, L.L.C. ⁽¹³⁾ (Greatwide Logistics Services, L.L.C.)		Cargo Transport	137,923	2,111,588	
TZ Holdings, L.P. (Trizetto Group, Inc.)		Insurance	2	9,567	713,718

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES****CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)****SEPTEMBER 30, 2012**

Name	Maturity	Industry	Current Coupon	Basis Point Spread Above Index ⁽⁴⁾	Par/Shares	Cost	Fair Value
Parent Holdings, Inc.		Personal Transportation			9,166	9,167	
Holdings, Inc. (Next Corp.)		Business Services			35,526	4,050,000	6,94
Common Equity/Warrants/ Partnership Interests						38,457,098	61,31
Investments in Non-Controlled, Non-Affiliated Portfolio Companies						871,867,953	871,89
Investments in Non-Controlled, Affiliated Portfolio Companies 12.0%^{(1),(2)}							
Secured							
1.1%							
Finance, Inc.	01/16/2015	Leisure, Amusement Motion Pictures and Entertainment	7.25%	L+625 ⁽⁸⁾	8,000,000	\$ 8,000,000	\$ 7,67
Unsecured							
Corporate Notes 7.1%							
Finance Holdings, Inc.	07/16/2015	Leisure, Amusement, Motion Pictures and Entertainment	15.00% ⁽⁷⁾		7,567,234	7,435,314	7,45
Champ, Inc.	10/02/2017	Auto Sector	12.50%		24,000,000	23,495,700	24,00
Champ, Inc. ⁽⁹⁾	10/02/2013	Auto Sector			16,000,000	15,640,000	16,00
Subordinated Debt/Corporate Notes						46,571,014	47,45
Partnership							
at 3.8%⁽⁶⁾							
Solutions, Inc.		Environmental Services			125,106	10,055,844	18,42
Performance		Leisure, Amusement,			375,000	3,750,000	2,90
Performance Holdings, Inc.)		Motion Pictures and Entertainment					
Service Champ		Auto Sector			16,800	4,200,000	4,50
gs, Inc.							

e Champ, Inc.)

Common Equity/Partnership Interest				18,005,844	25,82	
Investments in Non-Controlled, Affiliated Portfolio Companies				72,576,858	80,95	
Investments in Controlled, Affiliated Portfolio Companies 5.6%						
Lien Secured 1.9%						
Park Holdings, Inc.	06/30/2020	Business Services	14.00% ⁽⁷⁾	10,800,000	10,800,000	10,800,000
Support Services, Inc. ⁽⁹⁾	12/31/2015	Oil and Gas		743,187	668,632	743,187
Support Services, Inc. ⁽⁹⁾	12/31/2015	Oil and Gas		1,173,479	1,068,059	1,173,479
First Lien Secured Debt				12,536,691	12,71	
Second Lien Secured 2.1%						
Support Services, Inc.	12/31/2015	Oil and Gas	15.00%	14,300,282	11,809,647	14,300,282
			(PIK 15.00)%			
Unsecured Debt						
Corporate Notes 0.3%						
Park Holdings, Inc.	06/30/2020	Business Services	14.00% ⁽⁷⁾	2,700,000	2,700,000	2,150,000
Preferred Equity 1.3%⁽⁸⁾						
Park Holdings, Inc.		Business Services	14.00%	2,000	2,000,000	210,000
Global Pegasus International Holdings, Inc.		Oil and Gas	8.00%	411,988	35,120,613	8,230,000
Preferred Equity				37,120,613	8,45	
Common Equity 0.0%⁽⁶⁾						
Park Holdings, Inc.		Business Services		100	100	
Investments in Controlled, Affiliated Portfolio Companies				64,167,051	37,63	
Investments 147.9%				1,008,611,862	990,47	
Cash Equivalents 1.1%				7,559,453	7,55	
Investments and Cash Equivalents 149.0%				\$ 1,016,171,315	\$ 998,03	
Liabilities in Excess of Other Assets (49.0%)					(328,32	
Assets 100.0%					\$ 669,71	

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED)

SEPTEMBER 30, 2012

- (1) The provisions of the 1940 Act classify investments based on the level of control that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is deemed as "non-controlled" when we own less than 25% of a portfolio company's voting securities and "controlled" when we own 25% or more of a portfolio company's voting securities.
- (2) The provisions of the 1940 Act classify investments further based on the level of ownership that we maintain in a particular portfolio company. As defined in the 1940 Act, a company is deemed as "non-affiliated" when we own less than 5% of a portfolio company's voting securities and "affiliated" when we own 5% or more of a portfolio company's voting securities.
- (3) Valued based on our accounting policy (see Note 2).
- (4) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR or L , or Prime or P , rate.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-income producing securities.
- (7) Coupon is payable in cash and/or PIK.
- (8) Coupon is subject to a LIBOR or Prime rate floor.
- (9) Represents the purchase of a security with delayed settlement (unfunded investments). This security does not have a basis point spread above an index.
- (10) Non-U.S. company or principal place of business outside the U.S.
- (11) Investment is held through PNNT CI (Galls) Prime Investment Holdings, LLC, a consolidated subsidiary.
- (12) Investment is held through PNNT Acentia LLC, a consolidated subsidiary.
- (13) Investment is held through PNNT Transportation 100 Holdco, LLC, a consolidated subsidiary.

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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SEPTEMBER 30, 2013

Except where the context suggests otherwise, we, our or us refer to PennantPark Investment Corporation and its consolidated subsidiaries. PennantPark Investment refers to only PennantPark Investment Corporation; our SBIC Funds refers collectively to our consolidated subsidiaries, PennantPark SBIC LP, or SBIC LP, and its general partner, PennantPark SBIC GP, LLC, and PennantPark SBIC II LP, or SBIC II, and its general partner, PennantPark SBIC GP II, LLC; SBA refers to the Small Business Administration; Credit Facility refers to our multi-currency, senior secured revolving credit facility; 2025 Notes refers to our 6.25% senior notes due 2025; BDC refers to a business development company under the Investment Company Act of 1940, as amended, or the 1940 Act; Code refers to the Internal Revenue Code of 1986, as amended; RIC refers to a regulated investment company under the Code.

1. ORGANIZATION

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

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

Our wholly owned subsidiaries, SBIC LP and SBIC II, were organized as Delaware limited partnerships in May 2010 and July 2012, respectively. SBIC LP and SBIC II received licenses from the SBA to operate as small business investment companies, or SBICs, under Section 301(c) of the Small Business Investment Act of 1958, as amended, or the 1958 Act, in July 2010 and January 2013, respectively. Our SBIC Funds' objectives are to generate both current income and capital appreciation through debt and equity investments generally by investing with us in SBA eligible businesses that meet the investment criteria used by PennantPark Investment.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of our Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires management to make estimates and assumptions that affect the reported amount of our assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of income and expenses during the reported periods. Actual results could differ from these estimates. We may reclassify certain prior period amounts to conform to the current period presentation. We have

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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SEPTEMBER 30, 2013

eliminated all intercompany balances and transactions. References to the Accounting Standards Codification, or ASC, serve as a single source of accounting literature. Subsequent events are evaluated and disclosed as appropriate for events occurring through the date the Consolidated Financial Statements are issued. Changes in the economic and regulatory environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ.

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

Our significant accounting policies consistently applied are as follows:

(a) Investment Valuations

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

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

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

- (1) Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our Investment Adviser responsible for the portfolio investment;
- (2) Preliminary valuation conclusions are then documented and discussed with the management of our Investment Adviser;
- (3) Our board of directors also engages independent valuation firms to conduct independent appraisals of our investments for which market quotations are not readily available or are readily available but deemed not reflective of the fair value of the investment. The independent valuation firms review

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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management's preliminary valuations in light of their own independent assessment and also in light of any market quotations obtained from an independent pricing service, broker, dealer or market maker;

- (4) The audit committee of our board of directors reviews the preliminary valuations of the Investment Adviser and those of the independent valuation firms on a quarterly basis, periodically assesses the valuation methodologies of the independent valuation firms, and responds to and supplements the valuation recommendations of the independent valuation firms to reflect any comments; and
- (5) Our board of directors discusses these valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our Investment Adviser, the respective independent valuation firms and the audit committee.

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

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

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

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

(c) Income Taxes

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

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estimated excise taxes of \$(0.1) million, \$0.3 million and \$0.2 million for the fiscal years ended September 30, 2013, 2012 and 2011, respectively.

PennantPark Investment recognizes in its Consolidated Financial Statements the effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. We did not have any uncertain tax positions that met the recognition or measurement criteria of ASC 740-10-25 nor did we have any unrecognized tax benefits as of the periods presented herein. Although we file federal and state tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2009 remain subject to examination by the Internal Revenue Service and the state department of revenue.

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

(d) Distributions and Capital Transactions

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

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

(e) Consolidation

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

3. AGREEMENTS

The Investment Management Agreement with the Investment Adviser was re-approved by our board of directors, including a majority of our directors who are not interested persons of us or the Investment Adviser, in February 2013. Under the Investment Management Agreement the Investment Adviser, subject to the overall supervision of our board of directors, manages the day-to-day operations of and provides investment advisory services to, PennantPark

Investment. Our SBIC Funds investment management agreements do not affect the management or incentive fees that we pay to the Investment Adviser on a consolidated basis. For providing these services, the Investment Adviser receives a fee from us, consisting of two components a base management fee and an incentive fee.

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The base management fee is calculated at an annual rate of 2.00% of our average adjusted gross assets (net of U.S. Treasury Bills and/or temporary draws under any credit facility, repurchase agreements or other balance sheet transactions undertaken at the end of a fiscal quarter for purposes of preserving investment flexibility for the next quarter, if any) and is payable quarterly in arrears. The base management fee is calculated based on the average adjusted gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. For example, if we sold shares on the 45th day of a quarter and did not use the proceeds from the sale to repay outstanding indebtedness, our gross assets for such quarter would give effect to the net proceeds of the issuance for only 45 days of the quarter during which the additional shares were outstanding. For the fiscal years ended September 30, 2013, 2012 and 2011, the Investment Adviser earned base management fees of \$21.3 million, \$17.5 million and \$14.9 million, respectively, from us.

The incentive fee has two parts, as follows:

One part is calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, distribution income and any other income, including any other fees other than fees for providing managerial assistance, such as commitment, origination, structuring, diligence and consulting fees or other fees received from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with deferred interest feature (such as OID, debt instruments with PIK interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% per quarter (7.00% annualized). We pay the Investment Adviser an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the hurdle rate of 1.75%, (2) 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized), and (3) 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are adjusted for any share issuances or repurchases during the relevant quarter. For the fiscal years ended September 30, 2013, 2012 and 2011, the Investment Adviser received an incentive fee of \$16.8 million, \$14.2 million and \$13.2 million, respectively, from us.

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20.0% 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. For the fiscal years ended September 30, 2013, 2012 and 2011 the

Investment Adviser did not earn an incentive fee on capital gains as calculated under the Investment Management Agreement (as described above).

Under GAAP, we are required to accrue a capital gains incentive fee based upon net realized capital gains and net unrealized capital appreciation and depreciation on investments held at the end of each period. In calculating the capital gains incentive fee accrual we considered the cumulative aggregate unrealized capital

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

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appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the Investment Management Agreement. This accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital appreciation or depreciation. If such amount is positive at the end of a period, then we record a capital gains incentive fee equal to 20% of such amount, less the aggregate amount of actual capital gains related incentive fees paid in all prior years. If such amount is negative, then there is no accrual for such year. There can be no assurance that such unrealized capital appreciation will be realized in the future. For the years ended September 30, 2013, 2012 and 2011, our unrealized and realized capital gains did not exceed our cumulative realized and unrealized losses and resulted in no accrual under GAAP.

The Administration Agreement with the Administrator was reapproved by our board of directors, including a majority of our directors who are not interested persons of us, in February 2013. Under the Administration Agreement, the Administrator provides administrative services and office facilities to us. The Administrator provides similar services to our SBIC Funds under each of their administration agreements with PennantPark Investment. For providing these services, facilities and personnel, PennantPark Investment has agreed to reimburse the Administrator for our allocable portion of overhead and other expenses incurred by the Administrator in performing its obligations under our Administration Agreement, including rent, technology systems, insurance and PennantPark Investment's allocable portion of the costs of compensation and related expenses for its Chief Compliance Officer, Chief Financial Officer and their respective staffs. The Administrator also offers, on PennantPark Investment's behalf, managerial assistance to portfolio companies to which PennantPark Investment is required to offer such assistance. Reimbursement for certain of these costs is included in administrative services expenses in the Consolidated Statement of Operations. For the fiscal years ended September 30, 2013, 2012 and 2011, the Investment Adviser and Administrator, collectively, were reimbursed \$2.9 million, \$3.6 million and \$2.6 million, respectively, from us, including expenses incurred on behalf of the Administrator, for the services described above.

PennantPark Investment has entered into an administration agreement with its controlled affiliate SPH. Under the administration agreement with SPH, or the SPH Administration Agreement, PennantPark Investment through the Administrator furnishes SPH with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Additionally, the Administrator performs or oversees the performance of SPH's required administrative services, which include, among other things, maintaining financial records, preparing financial reports and filing tax returns. Payments under the SPH Administration Agreement are equal to an amount based upon SPH's allocable portion of the Administrator's overhead in performing its obligations under the SPH Administration Agreement, including rent and allocable portion of the cost of compensation and related expenses of our Chief Financial Officer and his staff. For the fiscal years ended September 30, 2013, 2012 and 2011, PennantPark Investment was reimbursed \$0.4 million, \$0.7 million and \$0.5 million, respectively, for the services described above.

4. INVESTMENTS

Purchases of long-term investments, including PIK, for the fiscal years ended September 30, 2013, 2012 and 2011 totaled \$516.2 million, \$337.3 million and \$490.6 million, respectively. Sales and repayments of long-term

investments for the fiscal years ended September 30, 2013, 2012 and 2011 totaled \$437.1 million, \$201.7 million and \$304.0 million, respectively.

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Investments and cash equivalents consisted of the following:

Investment Classification	September 30, 2013		September 30, 2012	
	Cost	Fair Value	Cost	Fair Value
First lien	\$ 290,000,430	\$ 299,516,291	\$ 289,964,255	\$ 291,677,553
Second lien	346,717,448	357,543,217	208,454,615	191,339,241
Subordinated debt / corporate notes	311,240,637	302,447,308	404,507,916	400,682,637
Preferred equity and partnership interests	65,943,244	12,830,669	49,222,034	19,634,989
Common equity and partnership interests	77,616,126	105,838,068	56,463,042	87,145,290
Total investments	1,091,517,885	1,078,175,553	1,008,611,862	990,479,710
Cash and cash equivalents	58,440,829	58,440,829	7,559,453	7,559,453
Total investments, cash and cash equivalents	\$ 1,149,958,714	\$ 1,136,616,382	\$ 1,016,171,315	\$ 998,039,163

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

Industry Classification	As of September 30,	
	2013	2012
Personal, Food and Miscellaneous Services	11%	4%
Printing and Publishing	9	4
Business Services	8	6
Electronics	8	7
Energy/Utilities	8	7
Healthcare, Education and Childcare	7	8
Oil and Gas	7	3
Chemicals, Plastics and Rubber	6	5
Consumer Products	5	5
Hotels, Motels, Inns and Gaming	5	2
Other Media	5	4
Auto Sector	4	6
Communication	3	3

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Distribution	2	4
Diversified Natural Resources, Precious Metals and Minerals	2	3
Environmental Services	2	2
Cargo Transport	1	6
Education	1	3
Mining, Steel, Iron and Non-Precious Metals	1	3
Insurance	1	2
Aerospace and Defense		2
Buildings and Real Estate		2
Leisure, Amusement, Motion Pictures, Entertainment		2
Telecommunications		2
Other	4	5
Total	100%	100%

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PENNANTPARK INVESTMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of our investments and Credit Facility are classified as Level 3. Due to the inherent uncer