PENNANTPARK INVESTMENT CORP
Form 497
March 01, 2010
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The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 497
File No. 333-150033

Subject to Completion, Dated March 1, 2010

Preliminary Prospectus Supplement

To the Prospectus dated

February 24, 2010

5,000,000

Common Stock

We are offering for sale 5,000,000 shares of our common stock. We are offering shares of our common stock at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders on February 2, 2010. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See Risk Factors on page 9 of the accompanying prospectus and Sales of Common Stock Below Net Asset Value on page 51 of the accompanying prospectus and page S-12 of this prospectus supplement.

Our common stock is traded on the NASDAQ Global Select Market under the symbol PNNT . The last reported closing price for our common stock on February 26, 2010 was $10.20 per share. The net asset value of our common stock on December 31, 2009 (the last date prior to the date of this prospectus supplement on which we determined net asset value) was $11.86 per share.

PennantPark Investment Corporation, a Maryland corporation, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940 (the 1940 Act). Our investment objectives are to generate both current income and capital appreciation through debt and equity investments primarily in U.S. middle-market private companies in the form of mezzanine debt, senior secured loans and equity investments. We are externally managed by PennantPark Investment Advisers, LLC. PennantPark Investment Administration, LLC provides the administrative services necessary for us to operate.

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

Investing in our securities involves a high degree of risk, including the risk of the use of leverage. Before buying any shares of our common stock, you should read the discussion of the material risks of investing in us in Risk Factors beginning on page 9 of the accompanying prospectus and Sales of Common Stock Below Net Asset Value on page S-12 in this prospectus supplement and page 51 of the accompanying prospectus.

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

	Per Share	Total
Public offering price	$	$
Underwriting discount and commission (sales load)	$	$
Proceeds to PennantPark Investment Corporation (before estimated expenses of $325,000)	$	$

The underwriters may also purchase up to an additional 750,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments. If the underwriters exercise this option in full, the total public offering price will be $, the total underwriting discount and commissions (sales load) paid by us will be $, and total proceeds, before expenses, will be $.

The underwriters expect to deliver the shares on or about , 2010.

Joint-bookrunners

J.P. Morgan **Baird** **Stifel Nicolaus** **SunTrust Robinson Humphrey**

Co-managers

BMO Capital Markets **FBR Capital Markets** **Janney Montgomery Scott** **Keefe, Bruyette & Woods**

The date of this prospectus supplement is 2010.

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

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PROSPECTUS SUPPLEMENT

PROSPECTUS

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SUPPLEMENTAL PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under Risk Factors and the other information included in the accompanying prospectus before making an investment decision. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the terms we, us, our and PennantPark Investment refer to PennantPark Investment Corporation; PennantPark Investment Advisers or the Investment Adviser refers to PennantPark Investment Advisers, LLC; PennantPark Investment Administration or the Administrator refers to PennantPark Investment Administration, LLC.

PennantPark Investment Corporation

PennantPark Investment Corporation, a Maryland corporation, is a closed-end, externally managed, non-diversified investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, as amended (the 1940 Act). In addition, for tax purposes we have elected to be treated as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code).

Our investment objectives are to generate both current income and capital appreciation through debt and equity investments primarily in U.S. middle-market private companies in the form of mezzanine debt, senior secured loans, and equity investments. We consider our core assets, by value and investment focus, to consist of subordinated debt, second lien secured debt, certain senior secured investments, and to a lesser extent, equity investments.

PennantPark Investment seeks to create a diversified portfolio that includes mezzanine debt, senior secured loans, and equity investments by investing approximately $10 to $50 million of capital, on average, in the securities of middle-market companies. In this prospectus supplement and the accompanying prospectus, we use the term middle-market to refer to companies with annual revenues between $50 million and $1 billion. We expect this investment size to vary proportionately with the size of our capital base. The companies in which we invest are typically highly leveraged, and, in most cases, are not rated by national rating agencies. If such companies were rated, we believe that they would typically receive a rating below investment grade (between BB and CCC under the Standard & Poor s system) from the national rating agencies. In addition, we expect our debt investments to generally range in maturity from three to ten years.

About PennantPark Investment Advisers

Our investment activities are managed by the Investment Adviser under an investment management agreement, (the Investment Management Agreement). The Investment Adviser is responsible for sourcing potential investments, conducting research on prospective investments, analyzing investment opportunities, structuring our investments and monitoring our investments on an ongoing basis. The Investment Adviser is led by Arthur H. Penn, its founder and the founder of PennantPark Investment. Mr. Penn has over 23 years of experience in the mezzanine lending, leveraged finance, distressed debt and private equity businesses. He has been involved in originating, structuring, negotiating, consummating, managing and monitoring investments in each of these businesses. Mr. Penn is a Co-founder and former Managing Partner of Apollo Investment Management, L.P., or Apollo Investment Management, which is the Investment Adviser of Apollo Investment Corporation, or Apollo Investment, a publicly traded business development company. Mr. Penn served as the Chief Operating Officer and a member of the investment committee of Apollo Investment from its inception in April 2004 through February 2006 and was President and Chief Operating Officer from February 2006 through November 2006. During Mr. Penn s tenure with Apollo Investment, it invested approximately $2.8 billion in 73 companies in partnership with 54 different financial sponsors.

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During his more than 23-year career in the financial services industry, Mr. Penn has developed a network of financial sponsor relationships as well as relationships with management teams, investment bankers, attorneys and accountants that we believe will provide us with access to substantial investment opportunities.

Our Investment Adviser has three experienced investment professionals, in addition to Mr. Penn. These professionals, Sal Giannetti, Whit Williams and Jose Briones, have in aggregate approximately 55 years of experience in the mezzanine, private equity and leveraged finance businesses. See Management, Certain Relationships and Transactions Investment Management Agreement and Risk Factors Risks Relating to our Business and Structure in the accompanying prospectus.

About PennantPark Investment Administration

Under our administration agreement, (the Administration Agreement), the Administrator furnishes us with clerical, bookkeeping and record keeping services and also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. The Administrator oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. Furthermore, our Administrator provides, on our behalf, managerial assistance to those portfolio companies to which we are required to provide such assistance.

Our Administrator has experienced professionals including, Aviv Efrat, who serves as our Chief Financial Officer and Treasurer. Mr. Efrat has approximately 20 years of experience in finance and administration of registered investment companies. See Certain Relationships and Transactions Administration Agreement and Risk Factors Risks Relating to our Business and Structure in the accompanying prospectus.

Market Opportunity

We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, creates an attractive investment environment for PennantPark Investment.

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

We believe that the current credit market dislocation improves the risk/reward of our investments. The downturn in the credit market has resulted in less competition, more conservative capital structures, higher yields and stronger covenants.

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

We believe that opportunities to invest mezzanine and other debt capital will remain strong. We expect that the volume of domestic public-to-private transactions as well as the number of companies selecting a sale alternative versus raising capital in the public equity markets as a means of increasing liquidity will remain large. Additionally, the cost and effort associated with being a public company in the United States have become more onerous, causing many management teams to consider alternative liquidity strategies.

Competitive Advantage

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

Disciplined Investment Approach with Strong Value Orientation

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

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

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

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

Flexible Transaction Structuring

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

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

Longer Investment Horizon with Attractive Publicly Traded Model

Unlike private equity and venture capital funds, we are not subject to standard periodic capital return requirements. Such requirements typically stipulate that funds raised by a private equity or venture capital fund, together with any capital gains on such invested funds, can only be invested once and must be returned to investors after a pre-agreed time period. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles enables us to generate returns on invested capital and to be a better long-term partner for our portfolio companies.

Competition

Our primary competitors provide financing to middle-market companies and include other business development companies, commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles,

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such as hedge funds, frequently invest in middle-market companies. As a result, competition for investment opportunities at middle-market companies can be intense. However, we believe that there has been a reduction in the amount of debt capital available since the downturn in the credit markets, which began in mid-2007. We believe this has resulted in a less competitive environment for making new investments.

Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, we believe some competitors have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company.

We use the industry information available to our Investment Adviser to assess investment risks and determine appropriate pricing for our investments in portfolio companies. We benefit from the relationships of our Investment Adviser, which enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we invest. For additional information concerning the competitive risks we face, please see Risk Factors Risks Relating to our Business and Structure We operate in a highly competitive market for investment opportunities in the accompanying prospectus.

Leverage

We maintain a five-year, multi-currency $300.0 million senior secured credit facility (the credit facility), which matures on June 25, 2012 and is secured by substantially all of our investment portfolio assets, with a group of lenders, under which we had $245.7 million and $225.1 million (including a $7.0 million temporary draw) of indebtedness outstanding at December 31, 2009 and September 30, 2009, respectively. Pricing of borrowings under our credit facility is set at 100 basis points over LIBOR. We believe that our capital resources will provide us with the flexibility to take advantage of market opportunities when they arise. See note 10 to our financial statements for the quarter ended December 31, 2009 in the accompanying prospectus.

Operating and Regulatory Structure

Our investment activities are managed by PennantPark Investment Advisers and supervised by our board of directors, a majority of whom are independent of PennantPark Investment. PennantPark Investment Advisers is an Investment Adviser that is registered under the Investment Advisers Act of 1940, (the Advisers Act). Under our Investment Management Agreement, we pay PennantPark Investment Advisers an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus.

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

Use of Proceeds

We may use the net proceeds from selling securities pursuant to this prospectus to reduce our then-outstanding obligations under our credit facility, to invest in new or existing portfolio companies, or for other general corporate purposes. See Use of Proceeds in this prospectus supplement for information regarding our outstanding borrowings as of December 31, 2009, the corresponding interest rate charged on such borrowings as of that date and the length of time that it may take us to invest any proceeds in new or existing portfolio companies.

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Dividends on Common Stock

We intend to continue to distribute quarterly dividends to our common stockholders. Our quarterly dividends, if any, are determined by our board of directors. For more information, see Distributions in the accompanying prospectus.

Dividend Reinvestment Plan

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

Recent Developments

On February 2, 2010, our common stockholders voted to allow us to issue common stock at a price below the net asset value per share for a period of one year ending February 2, 2011. Our stockholders did not specify a maximum discount below net asset value at which we are able to issue our common stock; however we do not intend to issue shares of our common stock below net asset value unless our board of directors determines that it would be in our stockholders best interest to do so. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share.

On February 24, 2010, our board of directors approved an issuance of shares of common stock at a price below our current net asset value per share and at a price per share that approximates the market value of our shares traded on the NASDAQ Global Select Market, less an underwriting discount, at the time of sale. Our board of directors unanimously believed that such issuance was in our best interest and in the best interests of our stockholders.

In this prospectus supplement, we describe the risks and dilutive effects of an offering of our common stock at a price below our current net asset value. See Risk Factors Risks relating to our Business and Structure and Sales of Common Stock Below Net Asset Value in the accompanying prospectus, and Sales of Common Stock Below Net Asset Value in this prospectus supplement.

Our Corporate Information

Our administrative and principal executive offices are located at 590 Madison Avenue, 15th Floor, New York, NY 10022. Our common stock is quoted on NASDAQ Global Select Market under the symbol PNNT . Our Internet website address is *www.pennantpark.com.* Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying prospectus.

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FEES AND EXPENSES

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

Stockholder transaction expenses (as a percentage of the offering price)	
Sales load	5.00%(1)
Offering expenses	0.64%(2)
Total common stockholder expenses	5.64%
Estimated annual expenses (as a percentage of average net assets attributable to common shares)(3)	
Management fees	3.51%(4)
Incentive fees payable under the Investment Management Agreement	2.21%(5)
Interest payments on borrowed funds	1.00%(6)
Other expenses	1.34%(7)
Total annual expenses	8.06%

(1) The underwriting discounts and commissions with respect to the shares sold in this offering, which is a one-time fee, is the only sales load paid in connection with this offering.

(2) Amount reflects estimated offering expenses of approximately $325,000 and based on the 5,000,000 shares offered in this offering at the last reported closing price of $10.20 per share of our common stock on February 26, 2010.

(3) Net assets attributable to common shares equals average net assets for the three months ended December 31, 2009 plus the anticipated net proceeds from this offering.

(4) The contractual management fee is calculated at an annual rate of 2.00% of our average adjusted gross total assets. See Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus.

(5) The portion of incentive fees paid with respect to net investment income is based on actual amounts incurred during the three months ended December 31, 2009, annualized for a full year. Such incentive fees are based on performance, vary from year to year and are not paid unless our performance exceeds specified thresholds. Incentive fees in respect of net investment income do not include incentive fees in respect of net capital gains. The portion of our incentive fee paid in respect of net capital gains is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Management Agreement, as of the termination date) and equals 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. As we cannot predict our future net investment income or capital gains, the incentive fee paid in future years, if any, may be substantially different than the fee earned during the three months ended December 31, 2009. For more detailed information about the incentive fee, please see Certain Relationships and Transactions Investment Management Agreement in the accompanying prospectus.

(6) As of December 31, 2009, we had $54.3 million unused, subject to maintenance of the applicable total assets to debt ratio of 200%, and $245.7 million in borrowings outstanding under our $300.0 million credit facility. We may use the proceeds of this offering to repay outstanding obligations under our credit facility. After completing the offering, we intend to continue to borrow under our credit facility to finance portfolio investments and are permitted to do so under the terms of our credit facility. We have estimated the interest payments on borrowed funds to take this into account; however, we caution you that our actual interest

expense will depend on prevailing interest rates and our rate of borrowing and may be substantially higher than the estimate provided in this table. For more information, see Risk Factors We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage in the accompanying prospectus.

(7) Other expenses includes our general and administrative expenses, professional fees, directors fees, insurance costs, expenses of our dividend reinvestment plan, and the expenses of the Investment Adviser reimbursable under our Investment Management Agreement and of the Administrator reimbursable under our Administration Agreement. Such expenses are based on actual other expenses for the three months ended December 31, 2009, annualized for a full year. See our Statement of Operations in our financial statements in the accompanying prospectus.

Example

The following example illustrates the projected dollar amount of total cumulative expenses that you would pay on a $1,000 hypothetical investment in common shares, assuming (1) a 5% sales load (underwriting discounts and commissions) and offering expenses totaling 0.64%, (2) total net annual expenses of 5.85% of average net assets attributable to common shares for the three months ended December 31, 2009 as set forth in the table above (other than performance-based incentive fees under the Investment Management Agreement) and (3) a 5% annual return:

	1 Year	3 Years	5 Years	10 Years
Total expenses incurred	$ 111	$ 220	$ 327	$ 586

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

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FORWARD-LOOKING STATEMENTS

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

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

We use words such as anticipates, believes, expects, intends, seeks and similar expressions to identify forward-looking statements. Undue influence should not be placed on the forward looking statements as our actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors in Risk Factors and elsewhere in this prospectus supplement and the accompanying prospectus.

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

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USE OF PROCEEDS

We estimate that net proceeds we will receive from the sale of 5,000,000 shares of our common stock in this offering will be approximately $48.1 million (or approximately $55.4 million if the underwriters fully exercise their overallotment option), in each case based on a public offering price of $10.20 per share, which was the last reported closing price of our common stock on February 26, 2010, after deducting the underwriting discounts and commissions of $2.6 million (or approximately $2.9 million if the underwriters fully exercise their overallotment option) payable by us and estimated offering expenses of approximately $325,000 payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus supplement depending on the public offering price of the common stock and the actual number of shares of common stock we sell in the offering, both of which will be determined at pricing.

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

As of December 31, 2009, we had $54.3 million unused, subject to maintenance of the applicable total assets to debt ratio of 200%, and $245.7 million in borrowings outstanding under our $300.0 million credit facility. Borrowings under our credit facility bear interest at an annual rate equal to LIBOR + 100 basis points per annum. At December 31, 2009, the weighted average interest rate at that time was 1.23%. The credit facility is a five-year revolving facility with a stated maturity date of June 25, 2012 and is secured by substantially all of the assets in our investment portfolio. Amounts repaid under our credit facility will remain available for future borrowings.

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

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CAPITALIZATION

The following table sets forth our cash and capitalization on December 31, 2009 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 5,000,0000 shares of our common stock in this offering at an offering price of $10.20 per share, which was the last reported closing price of our common stock on February 26, 2010, ($9.63 per share net). The as adjusted information is illustrative only; our capitalization following the completion of this offering is subject to further adjustments. You should read this table together with Use of Proceeds set forth in this prospectus supplement and in the accompanying prospectus. You should also read this table with our financial statements and notes thereto, in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations included in the accompanying prospectus.

	As of December 31, 2009 (unaudited)	
	Actual	**As adjusted for the offering**[(1)]
Cash and cash equivalents	$ 7,051,165	$ 55,176,165
Total assets	526,897,794	575,022,794
Borrowings under senior secured credit facility (cost $245,700,000)	201,914,294	201,914,294
Stockholders Equity		
Common stock, par value $0.001 per share; 100,000,000 shares authorized, 25,808,772 shares issued and outstanding, 30,808,772 shares issued and outstanding, as adjusted, respectively	25,809	30,809
Paid in capital in excess of par	330,405,864	378,525,864
Undistributed net investment income	2,675,930	2,675,930
Accumulated net realized loss on investments and cash equivalents	(67,098,312)	(67,098,312)
Net unrealized depreciation on investments	(3,646,675)	(3,646,675)
Net unrealized depreciation on credit facility	43,785,706	43,785,706
Total stockholders equity	$ 306,148,322	$ 354,273,322
Total capitalization	$ 508,062,616	$ 556,187,616

(1) Does not include the underwriters over-allotment option.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market under the symbol PNNT . The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of net asset value, or NAV, and quarterly dividends per share since shares of our common stock began being regularly quoted on the NASDAQ Global Select Market. On February 26, 2010, the last reported closing price of our common stock was $10.20 per share.

Period	NAV(1)	Closing Sales Price High	Closing Sales Price Low	High Sales Price to NAV(2)	Low Sales Price to NAV(2)	Declared Dividends
Fiscal year ending September 30, 2010						
Second quarter (through February 26, 2010)	$ N/A	$ 10.56	$ 8.88	N/A%	N/A%	$ 0.26(3)
First quarter	11.86	9.15	7.63	77	64	0.25
Fiscal year ended September 30, 2009						
Fourth quarter	11.85	9.06	6.28	76	53	0.24
Third quarter	11.72	7.65	3.85	65	33	0.24
Second quarter	12.00	4.05	2.64	34	22	0.24
First quarter	10.24	7.81	2.35	76	23	0.24
Fiscal year ended September 30, 2008						
Fourth quarter	10.00	8.50	5.92	85	59	0.24
Third quarter	10.77	8.60	7.05	80	65	0.22
Second quarter	10.26	11.31	8.38	110	82	0.22
First quarter	12.07	14.49	9.08	120	75	0.22
Fiscal year ended September 30, 2007						
Fourth quarter	12.83	14.76	12.61	115	98	0.22
Third quarter*	13.74	15.03	14.04	109	102	0.14

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

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

(3) Payable on April 1, 2010 to stockholders of record as of March 25, 2010.

* From April 24, 2007 (initial public offering) to June 30, 2007.

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares. Our shares have traded above and below our NAV. Our shares traded on NASDAQ Global Select Market at $8.92 and $8.11 as of December 31, 2009 and September 30, 2009, respectively. Our NAV was $11.86 and $11.85, as of December 31, 2009 and September 30, 2009, respectively. The possibility that our shares of common stock will trade at a discount from net asset value or at a premium that is unsustainable over the long term is separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether our shares will trade at, above or below net asset value in the future.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

At our meeting of stockholders held on February 2, 2010, our stockholders approved our ability to sell shares of our common stock below net asset value (NAV) per share in one or more public offerings of our common stock. We now have the ability to sell or otherwise issue our shares of our common stock at any level of discount from NAV per share during the period beginning on February 2, 2010 and expiring on the one year anniversary of the date of the meeting. In making a determination that an offering below NAV per share is in our and our stockholders best interests, our board of directors, a majority of our directors who have no financial interest in the sale and a majority of our independent directors considered a variety of factors, including:

- The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;
- The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;
- The relationship of recent market prices of our common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;
- Whether the estimated offering price would closely approximate the market value of our shares, less distributing commissions or discounts, and would not be below current market price;
- The potential market impact of being able to raise capital during the current financial market difficulties;
- The nature of any new investors anticipated to acquire shares in the offering;
- The anticipated rate of return on and quality, type and availability of investments;
- The leverage available to us, both before and after the offering and other borrowing terms; and
- The potential investment opportunities available relative to the potential dilutive effect of additional capital at the time of the offering.

The offering of common stock being made pursuant to this prospectus supplement and the accompanying prospectus is at a price below our most recently reported NAV on December 31, 2009 of $11.86 per share. Our board of directors also considered the fact that sales of shares of common stock at a discount will benefit our Investment Adviser, as the Investment Adviser will earn additional investment management fees on the proceeds of such offerings, as it would from the offering of any other securities of PennantPark Investment or from the offering of common stock at a premium to NAV per share.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables explain and provide hypothetical examples assuming proceeds are temporarily invested in cash equivalents on the impact of an offering at a price less than NAV per share on three different set of investors:

existing shareholders who do not purchase any shares in the offering;

existing shareholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering; and

new investors who become shareholders by purchasing shares in the offering.

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Impact on Existing Stockholders who do not Participate in the Offering

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. All stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold. Stockholders who do not participate in the offering will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than stockholders who do participate in the offering. All stockholders may also experience a decline in the market price of their shares, which often reflects, to some degree, announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increase.

The following chart illustrates the level of NAV dilution that would be experienced by a stockholder who does not participate in the offering. It is not possible to predict the level of market price decline that may occur. The table below is shown based upon financial information as of December 31, 2009. NAV has not been finally determined for any day after December 31, 2009. The following example assumes a sale of 5,000,000 shares at $10.20 per share, which was the last reported closing price of our common stock on February 26, 2010, with a 5% underwriting discount and $325,000 of expenses ($9.63 per share net).

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per share to public		$ 10.20	
Net proceeds per share to issuer		$ 9.63	
Decrease to NAV			
Total shares outstanding	25,808,772	30,808,772	19.37 %
NAV per share	$ 11.86	$ 11.50	(3.04)%
Dilution to Non participating Stockholder A			
Shares held by stockholder	25,809	25,809	
Percentage held by stockholder	0.10%	0.08%	(20.00)%
Total Asset Values			
Total NAV held by stockholder	$ 306,095	$ 296,804	(3.04)%
Total investment by stockholder (assumed to be $11.86 per share)	$ 306,095	$ 306,095	
Total dilution to stockholder (total NAV less total investment)		$ (9,291)	
Per Share Amounts			
NAV per share held by stockholder	$ 11.86	$ 11.50	(3.04)%
Investment per share held by stockholder	$ 11.86	$ 11.86	
Dilution per share held by stockholder (NAV per share less investment per share)		$ (0.36)	(3.04)%

Impact on Existing Stockholders who Participate in the Offering

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution on an aggregate basis will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate

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share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the offering for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 2,500 shares, which is 0.05% of the offering rather than its 0.10% proportionate share) and (2) 150% of such percentage (i.e., 7,500 shares, which is 0.15% of the offering rather than its 0.10% proportionate share). The table below is shown based upon financial information as of December 31, 2009. NAV has not been finally determined for any day after December 31, 2009. The following example assumes a sale of 5,000,000 shares at $10.20 per share, which was the last reported closing price of our common stock on February 26, 2010, with a 5% underwriting discount and commissions and $325,000 of expenses ($9.63 per share net).

		50% Participation		150% Participation	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change
Offering Price					
Price per share to public		$ 10.20		$ 10.20	
Net proceeds per share to issuer		$ 9.63		$ 9.63	
Increases in Shares and Decrease to NAV					
Total shares outstanding	25,808,772	30,808,772	19.37%	30,808,772	19.37%
NAV per share	$ 11.86	$ 11.50	(3.04)%	$ 11.50	(3.04)%
(Dilution)/Accretion to Participating Stockholder A					
Shares held by stockholder	25,809	28,309	9.69%	33,309	29.06%
Percentage held by stockholder	0.10%	0.09%	(10.00)%	0.11%	10.00%
Total Asset Values					
Total NAV held by stockholder	$ 306,095	$ 325,554	6.36%	$ 383,054	25.14%
Total investment by stockholder (assumed to be $11.86 per share on shares held prior to sale)	$ 306,095	$ 331,595	8.33%	$ 382,595	24.99%
Total (dilution)/accretion to stockholder (total NAV less total investment)		(6,041)		$ 459	
Per Share Amounts					
NAV per share held by stockholder	$ 11.86	$ 11.50	(3.04)%	$ 11.50	(3.04)%
Investment per share held by stockholder (assumed to be $11.86 per share on shares held prior to sale)	$ 11.86	$ 11.71	(1.26)%	$ 11.49	(3.12)%
(Dilution)/accretion per share held by stockholder (NAV per share less investment per share)		$ (0.21)	(1.79)%	$ 0.01	0.09%

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Impact on New Investors

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by us being significantly less than the discount per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. All these investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that will be experienced by a new investor who purchases the same percentage (0.10%) of the shares in the offering as the stockholder in the prior examples held immediately prior to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases. It is not possible to predict the level of market price decline that may occur. The table below is shown based upon financial information as of December 31, 2009. NAV has not been finally determined for any day after December 31, 2009. The following example assumes a sale of 5,000,000 shares at $10.20 per share, which was the last reported closing price of our common shares on February 26, 2010, with a 5% underwriting discount and commissions and $325,000 of expenses ($9.63 per share net).

	Prior to Sale Below NAV	Following Sale	% Change
Offering Price			
Price per share to public		$ 10.20	
Net proceeds per share to issuer		$ 9.63	
Decrease to NAV			
Total shares outstanding	25,808,772	30,808,772	19.37%
NAV per share	$ 11.86	$ 11.50	(3.04)%
Accretion to New Stockholder A			
Shares held by stockholder		5,000	
Percentage held by stockholder		0.02%	
Total Asset Values			
Total NAV held by stockholder		$ 57,500	
Total investment by stockholder		$ 51,000	
Total accretion to stockholder (total NAV less total investment)		$ 6,500	
Per Share Amounts			
NAV per share held by stockholder		$ 11.50	
Investment per share held by stockholder		$ 10.20	
Accretion per share held by stockholder (NAV per share less investment per share)		$ 1.30	12.75%

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SELECTED FINANCIAL DATA

We have derived the quarterly and annual financial information below from our audited and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such periods. The Statement of operations data, Per share data and Balance sheet data for the years ended September 30, 2009 and 2008, and for the period from January 11, 2007 (inception) through September 30, 2007 are derived from our financial statements which have been audited by KPMG LLP, our independent registered public accounting firm. This selected financial data for the periods ended September 30, 2009, 2008 and 2007 should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations and Regulation Senior Securities in the accompanying prospectus. Interim results as of and for the three months ended December 31, 2009 are not necessarily indicative of the results that may be expected for the year ending September 30, 2010. This selected financial data for the three months ended December 31, 2009 should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations in the accompanying prospectus.

(Dollar amounts in thousands, except per share data)	Three months ended December 31, 2009 Unaudited	Year ended September 30, 2009 Audited	Year ended September 30, 2008 Audited	For the period from January 11, 2007 (inception) through September 30, 2007 Audited
Statement of operations data:				
Total investment income	$ 13,599	$ 45,119	$ 39,811	$ 13,107
Net expenses before base management fee waiver	6,361	22,400	21,676	6,444
Net expenses after base management fee waiver(1)	6,361	22,400	21,255	5,803
Net investment income	7,238	22,719	18,556	7,304
Net realized and unrealized gain (loss)	1,438	13,083	(59,259)	(24,004)
Net increase/(decrease) in net assets resulting from operations	8,676	35,802	(40,703)	(16,699)
Per share data:				
Net asset value (at period end)	11.86	11.85	10.00	12.83
Net investment income(2)	0.28	1.08	0.88	0.35
Net realized and unrealized gain (loss)(2)	0.06	0.62	(2.81)	(1.15)
Net increase/(decrease) in net assets resulting from operations(2)	0.34	1.70	(1.93)	(0.80)
Distributions declared(2),(6)	(0.25)	(0.96)	(0.90)	(0.36)
Balance sheet data (at period end):				
Total assets	526,898	512,381	419,811	555,008
Total investment portfolio	513,141	469,760	372,148	291,017