

PENNANTPARK INVESTMENT CORP
Form DEF 14A
December 07, 2010

SCHEDULE 14A

(RULE 14a-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

<input type="checkbox"/>	Preliminary Proxy Statement	<input type="checkbox"/>	Confidential, for Use of the Commission Only
<input checked="" type="checkbox"/>	Definitive Proxy Statement		
<input type="checkbox"/>	Definitive Additional Material		(as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Soliciting Material Pursuant to Rule 14a-12		

PennantPark Investment Corporation

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

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- (1) Amount previously paid:

- (2) Form, schedule or registration statement no.:

- (3) Filing party:

- (4) Date filed:

590 Madison Avenue, 15th Floor

New York, New York 10022

December 21, 2010

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders of PennantPark Investment Corporation (the Company) to be held on February 1, 2011 at 9:30 a.m., Eastern Time, at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York.

The Notice of Annual Meeting of Stockholders and the proxy statement of the Board of Directors of the Company, which is accessible on the Internet or by request, provide an outline of the business to be conducted at our Annual Meeting of Stockholders. At the meeting, you will be asked to: (1) elect two directors of the Company, (2) ratify the selection of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2011 and (3) approve a proposal to authorize flexibility for us, with approval of our Board of Directors, to sell shares of our common stock at a price below the then current net asset value per share in one or more offerings, subject to certain conditions as set forth in the proxy statement. I will also report on the progress of the Company during the past year and respond to stockholders' questions.

It is very important that your shares be represented at the Annual Meeting. If you are unable to attend the meeting in person, I urge you to follow the instructions on the Notice of Internet Availability of Proxy Materials to vote your proxy on the Internet. We encourage you to vote via the Internet, as it saves us significant time and processing costs. However, on the Notice of Internet Availability of Proxy Materials you also will find instructions on how to request a hard copy of the proxy statement and proxy card free of charge, and you may vote your proxy by returning a proxy card to us after you request the hard copy materials. Your vote and participation in the governance of the Company is very important to us.

Sincerely yours,

Arthur H. Penn

Chief Executive Officer

PENNANTPARK INVESTMENT CORPORATION

590 Madison Avenue, 15th Floor

New York, New York 10022

(212) 905-1000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON FEBRUARY 1, 2011

Notice is hereby given to the owners of shares of common stock (the **Stockholders**) of PennantPark Investment Corporation (the **Company**) that:

The 2011 Annual Meeting of Stockholders of the Company will be held at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York, on February 1, 2011 at 9:30 a.m., Eastern Time, for the following purposes:

1. To elect two Class I directors of the Company who will each serve for a term of three years or until his successor is duly elected and qualified;
2. To ratify the selection of KPMG LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2011;
3. To consider and vote upon a proposal to authorize flexibility for us, with the approval of our Board of Directors, to sell shares of our common stock (during the next 12 months) at a price below the then current net asset value per share, subject to certain limitations described in this proxy statement;

You have the right to receive notice of, and to vote at, the Annual Meeting if you were a stockholder of record at the close of business on December 14, 2010. We are furnishing proxy materials to our Stockholders on the Internet, rather than mailing printed copies of those materials to each Stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request them. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials, and vote your proxy, on the Internet.

Your vote is extremely important to us. If you are unable to attend the Annual Meeting of Stockholders, we encourage you to vote your proxy on the Internet by following the instructions provided on the Notice of Internet Availability of Proxy Materials. You may also request from us free of charge hard copies of the proxy statement and a proxy card by following the instructions on the Notice of Availability of Proxy Materials. In the event there are not sufficient votes for a quorum or to approve the proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Company.

THE BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE PROPOSALS.

By Order of the Board of Directors,

Thomas Friedmann
Secretary

New York, New York

December 21, 2010

This is an important meeting. To ensure proper representation at the meeting, please follow the instructions on the Notice of Internet Availability of Proxy Materials to vote your proxy via the Internet or request, complete, sign, date and return a proxy card. Even if you vote your shares prior to the meeting, you still may attend the meeting and vote your shares in person if you wish to change your vote.

PENNANTPARK INVESTMENT CORPORATION

590 Madison Avenue, 15th Floor

New York, New York 10022

(212) 905-1000

PROXY STATEMENT

For

2011 Annual Meeting of Stockholders

To Be Held on February 1, 2011

This document will give you the information you need to vote on the matters listed on the accompanying Notice of Annual Meeting of Stockholders (Notice of Annual Meeting). Much of the information in this Proxy Statement is required under rules of the Securities and Exchange Commission (SEC), and some of it is technical in nature. If there is anything you do not understand, please contact us at 212-905-1000.

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board) of PennantPark Investment Corporation (the Company, we, us or our) for use at our 2011 Annual Meeting of Stockholders (the Meeting) to be held on Tuesday, February 1, 2011 at 9:30 a.m., Eastern Time, at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York, and at any postponements or adjournments thereof. This Proxy Statement and the Company's Annual Report for the fiscal year ended September 30, 2010 are being provided to stockholders of the Company (the Stockholders) via the Internet on or about December 21, 2010. In addition, a Notice of Annual Meeting and a Notice of Internet Availability of Proxy Materials are being sent to Stockholders of record as of December 14, 2010.

We encourage you to vote your shares, either by voting in person at the Meeting or by voting by proxy (i.e., authorizing someone to vote your shares). Shares represented by duly executed proxies will be voted in accordance with your instructions. If you execute a proxy without specifying your voting instructions, your shares will be voted in accordance with the Board's recommendation. If any other business is brought before the Meeting, your shares will be voted at the Board's discretion unless you specifically state otherwise on your proxy.

You may revoke a proxy at any time before it is exercised by notifying the Company's Secretary in writing, by submitting a properly executed, later-dated proxy, or by voting in person at the Meeting. Any Stockholder entitled to vote at the Meeting may attend the Meeting and vote in person, whether or not he or she has previously voted his or her shares via proxy or wishes to change a previous vote.

You will be eligible to vote your shares electronically via the Internet, telephone or by mail.

Purpose of Meeting

At the Meeting, you will be asked to vote on the following proposals:

1. To elect two Class I directors of the Company who will each serve for a term of three years or until his successor is duly elected and qualified;
2. To ratify the selection of KPMG LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2011; and
3. To consider and vote upon a proposal to authorize flexibility for us, with the approval of our Board of Directors, to sell shares of our common stock (during the next 12 months) at a price below the then current net asset value per share, subject to certain limitations

described in this Proxy Statement;

Voting Securities

You may vote your shares at the Meeting only if you were a Stockholder of record at the close of business on December 14, 2010 (the Record Date). There were 36,223,950 shares of the Company's common stock (the Common Stock) outstanding on the Record Date. Each share of the Common Stock is entitled to one vote.

Quorum Required

A quorum must be present at the Meeting for any business to be conducted. The presence at the Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock outstanding on the Record Date will constitute a quorum. Shares held by a broker or other nominee for which the nominee has not received voting instructions from the record holder, and does not have discretionary authority to vote the shares on non-routine proposals (which are considered broker non-votes with respect to such proposals), will be treated as shares present for quorum purposes. If there are not enough votes for a quorum, the chairman of the Meeting will adjourn the Meeting to permit the further solicitation of proxies.

Votes Required

Election of Director

The election of a director requires the vote of a majority of the shares of Common Stock outstanding. Stockholders may not cumulate their votes. If you vote Withhold Authority with respect to a nominee, your shares will not be voted with respect to the person indicated. Because a director is elected by a majority of the votes of the outstanding Common Stock of the Company, votes to withhold authority, or no votes, will have the effect of a vote against the nominee.

Ratification of Independent Registered Public Accounting Firm

The affirmative vote of a majority of the votes cast at the Meeting in person or by proxy is required to ratify the appointment of KPMG LLP to serve as the Company's independent registered public accounting firm. Abstentions will not be included in determining the number of votes cast and, as a result, will have no effect on this proposal.

Authorization to offer and sell shares of Common Stock below Net Asset Value

Approval of Proposal 3 requires the affirmative vote of the Stockholders holding (1) a majority of the outstanding shares of our Common Stock entitled to vote at the Meeting and (2) a majority of the outstanding shares of our Common Stock entitled to vote at the meeting that are not held by affiliated persons of us. For purposes of this proposal, the Investment Company Act of 1940, as amended (the 1940 Act), defines a majority of outstanding voting securities of a company as: (1) 67% or more of the voting securities present at the applicable meeting if the holders of more than 50% of the outstanding voting securities of such company are present or represented by proxy; or (2) more than 50% of the outstanding voting securities of such company, whichever is less. Abstentions will have the effect of a vote against this proposal.

Broker Non-votes

Broker non-votes are described as votes cast by a broker or other nominee on behalf of a beneficial holder who does not provide explicit voting instructions to such broker or nominee and who does not attend the meeting. Proposals 1 and 3 are non-routine matters. As a result, if you hold shares in street name through a broker, bank or other nominee, your broker, bank or nominee will **not** be permitted to exercise voting discretion with respect to Proposals 1 and 3. Thus, if you do not give your broker or nominee specific instructions on how to vote for you or do not vote for yourself in accordance with the voting instructions in the Notice of Internet Availability of Proxy Materials or by requesting hard copy proxy materials from us and returning a proxy card or by other arrangement with your broker or nominee, your shares will have the effect of a vote against Proposals 1 and 3.

Proposal 2 is a routine matter. As a result, if you beneficially own your shares and you do not provide your broker or nominee with proxy instructions, either by voting in accordance with the instructions on the Notice of Internet Availability of Proxy Materials or by requesting hard copy proxy materials from us and returning a proxy card or by other arrangement with your broker or nominee, your broker or nominee will be able to vote your shares for you on this routine matter.

Adjournment and Additional Solicitation. If there appear not to be enough votes to approve the proposals at the Meeting, the Stockholders who are represented in person or by proxy may vote to adjourn the Meeting to permit further solicitation of proxies. Mr. Adam Bernstein and Mr. Jeffrey Flug are the persons named as proxies and will vote proxies held by them for such adjournment, unless marked to be voted against any proposal for which an adjournment is sought, to permit the further solicitation of proxies.

A Stockholder vote may be taken on any of the proposals in this Proxy Statement prior to any such adjournment if there are sufficient votes for approval of such proposal.

Information Regarding This Solicitation

The Company will bear the expense of the solicitation of proxies for the Meeting, including the cost of preparing and posting this Proxy Statement and the Annual Report to the Internet and the cost of mailing the Notice of Annual Meeting of Stockholders, the Notice of Internet Availability of Proxy Materials and any requested proxy materials to Stockholders. The Company intends to use the services of Broadridge Financial Solutions, Inc., a leading provider of investor communications solutions, to aid in the distribution and collection of proxy votes. The Company expects to pay market rates for such services. If brokers, trustees, or fiduciaries and other institutions holding shares in their own names or in the names of their nominee, which shares are beneficially owned by others, forward the proxy materials to, and obtain proxies from, such beneficial owners, we will reimburse such persons for their reasonable expenses in so doing.

In addition to the solicitation of proxies by the use of the Internet, proxies may be solicited in person and/or by telephone, mail or facsimile transmission by directors or officers of the Company, officers or employees of PennantPark Investment Advisers, LLC, the Company's investment adviser (the Adviser), PennantPark Investment Administration, LLC (the Administrator) and/or by a retained solicitor. No additional compensation will be paid to directors, officers or regular employees for such services. If the Company retains a solicitor, the Company has estimated that it will pay approximately \$15,000 for such services. If the Company engages a solicitor, you could be contacted by telephone on behalf of the Company and urged to vote. The solicitor will not attempt to influence how you vote your shares, but only ask that you take the time to cast a vote. You may also be asked if you would like to vote over the telephone and to have your vote transmitted to our proxy tabulation firm.

Stockholders may provide their voting instructions through the Internet, by telephone or by mail by following the instructions on the Notice of Availability of Proxy Materials. These options require Stockholders to input the Control Number, which is provided with the Notice of Availability of Proxy Materials. If you vote using the Internet, after visiting www.proxyvote.com and inputting your Control Number, you will be prompted to provide your voting instructions. Stockholders will have an opportunity to review their voting instructions and make any necessary changes before submitting their voting instructions and terminating their Internet link. Stockholders who vote via the Internet, in addition to confirming their voting instructions prior to submission, also will receive an e-mail confirming their instructions upon request.

If a Stockholder wishes to participate in the Meeting, but does not wish to give a proxy by Internet, the Stockholder may attend the Meeting in person or request and submit a proxy card by following the instructions on the Notice of Availability of Internet Proxy Materials.

Any proxy authorized pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised. A revocation may be effected by resubmitting voting instructions via the

Internet voting site, by telephone, by obtaining and properly completing another proxy card that is dated later than the original proxy and returning it, by mail, in time to be received before the Meeting, by attending the Meeting or by a notice, provided in writing and signed by the Stockholder, delivered to the Company's Secretary on any business day before the date of the Meeting.

Security Ownership of Certain Beneficial Owners and Management

As of the Record Date, to our knowledge, no person would be deemed to control us, as such term is defined in the 1940 Act.

Our directors consist of an interested director and independent directors. An interested director is an interested person of the Company, as defined in the 1940 Act, and independent directors are all other directors (the Independent Directors).

The following table sets forth, as of December 3, 2010, certain ownership information with respect to our Common Stock for those persons who directly or indirectly own, control or hold with the power to vote, 5 percent or more of our outstanding Common Stock and all officers and directors, as a group.

Name and address ⁽¹⁾	Type of ownership ⁽⁴⁾	Shares owned	Percentage of Common Stock Outstanding
Independent directors			
Adam K. Bernstein ⁽²⁾	Record/Beneficial	86,258	*
Marshall Brozost	Record/Beneficial	10,024	*
Jeffrey Flug	Record/Beneficial	100,241	*
Samuel L. Katz	Record/Beneficial	113,163	*
Interested director			
Arthur H. Penn ⁽³⁾	Record/Beneficial	479,031	1.3%
Executive officer			
Aviv Efrat	Record/Beneficial	39,274	*
All directors and executive officer as a group (6 persons)	Record/Beneficial	825,991	2.3%

- (1) The address for each officer and director is c/o PennantPark Investment Corporation, 590 Madison Avenue, 15th Floor, New York, New York 10022
- (2) Mr. Bernstein is the President of JAM Investments, LLC and may therefore be deemed to own beneficially the 68,236 shares held by JAM Investments, LLC
- (3) Mr. Penn is the Managing Member of PennantPark Investment Advisers, LLC, and may therefore be deemed to own beneficially the 295,631 shares held by PennantPark Investment Advisers, LLC.
- (4) Sole Voting Power.
* Less than 1 percent.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company's directors and other executive officer, and any persons holding more than 10% of its Common Stock, are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based on the Company's review of Forms 3, 4 and 5 filed by such persons and information provided by the Company's directors and other executive officer, the Company believes that during the fiscal year ended September 30, 2010, all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

Dollar Range of Securities Beneficially Owned by Directors

The following table sets forth the dollar range of our Common Stock beneficially owned by each of our directors as of December 3, 2010. Information as to the beneficial ownerships is based on information furnished to the Company by such persons. We are not part of a family of investment companies, as that term is defined in the 1940 Act.

Directors of the Company	Dollar Range of Common Stock of the Company⁽¹⁾
Independent Directors	
Adam K. Bernstein	Over \$1,000,000 ⁽²⁾
Marshall Brozost	\$100,001 - \$ 500,000
Jeffrey Flug	Over \$1,000,000
Samuel L. Katz	Over \$1,000,000
Interested Director	
Arthur H. Penn	Over \$1,000,000 ⁽³⁾

(1) Dollar ranges are as follows: None; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; \$100,001-\$500,000; \$500,001-\$1,000,000 or over \$1,000,000.

(2) Also reflects holdings of JAM Investments, LLC.

(3) Also reflects holdings of PennantPark Investment Advisers, LLC.

PROPOSAL 1: ELECTION OF DIRECTORS

In accordance with its bylaws, the Board of Directors currently has five members. Directors are divided into three classes and are elected for staggered terms of three years each, with a term of office of one of the three classes of directors expiring each year. After this election, the terms of Class I, II and III will expire in 2014, 2012 and 2013, respectively. Each director will hold office for the term to which he is elected or until his successor is duly elected and qualifies.

A Stockholder can vote for, or withhold his or her vote from, any nominee. In the absence of instructions to the contrary, it is the intention of the persons named as proxies to vote such proxy FOR the election of each nominee named below. If a nominee should decline or be unable to serve as a director, it is intended that the proxy will be voted for the election of such person as is nominated by the Board as a replacement. The Board has no reason to believe that either nominee will be unable or unwilling to serve.

THE BOARD OF DIRECTORS, INCLUDING ITS INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF THE NOMINEES NAMED IN THIS PROXY STATEMENT.

Information about the Nominees and Directors

Certain information with respect to the Class I nominees for election at the Meeting, as well as each of the other directors, is set forth below, including their names, ages, a brief description of their recent business experience, including present occupations and employment, certain directorships that each person holds, and the year in which each person became a director of the Company. The nominees for Class I directors currently serve as directors of the Company.

Mr. Marshall Brozost and Mr. Samuel L. Katz each has been nominated for election as a Class I director for a three year term expiring in 2014. Neither Mr. Brozost nor Mr. Katz is being proposed for election pursuant to any agreement or understanding between either Mr. Brozost or Mr. Katz and the Company.

Nominees for Class I Directors

Name, Address and Age ⁽¹⁾ Independent Directors	Position(s) held with Company	Term of Office and Length of Time Served	Principal Occupation(s) During the Past 5 Years	Other
				Directorships Held by Director or Nominee for Director During the Past 5 years ⁽²⁾
Marshall Brozost (43)	Director	Class I Director since February 2007; Term Expires 2014	A Partner at the international law firm of Dewey & LeBoeuf LLP since 2007, where he practices in the real estate and private equity groups. Prior to his tenure at Dewey & LeBoeuf LLP, which began in 2005, Mr. Brozost practiced law at O Melveny & Myers LLP and at Solomon & Weinberg LLP from 2001 to 2005.	None.
Samuel L Katz (45)	Director	Class I Director since February 2007; Term Expires 2014	A Managing Partner since 2007 of TZP Group LLC, a private equity fund. Before joining TZP Group, Mr. Katz was Chief Executive Officer of MacAndrews & Forbes Acquisition Holdings, Inc. from 2006 to 2007. Prior to that position, Mr. Katz was Chairman and Chief Executive Officer of the Cendant Travel Distribution Services Division from 2001 to 2005.	None.

Class II Directors (continuing directors not up for re-election at the Meeting)

Name, Address and Age ⁽¹⁾ Independent Directors	Position(s) held with Company	Term of Office and Length of Time Served	Occupation(s) During the Past 5 Years	Other
				Directorships Held by Director or Nominee for Director During the Past 5 years ⁽²⁾
Adam K. Bernstein (47)	Director	Class II Director since February 2007; Term Expires 2012	President of The Bernstein Companies, a Washington, D.C.-based real estate firm that he joined in 1986. Mr. Bernstein also serves as the President and Chief Executive Officer of Consortium Atlantic Realty Trust, Inc., a private real estate investment trust operating in the Mid-Atlantic region since its formation in 2000.	None.
Jeffrey Flug (48)	Director	Class II Director since February 2007; Term Expires 2012	Chief Operating Officer and Financial Officer of Union Square Hospitality Group since 2009. Mr. Flug also has served as Chief Executive Officer and Executive Director from 2006 to 2008 of Millennium Promise Alliance, Inc., a non-profit organization whose mission is to eradicate extreme global poverty. From 2000 to 2006 Mr. Flug was a Managing Director and Head of North American Institutional Sales at JP Morgan's Investment Bank.	None.

Class III Director (continuing directors not up for re-election at the Meeting)

Name, Address and Age ⁽¹⁾ Interested Director	Position(s) held with Company	Term of Office and Length of Time Served	Occupation(s) During the Past 5 Years	Other
				Directorships Held by Director or Nominee for Director During the Past 5 years ⁽²⁾
Arthur H. Penn (47) ⁽³⁾	Chief Executive Officer and Chairman of the Board of Directors	Class III Director since February 2007; Term Expires 2013	Founder, Chairman and Chief Executive Officer of PennantPark Investment Corporation since its inception in 2007. Mr. Penn also is the founder and Managing Member of PennantPark Investment Advisers, LLC. Before founding the Company, Mr. Penn was the co-founder of Apollo Investment Management, where he was a Managing Partner from 2004 to 2007. He also served as Chief Operating Officer of Apollo Investment Corporation from inception in 2004 to 2006 and served as President and Chief Operating Officer in 2006. He formerly was a Managing Partner of Apollo Value Fund L.P. (formerly Apollo Distressed Investment Fund, L.P.) from 2003 to 2006.	None.

- (1) The business address of the nominees and other directors is c/o PennantPark Investment Corporation, 590 Madison Avenue, 15th Floor, New York, New York 10022.
- (2) No director otherwise serves as a director of an investment company subject to the 1940 Act.
- (3) Mr. Penn is an interested director due to his position as an officer of the Company and of PennantPark Investment Advisers, LLC.

Corporate Governance

We believe that maintaining the highest standards of corporate governance is a crucial part of our business, and the Company is committed to having in place the necessary controls and procedures designed to ensure compliance with applicable laws, rules and regulations, as well as our own ethical standards of conduct.

Director Independence

NASDAQ corporate governance rules require listed companies to have a board of directors with at least a majority of independent directors. Under NASDAQ corporate governance rules, in order for a director to be deemed independent, our Board of Directors must determine that the individual does not have a relationship that would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities. On an annual basis, each member of our Board of Directors is required to complete an independence questionnaire designed to provide information to assist the Board of Directors in determining whether the director is independent under NASDAQ corporate governance rules, the 1940 Act and our corporate governance guidelines. Our Board of Directors has determined that each of our directors, other than Mr. Penn, is independent under the listing standards of the NASDAQ Global Select Market and the 1940 Act. Our governance guidelines require any director who has previously been determined to be independent to inform the Chairman of the Board of Directors, the Chairman of the Nominating and Corporate Governance Committee and our Corporate Secretary of any change in circumstance that may cause his or her status as an Independent Director to change. The Board of Directors limits membership on the Audit Committee and the Nominating and Corporate Governance Committee to Independent Directors.

Board of Directors Oversight Role in Management.

The Board of Directors performs its risk oversight function primarily through (1) its two standing committees, which report to the entire Board of Directors and are comprised solely of Independent Directors and (2) monitoring by the Company's Chief Compliance Officer in accordance with its compliance policies and procedures.

As described below in more detail under *Audit Committee* and *Nominating and Corporate Governance Committee*, the Audit Committee and the Nominating and Corporate Governance Committee assist the Board of Directors in fulfilling its risk oversight responsibilities. The Audit Committee's risk oversight responsibilities include overseeing the Company's accounting and financial reporting processes, including the annual audit of the Company's financial statements, the Company's systems of internal controls regarding finance and accounting, and pre-approving the independent accountants' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the independent accountants. The Nominating and Corporate Governance Committee's risk oversight responsibilities include selecting, researching and nominating directors for election by the Company's Stockholders, developing and recommending to the Board a set of corporate governance principles and overseeing the evaluation of the Board and the Company's management. Both the Audit Committee and the Nominating and Corporate Governance Committee consist solely of Independent Directors.

The Board of Directors also performs its risk oversight responsibilities with the assistance of the Chief Compliance Officer. The Company's Chief Compliance Officer prepares a written report annually discussing the adequacy and effectiveness of the compliance policies and procedures of the Company and certain of its service providers. The Chief Compliance Officer's report, which is reviewed by the Board of Directors, addresses at a minimum (1) the operation of the compliance policies and procedures of the Company and certain of its service providers since the last report; (2) any material changes to such policies and procedures since the last report; (3) any recommendations for material changes to such policies and procedures as a result of the Chief Compliance Officer's annual review; and (4) any compliance matter that has occurred since the date of the last report about which the Board of Directors would reasonably need to know to oversee the Company's compliance activities and risks. In addition, the Chief Compliance Officer meets separately in executive session with the Independent Directors at least once each year.

The Company believes that the Board's role in risk oversight is effective and appropriate given the extensive regulation to which it is already subject as a business development company. Specifically, as a business development company, the Company must comply with certain regulatory requirements that control the levels of risk in its business and operations. For example, the Company's ability to incur indebtedness is limited such that its asset coverage must equal at least 200% immediately after each time it incurs issuance, the Company generally must invest at least 70% of its total assets in qualifying assets. In addition, the Company elected to be treated as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code. As a RIC the Company must, among other things, meet certain income source and asset diversification requirements.

The Company believes that the extent of the Board's and its committees' roles in risk oversight complements the Board's leadership structure. Because they are comprised solely of Independent Directors, the Audit Committee and the Nominating and Corporate Governance Committee are able to exercise their oversight responsibilities without any conflict of interest that might discourage critical questioning and review. Through regular executive session meetings with the Company's independent auditors, Chief Compliance Officer and Chief Executive Officer, the Independent Directors have similarly established direct communication and oversight channels that the Board believes foster open communication and early detection of issues of concern.

The Company believes that Board's role in risk oversight must be evaluated on a case by case basis and that the current configuration and allocation of responsibilities among the Board and its committees with respect to the oversight of risk is appropriate. However, the Board of Directors and its committees continually re-examine the manner in which they administer their respective risk oversight functions, including through formal annual assessments of performance, to ensure that they meet the Company's needs.

Board of Directors Composition and Leadership Structure.

The 1940 Act requires that at least a majority of the Company's directors not be interested persons (as defined in the 1940 Act) of the Company. Currently, four of the Company's five directors are Independent Directors; however the Chairman of the Board of Directors is an interested person of the Company. The Independent Directors believe that the combined position of Chief Executive Officer of the Company and Chairman of the Board of Directors of the Company results in greater efficiencies in managing the Company by eliminating the need to transfer substantial information quickly and repeatedly between the Chief Executive Officer and the Chairman, and the ability to capitalize on the specialized knowledge acquired from the duties of the roles. The Board of Directors has not identified a lead Independent Director; however, it has determined that its leadership structure, in which 80% of the directors are Independent Directors and, as such are not affiliated with the Adviser or PennantPark Investment Administration, LLC (the Administrator), is appropriate in light of the services that the Adviser and the Administrator provides to the Company and the potential conflicts of interest that could arise from these relationships.

Information About Each Director's Experience, Qualifications, Attributes or Skills.

Below is additional information about each director (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes and/or skills that each director possesses, and which the Board believes has prepared each director to be an effective Board Member. The Board of Directors believes that the significance of each director's experience, qualifications, attributes and/or skills is an individual matter (meaning that experience that is important for one director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single director, or particular factor, being indicative of Board effectiveness. However, the Board of Directors believes that directors need to have the ability to review, evaluate, question and discuss critical information provided to them, and to interact effectively with Company management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties. The Board of Directors believes that its members satisfy this standard. Experience relevant to having this ability may be achieved through a director's educational background, business, professional training or practice (e.g., finance, accounting or law); public service or academic positions,

experience from service as a board member (including the Board of Directors of the Company) or as an executive of investment funds, public companies or significant private or not-for-profit entities or other organizations, and/or other life experiences. To assist them in evaluating matters under federal and state law, the Independent Directors are counseled by their own independent legal counsel, who participates in Board of Directors meetings and interacts with the Adviser, and also may benefit from information provided by the Company's counsel. Both Independent Directors and Company's counsels have significant experience advising funds and fund board members. The Board of Directors and its Committees have the ability to engage other experts as appropriate. The Board of Directors evaluates its performance on an annual basis.

Role of the Chairman and Chief Executive Officer

As Chairman of the Board of Directors and Chief Executive Officer, Mr. Penn assumes a leading role in strategic planning and supports major transaction initiatives of the Company. Mr. Penn also manages the day-to-day operations of the Company, with the support of the other investment professionals and officers. As Chief Executive Officer, Mr. Penn has general responsibility for the implementation of the policies of the Company, as determined by the Board of Directors, and for the management of the business and affairs of the Company.

Experience, Qualifications, Attributes and/or Skills that Led to the Board's Conclusion that such Members Should Serve as Directors of the Company

The Board believes that, collectively, the directors have balanced and diverse experience, qualifications, attributes and skills, which allow the Board to operate effectively in governing the Company and protecting the interests of its Stockholders. Below is a description of the various experiences, qualifications, attributes and/or skills with respect to each director considered by the Board.

Arthur H. Penn

The Board benefits from Mr. Penn's business leadership and experience and knowledge of senior loan, mezzanine lending, leveraged finance, distressed debt and private equity businesses, as well as a diverse knowledge of management practices. Mr. Penn is the Founder, Chairman and Chief Executive Officer of the Company and Managing Member of PennantPark Investment Advisers, LLC and PennantPark Investment Administration, LLC. Mr. Penn co-founded Apollo Investment Management in 2004, where he was a Managing Partner from 2004 to 2006. He also served as President and Chief Operating Officer of Apollo Investment Corporation from its inception in 2004 to 2006, and served as President and Chief Operating Officer of that company in 2006. Mr. Penn was a Managing Partner of Apollo Value Fund L.P. (formerly Apollo Distressed Investment Fund, L.P.) from 2003 through 2006. From 2002 to 2003, prior to joining Apollo, Mr. Penn was a Managing Director of CDC-IXIS Capital Markets. Mr. Penn served as Global Head of Leveraged Finance at UBS Warburg LLC (now UBS Investment Bank) from 1999 through 2001. Prior to joining UBS Warburg, Mr. Penn was Global Head of Fixed Income Capital Markets for BT Securities and BT Alex Brown Incorporated from 1994 to 1999. In these capacities, Mr. Penn oversaw groups responsible for more than 200 high-yield and leveraged bank financings aggregating over \$34 billion in capital raised. From 1992 to 1994, Mr. Penn served as Head of High Yield Capital Markets at Lehman Brothers. Mr. Penn's longstanding service as Chairman and Chief Executive Officer of the Company and Managing Member of PennantPark Investment Advisers, LLC and PennantPark Investment Administration, LLC provide him with a sp