

PennantPark Floating Rate Capital Ltd.

Form N-14 8C/A

June 16, 2015

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As filed with the Securities and Exchange Commission on June 16, 2015

333-204272

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

**FORM N-14**  
**REGISTRATION STATEMENT**  
***UNDER***  
***THE SECURITIES ACT OF 1933***

**Pre-Effective Amendment No.1**  
**Post-Effective Amendment No.**  
**(Check appropriate box or boxes)**

X  
..

**PennantPark Floating Rate Capital Ltd.**  
**(Exact Name of Registrant as Specified in Charter)**

**590 Madison Avenue**

**15<sup>th</sup> Floor**

**New York, NY 10022**

**(Address of Principal Executive Offices)**

**Telephone Number: (212) 905-1000**

**(Area Code and Telephone Number)**

**Arthur H. Penn**

**c/o PennantPark Floating Rate Capital Ltd.**

**590 Madison Avenue, 15<sup>th</sup> Floor**

**New York, NY 10022**

**(212) 905-1000**

**(Name and Address of Agent for Service)**

*Copies to:*

**Thomas J. Friedmann**

**David Shapiro**

**David J. Harris**

**Jenna Levine**

**William J. Tuttle**

**Wachtell, Lipton, Rosen & Katz**

**Dechert LLP**

**51 West 52<sup>nd</sup> Street**

**1900 K Street, N.W.**

**New York, NY 10019**

**Washington, D.C. 20006**

**Telephone: (212) 403-1000**

**Telephone: (202) 261-3300**

**Approximate Date of Proposed Public Offering:** As soon as practicable as after this registration statement becomes effective and upon completion of the Merger described in the enclosed document.

**Calculation of Registration Fee  
under the Securities Act of 1933:**

Title of Securities Being Registered	Amount Being Registered <sup>(1)</sup>	Proposed		Amount of Registration Fee <sup>(3)(4)</sup>
		Maximum Offering Price per Share of Common Stock	Proposed Maximum Aggregate Offering Price <sup>(2)</sup>	
Common Stock, \$0.001 par value per share	15,000,000 shares	N/A	\$170,000,000	\$19,754

(1) The number of shares to be registered represents the maximum number of shares of the registrant's common stock estimated to be issuable pursuant to the Merger Agreement described in the enclosed document. Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.

(2) Estimated solely for the purpose of calculating the registration fee and calculated pursuant to Rules 457(c) and 457(f)(1) under the Securities Act of 1933, as amended, the proposed maximum aggregate offering price is equal to:

(3) Based on a rate of \$116.20 per \$1,000,000 of the proposed maximum aggregate offering price.

(4) Previously paid.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This joint proxy statement and prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JUNE 16, 2015**

**PENNANTPARK FLOATING RATE CAPITAL LTD.**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

On April 29, 2015, PennantPark Floating Rate Capital Ltd., or PFLT, and MCG Capital Corporation, or MCG, announced that they have entered into a definitive agreement under which PFLT will acquire MCG in a stock and cash transaction currently valued at approximately \$175 million, or approximately \$4.75 per MCG share at closing. The \$4.75 consideration per MCG share represents a 15.8% premium to MCG's closing stock price of \$4.10 on April 28, 2015 and equals MCG's net asset value per share as of March 31, 2015. The Boards of Directors of both companies have each unanimously approved the transaction. This transaction is a strategic business combination in which a wholly-owned subsidiary of PFLT would merge with and into MCG with MCG continuing as the surviving corporation, followed immediately by the merger of MCG with and into a second wholly-owned subsidiary of PFLT that will continue as the surviving entity and a wholly-owned subsidiary of PFLT. The mergers are collectively referred to in this joint proxy statement and prospectus as the Merger.

If the Merger is completed, holders of MCG common stock, par value \$0.01 per share, or MCG Common Stock, will have a right to receive \$4.521 in shares of PFLT common stock, par value \$0.001 per share, or PFLT Common Stock, for each share of MCG Common Stock, held immediately prior to the Initial Merger, as well as \$0.226 in cash consideration (subject to upward adjustment based on the market price of PFLT Common Stock).

PFLT is incorporated in Maryland and MCG is incorporated in Delaware, and each has elected to be regulated as business development company under the Investment Company Act of 1940.

The market value of the consideration in the form of PFLT Common Stock will fluctuate with the market price of PFLT Common Stock. The following table shows the closing sale prices of PFLT Common Stock and MCG Common Stock as reported on the NASDAQ Global Select Market, or NASDAQ, on April 28, 2015, the last trading day before the public announcement of the Merger, and on [ ], 2015, the last trading day before the distribution of this joint proxy statement and prospectus.

<b>PFLT</b>	<b>MCG</b>
<b>Common Stock</b>	<b>Common Stock</b>

Closing Price at April 28, 2015	\$	14.15	\$	4.10
Closing Price at [                      ], 2015	\$		\$	

You should obtain current stock price quotations for PFLT Common Stock and MCG Common Stock. PFLT Common Stock trades on NASDAQ under the symbol PFLT. MCG Common Stock trades on NASDAQ under the symbol MCGC.

At a special meeting of PFLT stockholders, PFLT stockholders will be asked to vote on the approval of issuance of PFLT Common Stock pursuant to the Merger. The stock issuance proposal requires the approval of at least a majority of the votes cast by holders of PFLT Common Stock at a meeting at which a quorum is present. **Under the terms of the Merger Agreement, shares of PFLT Common Stock will be issued in the Merger at a price per share greater than or equal to then-current net asset value per share.**

At a special meeting of MCG stockholders, MCG stockholders will be asked to vote on the approval of the Merger and the Agreement and Plan of Merger, dated as of April 28, 2015, by and among PFLT, MCG, PFLT Panama, LLC, PFLT Funding II, LLC and PennantPark Investment Advisers, LLC, described in this joint proxy statement and prospectus. Approval of the Merger and the Merger Agreement requires the approval of at least a majority of the outstanding shares of MCG's outstanding shares entitled to vote on the matter. The Merger is expected to be a taxable event for MCG stockholders.

**After careful consideration, the board of directors of PFLT unanimously recommends that its stockholders vote FOR approval of the Merger and the Merger Agreement and FOR approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.**

**This joint proxy statement and prospectus concisely describes the special meetings, the Merger, the documents related to the Merger and other related matters that a PFLT common stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including Risk Factors beginning on page 27, for a discussion of the risks relating to the Merger. You also can obtain information about PFLT and MCG from documents that each has filed with the Securities and Exchange Commission. See Where You Can Find More Information for instructions on how to obtain such information.**

Sincerely,

Arthur H. Penn

*Chairman of the Board of Directors*

*PennantPark Floating Rate Capital Ltd.*

**The Securities and Exchange Commission has not approved or disapproved the PFLT Common Stock to be issued under this joint proxy statement and prospectus or determined if this joint proxy statement and prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this joint proxy statement and prospectus is [                      ], 2015 and it is first being mailed or otherwise delivered to PFLT stockholders on or about [                      ], 2015.

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*PennantPark Floating Rate Capital Ltd.*

*MCG Capital Corporation*

590 Madison Avenue

1001 19<sup>th</sup> Street North

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New York, NY 10022

Arlington, VA 22209

(212) 905-1000

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This joint proxy statement and prospectus shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED JUNE 16, 2015**

**MCG CAPITAL CORPORATION**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder,

On April 29, 2015, PennantPark Floating Rate Capital Ltd., or PFLT, and MCG Capital Corporation, or MCG, announced that they have entered into a definitive agreement under which PFLT will acquire MCG in a stock and cash transaction currently valued at approximately \$175 million, or approximately \$4.75 per MCG share at closing. The \$4.75 consideration per MCG share represents a 15.8% premium to MCG's closing stock price of \$4.10 on April 28, 2015 and equals MCG's net asset value per share as of March 31, 2015. The Boards of Directors of both companies have each unanimously approved the transaction. This transaction is a strategic business combination in which a wholly-owned subsidiary of PFLT would merge with and into MCG with MCG continuing as the surviving corporation, followed immediately by the merger of MCG with and into a second wholly-owned subsidiary of PFLT that will continue as the surviving entity and a wholly-owned subsidiary of PFLT. The mergers are collectively referred to in this joint proxy statement and prospectus as the Merger.

If the Merger is completed, holders of MCG common stock, par value \$0.01 per share, or MCG Common Stock, will have a right to receive \$4.521 in shares of PFLT common stock, par value \$0.001 per share, or PFLT Common Stock, for each share of MCG Common Stock, held immediately prior to the Initial Merger, as well as \$0.226 in cash consideration (subject to upward adjustment based on the market price of PFLT Common Stock).

PFLT is incorporated in Maryland and MCG is incorporated in Delaware, and each has elected to be regulated as business development company under the Investment Company Act of 1940. Importantly, following completion of the Merger, you will continue to be an investor in a business development company and benefit from the protections of the Investment Company Act of 1940 associated with business development companies.

The market value of the consideration in the form of PFLT Common Stock will fluctuate with the market price of PFLT Common Stock. The following table shows the closing sale prices of PFLT Common Stock and MCG Common Stock as reported on the NASDAQ Global Select Market, or NASDAQ, on April 28, 2015, the last trading day before the public announcement of the Merger, and on [ ], 2015, the last trading day before the distribution of this joint proxy statement and prospectus.

	<b>PFLT</b>	<b>MCG</b>
	<b>Common Stock</b>	<b>Common Stock</b>
Closing Price at April 28, 2015	\$ 14.15	\$ 4.10
Closing Price at [ ], 2015	\$	\$

You should obtain current stock price quotations for PFLT Common Stock and MCG Common Stock. PFLT Common Stock trades on NASDAQ under the symbol PFLT. MCG Common Stock trades on NASDAQ under the symbol MCGC.

At a special meeting of PFLT stockholders, PFLT stockholders will be asked to vote on approval of the issuance of PFLT Common Stock pursuant to the Merger. The stock issuance proposal requires the approval of at least a majority of the votes cast by holders of PFLT Common Stock at a meeting at which a quorum is present. **Under the terms of the Merger Agreement, shares of PFLT Common Stock will be issued in the Merger at a price per share greater than or equal to then-current net asset value per share.**

At a special meeting of MCG stockholders, MCG stockholders will be asked to vote on the approval of the Merger and the Agreement and Plan of Merger, dated as of April 28, 2015, by and among PFLT, MCG, PFLT Panama, LLC, PFLT Funding II, LLC and PennantPark Investment Advisers, LLC, described in this joint proxy statement and prospectus. Approval of the Merger and the Merger Agreement requires the approval of at least a majority of the outstanding shares of MCG's outstanding shares entitled to vote on the matter. The Merger is expected to be a taxable event for MCG stockholders.

**After careful consideration, the board of directors of MCG unanimously recommends that its stockholders vote FOR approval of the Merger and the Merger Agreement and FOR approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.**

**This joint proxy statement and prospectus concisely describes the special meetings, the Merger, the documents related to the Merger and other related matters that an MCG stockholder ought to know before voting on the proposals described herein and should be retained for future reference. Please carefully read this entire document, including Risk Factors beginning on page 27, for a discussion of the risks relating to the Merger. You also can obtain information about PFLT and MCG from documents that each has filed with the Securities and Exchange Commission. See Where You Can Find More Information for instructions on how to obtain such information.**

Sincerely,

Richard Neu

*Chairman of the Board of Directors*

*MCG Capital Corporation*

**The Securities and Exchange Commission has not approved or disapproved the PFLT Common Stock to be issued under this joint proxy statement and prospectus or determined if this joint proxy statement and prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this joint proxy statement and prospectus is [ ], 2015 and it is first being mailed or otherwise delivered to MCG stockholders on or about [ ], 2015.



*PennantPark Floating Rate Capital Ltd.*

590 Madison Avenue

15<sup>th</sup> Floor

New York, NY 10022

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1001 19<sup>th</sup> Street North

10<sup>th</sup> Floor

Arlington, VA 22209

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**PENNANTPARK FLOATING RATE CAPITAL LTD.**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON AUGUST 14, 2015**

To the Stockholders of PennantPark Floating Rate Capital Ltd.:

Notice is hereby given that PennantPark Floating Rate Capital Ltd., a Maryland corporation, or PFLT, will hold a special meeting of the stockholders of PFLT, or the PFLT special meeting, on August 14, 2015 at 10:00 a.m., Eastern Time, at the offices of Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036, for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of the shares of PFLT's common stock, \$0.001 par value per share, or PFLT Common Stock, to be issued pursuant to the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the Merger Agreement, dated as of April 28, 2015, among PFLT, MCG Capital Corporation, or MCG, PFLT Panama, LLC and PFLT Funding II, LLC, each a wholly owned subsidiary of PFLT, and PennantPark Investment Advisers, LLC; and
2. To consider and vote upon a proposal to approve the adjournment of the PFLT special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.

You have the right to receive notice of, and to vote at, the PFLT special meeting if you were a stockholder of record at the close of business on July 13, 2015. **Whether or not you expect to be present in person at the PFLT special meeting, we urge you to promptly fill out, sign and date the enclosed proxy card and return it promptly in the envelope provided or vote by telephone or through the Internet.** Instructions are shown on the proxy card.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares personally if you attend the meeting.

The PFLT board of directors has unanimously approved the Merger and the Merger Agreement and the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement and unanimously recommends that PFLT stockholders vote **FOR** approval of the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement and **FOR** approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal. **Under the terms of the Merger Agreement, shares of PFLT Common Stock will be issued in the Merger at a price per share greater than or equal to then-current net asset value per share.**

By Order of the Board of Directors,

Thomas J. Friedmann

*Secretary*

New York, New York

[ ], 2015

**This is an important meeting. To ensure proper representation at the PFLT special meeting, please complete, sign, date and return the proxy card in the enclosed self-addressed envelope. Even if you vote your shares prior to the PFLT special meeting, you still may attend the PFLT special meeting and vote your shares in person.**

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**MCG CAPITAL CORPORATION**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

To the Stockholders of MCG Capital Corporation:

Notice is hereby given that MCG Capital Corporation, a Delaware corporation, or MCG, will hold a special meeting of the stockholders of MCG, or the MCG special meeting, on August 14, 2015 at 10:00 a.m., Eastern Time, at Hyatt Arlington, 1325 Wilson Boulevard, Arlington, Virginia, 22209, to consider and vote on the following matters:

1. A proposal to approve the merger of PFLT Panama, LLC, a wholly owned subsidiary of PennantPark Floating Rate Capital Ltd., or PFLT, with and into MCG followed immediately and as a single integrated transaction by the Merger of MCG with and into PFLT Funding II, LLC, or the Merger, and to approve the Agreement and Plan of Merger, as such agreement may be amended from time to time, or the Merger Agreement; and
2. A proposal to approve the adjournment of the MCG special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.

You have the right to receive notice of, and to vote at, the MCG special meeting if you were a stockholder of record at the close of business on July 13, 2015. **Whether or not you expect to be present in person at the MCG special meeting, we urge you to promptly fill out, sign and date the enclosed proxy card and return it promptly in the envelope provided or vote by telephone or through the Internet.** Instructions are shown on the proxy card.

You have the option to revoke the proxy at any time prior to the meeting or to vote your shares personally on request if you attend the meeting.

The MCG board of directors has unanimously approved the Merger and the Merger Agreement and unanimously recommends that MCG stockholders vote **FOR** approval of the Merger and the Merger Agreement and **FOR** approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.

By Order of the Board of Directors,

Tod K. Reichert

*Secretary*

Arlington, Virginia

[ ], 2015

**This is an important meeting. To ensure proper representation at the MCG special meeting, please complete, sign, date and return the proxy card in the enclosed, self-addressed envelope, vote your shares by telephone or vote via the Internet. Even if you vote your shares prior to the MCG special meeting, you still may attend the MCG special meeting and vote your shares in person.**

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**ABOUT THIS JOINT PROXY STATEMENT AND PROSPECTUS**

This joint proxy statement and prospectus, which forms part of a registration statement filed with the Securities and Exchange Commission, or the SEC, by PFLT (File No. 333-204272), constitutes a prospectus of PFLT under Section 5 of the Securities Act of 1933, or the Securities Act, with respect to the shares of PFLT Common Stock to be issued to holders of MCG Common Stock as required by the Merger Agreement.

This joint proxy statement and prospectus also constitutes a joint proxy statement under Section 14(a) of the Securities Exchange Act of 1934, or the Exchange Act. It also constitutes a notice of meeting with respect to the special meetings of MCG stockholders, at which MCG stockholders will be asked to vote on a proposal to approve the Merger and the Merger Agreement, and PFLT stockholders, at which PFLT stockholders will be asked to vote on the issuance of PFLT Common Stock pursuant to the Merger. **Under the terms of the Merger Agreement, shares of PFLT Common Stock will be issued in the Merger at a price per share greater than or equal to then-current net asset value per share.**

You should rely only on the information contained in this joint proxy statement and prospectus. No one has been authorized to provide you with information that is different from that contained in this joint proxy statement and prospectus. This joint proxy statement and prospectus is dated [ ], 2015. You should not assume that the information contained in this joint proxy statement and prospectus is accurate as of any date other than that date. Neither the mailing of this joint proxy statement and prospectus to PFLT stockholders or MCG stockholders nor the issuance of PFLT Common Stock pursuant to the Merger will create any implication to the contrary.

This joint proxy statement and prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

Except where the context otherwise indicates, information contained in this joint proxy statement and prospectus regarding PFLT has been provided by PFLT and information contained in this joint proxy statement and prospectus regarding MCG has been provided by MCG.



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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS AND THE MERGER**

The questions and answers below highlight only selected procedural information from this joint proxy statement and prospectus. They do not contain all of the information that may be important to you. You should carefully read this entire document to fully understand the Merger Agreement and the transactions contemplated thereby, including the Merger, and the voting procedures for the MCG and PFLT special meetings. Unless otherwise indicated in this joint proxy statement and prospectus or the context otherwise requires, throughout this joint proxy statement and prospectus refers to PennantPark Floating Rate Capital Ltd. and, where applicable, its consolidated subsidiary, PennantPark Floating Rate Funding I, LLC, or Funding I, as PFLT; PFLT's investment adviser, PennantPark Investment Advisers, LLC as the PFLT Investment Adviser; PFLT's administrator, PennantPark Investment Administration, LLC, as PFLT Administrator; MCG Capital Corporation and, where applicable, its consolidated subsidiaries as MCG; PFLT Panama, LLC, a wholly owned subsidiary of PFLT, as Sub One; PFLT Funding II, LLC, a wholly owned subsidiary of PFLT, as Sub Two; the merger of Sub One with and into MCG as the Initial Merger; the Merger of MCG with and into Sub Two as the Second Merger; the Initial Merger and Second Merger collectively as the Merger; the effective time of the Merger as the effective time; the Agreement and Plan of Merger, as may be amended from time to time, dated as of April 28, 2015, among PFLT, MCG, Sub One, Sub Two, and for limited purposes, the PFLT Investment Adviser as the Merger Agreement; Code refers to the Internal Revenue Code of 1986, as amended; RIC refers to a regulated investment company under the Code; 1940 Act refers to the Investment Company Act of 1940, as amended; BDC refers to a business development company under the 1940 Act; and Credit Facility refers to PFLT's secured revolving credit facility, as amended.

**Q: Why am I receiving these materials?**

**A:** MCG and PFLT are sending these materials to their respective stockholders to help them decide how to vote their shares of MCG Common Stock or PFLT Common Stock at their respective special meetings. At the MCG special meeting, MCG stockholders will be asked to vote on a proposal to approve the Merger and the Merger Agreement or approval to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal. At the PFLT special meeting, PFLT stockholders will be asked to vote on the issuance of PFLT Common Stock pursuant to the Merger or approval to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal. Information about these meetings and the Merger is contained in this joint proxy statement and prospectus.

The boards of directors of MCG has unanimously approved the Merger and the Merger Agreement as in the best interests of MCG and their stockholders. Please see the section entitled Reasons for the Merger for an important discussion of the Merger.

This joint proxy statement and prospectus summarizes the information regarding the matters to be voted upon at the special meetings of MCG and PFLT. However, you do not need to attend your special meeting to vote your shares. You may simply sign the enclosed proxy and return it promptly in the envelope provided or vote by telephone or through the Internet. Instructions are shown on the proxy card. **It is very important that you vote your shares at your special meeting. The Merger cannot be completed unless MCG stockholders approve the Merger and the Merger Agreement and PFLT stockholders approve the issuance of PFLT Common Stock pursuant to the Merger.**

If you hold some or all of your shares in a brokerage account, your broker will not be permitted to vote your shares unless you provide them with instructions on how to vote your shares. For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend your special meeting and vote your shares in person.

Stockholders are urged to vote by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and

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you attend your special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the special meeting.

If you are an MCG stockholder and do not provide your broker with instructions or attend the MCG special meeting, it will have the same effect as a vote against approval of the Merger and the Merger Agreement.

**Q: When and where is the MCG special meeting?**

**A:** The MCG special meeting will take place on August 14, 2015 at 10:00 a.m., Eastern Time, at Hyatt Arlington, 1325 Wilson Boulevard, Arlington, Virginia, 22209.

**Q: When and where is the PFLT special meeting?**

**A:** The PFLT special meeting will take place on August 14, 2015 at 10:00 a.m., Eastern Time, at the offices of Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036.

**Q: What is happening at the MCG special meeting?**

**A:** MCG stockholders are being asked to consider and vote on the following matters at their special meeting:

a proposal to approve the Merger and the Merger Agreement; and

a proposal to approve the adjournment of the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.

**Q: What is happening at the PFLT special meeting?**

**A:** PFLT stockholders are being asked to consider and vote on the following matters at their special meeting:

a proposal to approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement; and

a proposal to approve the adjournment of the PFLT special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.

**Q: How does MCG's investment strategy differ from that of PFLT?**

**A:** Although both PFLT and MCG have substantially the same investment objective (current income and capital gains), PFLT's leveraged portfolio is invested primarily in Floating Rate Loans to U.S. middle market companies, while MCG's portfolio is unlevered and consists primarily of cash and cash equivalents. In addition, while the PFLT Investment Adviser had served as investment adviser to PFLT since its inception and will serve as investment adviser to the combined company following completion of the Merger, MCG has been internally managed by an investment

team whose employment is being terminated by MCG immediately prior to closing of the Merger.

**Q: What will happen in the Merger?**

**A:** Subject to the terms and conditions of the Merger Agreement, the transactions contemplated by the Merger Agreement will be accomplished in two steps. In the first step, Sub One will merge with and into MCG and the separate corporate existence of Sub One will cease. Immediately thereafter and as part of a single integrated transaction, MCG will merge with and into Sub Two and the separate corporate existence of MCG will cease. Sub Two will be the surviving entity and will continue as a wholly owned subsidiary of PFLT. The structure of the Merger was selected in order to optimize the U.S. federal income tax treatment of the Merger and simplify the treatment of the merger with respect to certain potential contractual obligations of the parties.

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**Q: What will MCG stockholders receive in the Merger?**

**A:** Holders of MCG Common Stock (including shares of restricted MCG Common Stock which will vest upon the effective time) will have a right to receive \$4.521 in shares of PFLT Common Stock for each share of MCG Common Stock held immediately prior to the Initial Merger, as well as \$0.226 in cash consideration (subject to upward adjustment based on the market price of PFLT Common Stock). Based on the closing price of PFLT Common Stock on June 12, 2015 of \$14.08, holders of MCG Common Stock would have been entitled to receive an additional \$0.070 in cash consideration from PFLT Investment Adviser based on the adjustment mechanism for each share of MCG Common Stock held immediately prior to the Initial Merger.

On April 28, 2015, the last full trading day before the public announcement of the Merger, the closing price of PFLT Common Stock on the NASDAQ Global Select Market, or NASDAQ, was \$14.15. On [ ], 2015, the last trading day prior to the printing of this joint proxy statement and prospectus, the closing price of shares of PFLT Common Stock on NASDAQ was \$[ ], and the closing price of MCG Common Stock on NASDAQ was \$[ ]. Until the Merger is completed, the value of the shares of PFLT Common Stock to be issued in the Merger and the number of shares of PFLT Common Stock to be issued to MCG stockholders will continue to fluctuate.

**Q: Who is responsible for paying the expenses relating to completing the Merger, including the preparation of this joint proxy statement and prospectus and the solicitation of proxies?**

**A:** In general, MCG and PFLT will each be responsible for their own expenses incurred in connection with the completion of the transactions contemplated by the Merger Agreement. However, the costs and expenses of any regulatory filing, including the registration statement (of which this joint proxy statement and prospectus forms a part) will be paid by PFLT and all fees paid to prepare and mail this joint proxy statement and prospectus and the registration statement (of which this joint proxy statement and prospectus forms a part), and to conduct the special meetings of PFLT and MCG, will be borne equally by PFLT and MCG. The estimated transaction expenses of each of PFLT and MCG are \$2.4 million and \$8.3 million, respectively. The PFLT Investment Adviser will indirectly reimburse \$8.3 million of MCG related transaction costs through its payment of the cash consideration to MCG stockholders.

**Q: Are MCG stockholders able to exercise dissenters' rights?**

**A:** Yes. MCG stockholders will be entitled to exercise dissenters' rights. Under Section 262 of the Delaware General Corporation Law, or the DGCL, dissenting MCG stockholders are entitled to appraisal rights provided that such MCG stockholders meet the conditions under Section 262 of the DGCL. Dissenting MCG stockholders are entitled to have the fair value of their MCG Common Stock determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount dissenting MCG stockholders will receive in an appraisal proceeding may be less than, equal to or more than the amount such dissenting MCG stockholders would have received under the Merger Agreement. The text of the provisions of the DGCL pertaining to dissenters' rights is attached to this joint proxy statement and prospectus as *Annex D*.

**Q: Are PFLT stockholders able to exercise dissenters' rights?**

**A:** No. PFLT stockholders will not be entitled to exercise dissenters' rights with respect to any matter to be voted upon at their special meeting. Any PFLT common stockholder may abstain from voting or vote against any of such matters.

**Q: When do you expect to complete the Merger?**

**A:** While there can be no assurance as to the exact timing, or that the Merger will be completed at all, PFLT and MCG are working to complete the Merger in the third quarter of 2015. It is currently expected that the Merger will be completed promptly following receipt of the required stockholder approvals at the MCG and PFLT special meetings and satisfaction of the other closing conditions set forth in the Merger Agreement.

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**Q: Is the Merger expected to be taxable to MCG stockholders? What will be the effect of the Merger on MCG's capital loss carryforwards?**

**A:** Yes. The Merger is expected to be a taxable event for MCG stockholders. As of March 31, 2015, MCG had approximately \$233.9 million in capital loss carryforwards. PFLT had no capital loss carryforward as of March 31, 2015. Since PFLT had no capital loss carryforward, the Merger will not affect PFLT with respect to capital loss carryforward. MCG's capital loss carryforward is expected to be limited by Section 382 of the Code in the event of the Merger; however, certain transactions that may be undertaken after the Merger may further restrict or eliminate the usage of MCG's capital loss carryforward. See Certain Material U.S. Federal Income Tax Consequences of the Merger for a discussion of the tax implications of the Merger.

**Q: Is the Merger expected to be taxable to PFLT stockholders?**

**A:** No. The Merger is not expected to be a taxable event for PFLT stockholders.

**Q: What MCG stockholder vote is required to approve the Merger and the Merger Agreement?**

**A:** At least a majority of the outstanding shares of MCG Common Stock outstanding and entitled to vote on the matter is required to approve the Merger and the Merger Agreement. Stockholders who abstain or who fail to return their proxies, and do not instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or vote at the MCG special meeting, will have the same effect as if they voted against the Merger Agreement and the Merger.

**Q: What PFLT common stockholder vote is required to approve the issuance of PFLT Common Stock pursuant to the Merger?**

**A:** Approval of the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement requires the vote of at least a majority of the votes cast by holders of shares of PFLT Common Stock at a meeting at which a quorum is present.

**Q: Does PFLT's board of directors recommend approval of the issuance of PFLT Common Stock pursuant to the Merger and the proposal to adjourn the PFLT special meeting if necessary?**

**A:** Yes. PFLT's board of directors, including its independent directors, unanimously approved the Merger and the Merger Agreement, including the issuance of PFLT Common Stock in connection therewith, and recommends that PFLT stockholders vote FOR approval of the issuance of PFLT Common Stock to be issued pursuant to the Merger Agreement and FOR approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.

**Q: Does MCG's board of directors recommend approval of the Merger and the proposal to adjourn the MCG special meeting if necessary?**

**A:** Yes. MCG's board of directors, including its independent directors, unanimously approved the Merger and the Merger Agreement and recommends that MCG stockholders vote FOR approval of the Merger and the Merger Agreement and FOR approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the proposal.

**Q: If I am a PFLT stockholder, how do I vote my shares?**

**A:** You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the PFLT special meeting.



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You may also instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If you are a record stockholder, you may also attend the PFLT special meeting in person instead of submitting a proxy.

Unless your shares are held in a brokerage account, if you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted FOR the approval of the issuance of PFLT Common Stock pursuant to the Merger and FOR approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal. If your shares are held in a brokerage account or in street name, please see the answer to the next question.

If you fail to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the PFLT special meeting, or if you abstain, there will be no effect on the vote for either proposal.

**Q: If I am an PFLT stockholder and some or all of my shares are held in a brokerage account, or in street name, will my broker vote my shares for me?**

**A:** No. With respect to the issuance of PFLT Common Stock pursuant to the Merger and the adjournment proposal, if you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them.

For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the PFLT special meeting and vote your shares in person. With respect to the proposal to approve the issuance of shares of PFLT Common Stock pursuant to the Merger, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal. Stockholders are urged to vote by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details.

If your broker holds your shares and you attend the PFLT special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the PFLT special meeting.

**Q: If I am an MCG stockholder, how do I vote my shares?**

**A:** You may indicate how you want to vote on your proxy card and then sign and mail your proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the MCG special meeting. You may instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card. If you are a record stockholder, you may also attend the MCG special meeting in person instead of submitting a proxy.

Unless your shares are held in a brokerage account, if you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted FOR the approval of the Merger and the Merger Agreement and FOR approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the proposal. If your shares are held in a brokerage account, or in street name, please see the answer to the next question.

If you fail to (1) return your proxy card, (2) instruct the proxy solicitor on how to cast your vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or (3) vote at the MCG special

meeting, or if you abstain, it has the effect of a vote AGAINST the proposal to approve the Merger and the Merger Agreement but there will be no effect on the proposal to adjourn the meeting.

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**Q: If I am an MCG stockholder and some or all of my shares are held in a brokerage account, or in street name, will my broker vote my shares for me?**

**A:** No. With respect to the Merger and adjournment proposals, if you do not provide your broker with instructions on how to vote your street name shares, your broker will not be permitted to vote them.

For this reason, you should provide your broker with instructions on how to vote your shares or arrange to attend the MCG special meeting and vote your shares in person. If you do not provide your broker with instructions or attend the MCG special meeting, there will be no effect on the vote for either proposal. Stockholders are urged to vote by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and you attend the MCG special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the MCG special meeting.

**Q: Whom can I contact with any additional questions?**

**A:** If you are a PFLT stockholder, you may call the PFLT proxy solicitor, AST Fund Solutions, at (877) 536-1560, with respect to any additional questions you may have. If you are an MCG stockholder, you may call the MCG proxy solicitor, MacKenzie Partners, Inc., at (212) 929-5500 or toll-free at (800) 322-2885 with respect to any additional questions you may have.

**Q: Where can I find more information about PFLT and MCG?**

**A:** You can find more information about PFLT and MCG in the documents described under the caption **Where You Can Find More Information**.

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**SUMMARY**

This summary highlights some of the information contained elsewhere in this joint proxy statement and prospectus. It is not complete and may not contain all of the information that you may want to consider. PFLT urges you to read carefully this entire document, including Risk Factors beginning on page 26, and the other documents to which PFLT refers you to for a more complete understanding of the Merger. See Where You Can Find More Information. Each item in this summary includes a page reference directing you to a more complete description of that item.

**The Parties to the Merger**

*PennantPark Floating Rate Capital Ltd.*

*PennantPark Investment Advisers, LLC*

*PFLT Panama, LLC*

*PFLT Funding II, LLC*

590 Madison Avenue

15<sup>th</sup> Floor

New York, NY 10022

(212) 905-1000

*MCG Capital Corporation*

1001 19<sup>th</sup> Street North

10<sup>th</sup> Floor

Arlington, VA 22209

(703) 247-7500

**Organization and Structure of PFLT**

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

PFLT is a BDC whose objectives are to generate current income and capital appreciation by investing primarily in Floating Rate Loans and other investments made to U.S. middle-market companies. Floating Rate Loans or variable-rate investments pay interest at variable-rates, which are determined periodically, on the basis of a floating base lending rate such as the London Interbank Offered Rate, or LIBOR, with or without a floor plus a fixed spread.

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

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Under normal market conditions, PFLT generally expects that at least 80% of the value of its net assets plus any borrowings for investment purposes, or Managed Assets, will be invested in Floating Rate Loans and other investments bearing a variable-rate of interest. PFLT generally expects that senior secured loans, or first lien loans, will represent at least 65% of its overall portfolio. PFLT also generally expects to invest up to 35% of its overall portfolio opportunistically in other types of investments, including second-lien, high yield, mezzanine and distressed debt securities and, to a lesser extent, equity investments. PFLT's investment size may generally range between \$1 million and \$15 million, on average, although it expects that this investment size will vary proportionately with the size of its capital base.

PFLT's investment activity depends on many factors, including the amount of debt and equity capital available to middle-market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments it makes. PFLT has used, and expects to continue to use, its Credit Facility, proceeds from the rotation of its portfolio and proceeds from public and private offerings of securities to finance its investment objectives.

Funding I, PFLT's wholly owned subsidiary and a special purpose entity, was organized in Delaware as a limited liability company in May 2011 and was formed in order to establish the Credit Facility.

Sub One and Sub Two are Delaware limited liability companies and newly formed wholly owned subsidiaries of PFLT. Sub One and Sub Two were formed in connection with and for the sole purpose of effecting the Merger.

## **Organization and Structure of MCG**

MCG was incorporated in Delaware in 1998. On March 18, 1998, MCG changed its name from MCG, Inc. to MCG Credit Corporation and, on June 14, 2001, to MCG Capital Corporation. MCG is an internally managed, non-diversified, closed-end investment company that has elected to be treated as a BDC under the 1940 Act. In addition, for federal income tax purposes it has elected to be treated, and intends to qualify annually, as a RIC under the Code.

MCG is a solutions-focused commercial finance company that provides capital and advisory services to lower middle-market companies throughout the United States. Generally, MCG's portfolio companies use MCG's capital investment to finance acquisitions, recapitalizations, buyouts, organic growth, working capital and other general corporate purposes.

MCG is an internally managed, non-diversified, closed-end investment company that has elected to be regulated as a BDC under the 1940 Act. As a BDC MCG must meet various regulatory tests, which include investing at least 70% of its total assets in private or thinly traded public U.S.-based companies and limitations on MCG's ability to incur indebtedness unless immediately after such borrowing MCG has an asset coverage for total borrowings of at least 200% (i.e., the amount of debt generally may not exceed 50% of the value of MCG's assets).

In addition, MCG has elected to be treated for federal income tax purposes as a regulated investment company, or RIC, under Subchapter M of the Code. In order to continue to qualify as a RIC for federal income tax purposes and obtain favorable RIC tax treatment, MCG must meet certain requirements, including certain minimum distribution requirements. If the company satisfies these requirements, MCG generally will not have to pay corporate-level taxes on any income it distributes to its stockholders as distributions, allowing MCG to substantially reduce or eliminate its corporate-level tax liability. From time to time, MCG's wholly owned subsidiaries may execute transactions that trigger corporate-level tax liabilities. In such cases, MCG recognizes a tax provision in the period when it becomes more likely than not that the taxable event will occur.



**Table of Contents****Merger Structure**

Pursuant to the terms of the Merger Agreement, in the Merger, Sub One will be merged with and into MCG and, immediately thereafter and as a single integrated transaction, MCG will be merged with and into Sub Two. Sub Two will be the surviving entity of the Merger as a wholly owned subsidiary of PFLT.

Based on the number of shares of PFLT Common Stock issued and outstanding at the closing of the Merger, or the Closing Date, it is expected PFLT stockholders will own approximately 56% of the outstanding PFLT Common Stock and MCG stockholders will own approximately 44% of the outstanding PFLT Common Stock. As a result of the Merger, PFLT will continue its operations as conducted before the Merger.

The Merger Agreement is attached as *Annex A* to this joint proxy statement and prospectus and is incorporated by reference into this joint proxy statement and prospectus. MCG and PFLT encourage their respective stockholders to read the Merger Agreement carefully and in its entirety, as it is the principal legal document governing the Merger.

**Consideration**

If the Merger is consummated, each share of MCG Common Stock outstanding immediately prior to the effective time (including shares of restricted MCG Common Stock which will vest upon the effective time) will be converted into the right to receive \$4.521 in shares of PFLT Common Stock, subject to the payment of cash instead of fractional shares, and cash in the amount of \$0.226 (subject to upward adjustment based on the market price of PFLT Common Stock). Based on the closing price of PFLT Common Stock on June 12, 2015 of \$14.08, holders of MCG Common Stock would have been entitled to receive an additional \$0.070 in cash consideration from PFLT Investment Adviser based on the adjustment mechanism for each share of MCG Common Stock held immediately prior to the Initial Merger.

**Comparative Market Price of Securities**

PFLT Common Stock trades on NASDAQ under the symbol PFLT. MCG Common Stock trades on NASDAQ under the symbol MCGC.

The following table presents the closing prices and most recently determined net asset values, or NAV, per share of PFLT Common Stock and MCG Common Stock on the last trading day before public announcement of the Merger and the last trading day prior to mailing of this joint proxy statement and prospectus.

	<b>PFLT Common Stock</b>	<b>MCG Common Stock</b>
Closing Price at April 28, 2015	\$ 14.15	\$ 4.10
NAV per Share at March 31, 2015	\$ 14.30	\$ 4.75
Closing Price at [ ], 2015	\$	\$

The value of PFLT Common Stock to be received in the Merger will continue to fluctuate and, as a result, MCG stockholders will not know how many shares of PFLT Common Stock they will receive in the Merger at the time they vote.

**Reasons for the Merger**



***PFLT***

PFLT's board of directors met several times to formally discuss and consider matters relating to the proposed Merger and Merger Agreement. During the course of these meetings, and in informal discussions with PFLT management, PFLT's board of directors requested, received and discussed information from

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representatives of management, the PFLT Investment Adviser, as well as PFLT's financial, legal and other advisors, regarding the strategic rationale for the proposed Merger, the potential benefits and drawbacks of the proposed Merger and Merger Agreement, the potential benefits and costs of the proposed Merger and the duties of PFLT's board of directors in connection with the proposed Merger. PFLT's board of directors approved the proposed Merger and Merger Agreement at a meeting on April 28, 2015. In reaching its determination that the Merger is in PFLT's best interests and the best interests of PFLT's stockholders, the PFLT board of directors considered a number of factors presented at that meeting or at a prior meeting, including the following:

*Improved Scale.* The Merger is anticipated to enhance PFLT's ability to provide capital to financial sponsors and borrowers, which may expand PFLT's reputation in the marketplace. With the ability to make larger investments, PFLT expects to add more value to financial sponsors and borrowers and to negotiate better terms for its portfolio investments.

*Greater Diversification.* The Merger should provide PFLT with a substantially larger asset base initially comprised primarily of cash which may provide the PFLT Investment Adviser with greater investment flexibility and investment options for PFLT, including the potential for greater diversification of portfolio investments, economies of scale and flexibility to manage PFLT's leverage while maintaining an appropriate risk profile for PFLT stockholders.

*Increased Market Capitalization and Additional Market Coverage.* As the Merger is a synthetic equity offering that may almost double PFLT's market capitalization, there is the potential for greater secondary market liquidity for PFLT Common Stock, which may result in tighter bid-ask spreads and increased trading volume. In addition, a larger asset base and access to more financial sponsors could result in additional market coverage of PFLT and, potentially, an increased focus by current and potential investors on PFLT.

*Reduction in Expense Ratio.* As a result of the Merger, PFLT's fixed costs (e.g., printing and mailing of periodic reports and proxy statements, legal expenses, audit fees and other expenses) are anticipated to be spread across a larger asset base. As a result, the total annual operating expenses borne by PFLT stockholders is expected to be reduced.

*Dilution to PFLT Stockholders.* Although there will be no dilution to per share NAV as PFLT is not authorized to issue PFLT Common Stock at less than NAV, the proposed transaction is anticipated to result in some dilution to the earnings per share of PFLT Common Stock in the shorter-term, due to the period expected to be required to redeploy MCG's cash and cash equivalents. The PFLT board of directors considered information provided by management and Keefe, Bruyette & Woods, Inc., or KBW, as to current expectations for when the MCG assets acquire in the Merger would be fully invested and the ability of PFLT to start returning to PFLT stockholders net investment income in excess of the dilution resulting from the Merger. The point at which PFLT stockholders will begin to receive income in excess of the dilution depends on a series of factors (the outcome of which is not yet knowable), including the rate of deployment of capital, market conditions, investment performance and leverage.

*Expected Costs of the Proposed Merger.* The PFLT board of directors considered the costs to be borne by PFLT, regardless of whether the Merger is consummated, including its legal and financial adviser fees. The PFLT board of directors considered the costs to be borne by PFLT in light of the potential benefits of the Merger and noted that the PFLT Investment Adviser anticipated that the projected costs of the consummated Merger may be recovered over time. The PFLT board of directors also considered the fact that the PFLT Investment Adviser would be paying \$0.226 in cash per MCG common share and would also pay an additional amount in cash if the Merger share price is less than PFLT's NAV as calculated just prior to closing of the Merger. The cash consideration payable by the PFLT Investment Adviser is not subject to reimbursement by PFLT.

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*Distributions to PFLT Stockholders.* The Merger is not expected to reduce PFLT's earnings such that PFLT would not be able to maintain current distribution rates to its stockholders. As a result of additional investment opportunities and flexibility due to the increase in assets from the acquisition of MCG, PFLT is expected to be able to continue to pay steady distributions to its stockholders and, after the ramp up period to invest the cash received in the Merger, increase distributions paid to PFLT stockholders.

*Compliance with Regulatory Obligations.* The Merger should not affect the ability of PFLT to comply with its regulatory obligations, including its ability to maintain appropriate leverage and continue to operate in compliance with the asset coverage requirements set forth in the 1940 Act and to pay dividends required of RICs.

*Tax Considerations.* The taxable nature of the Merger was not expected to have a material effect on PFLT or its stockholders. MCG's significant capital loss carryforwards were not expected to be of material benefit to PFLT, so any restriction on the ability to utilize them as a result of the Merger was of limited importance.

*Opinion of PFLT's Financial Advisor.* The financial presentation, dated April 28, 2015, of KBW to the PFLT board of directors and the KBW Opinion, dated April 28, 2015, to the PFLT board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to PFLT of the stock consideration in the Initial Merger, as more fully described below under Opinion of PFLT's Financial Advisor.

The foregoing list does not include all the factors that PFLT's board of directors considered in approving the proposed Merger and Merger Agreement and recommending that PFLT stockholders approve the issuance of PFLT Common Stock necessary to effectuate the proposed Merger. For a further discussion of the material factors considered by PFLT's board of directors, see The Merger Reasons for the Merger.

***MCG***

MCG's board of directors consulted with representatives of management, as well as MCG's financial and legal advisors and considered numerous factors, including the ones described below, and, as a result, determined that the Merger is in MCG's best interest and the best interests of MCG's stockholders.

Certain material factors considered by MCG's board of directors, including its independent directors, include, among others:

Thorough Review of Strategic Alternatives;

Value Provided by the PFLT Transaction;

Resumption of Dividend Payments;

Strategic and Business Considerations;

Diversity of PFLT's Portfolio;

Low Risk Profile of PFLT's Portfolio;

Compatibility with Existing Investments;

Favorable Capital Structure;

Consistency of Earnings;

Low Cost Structure; and

Compatible Stockholder Base.

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The foregoing list does not include all the factors that MCG's board of directors considered in approving the Merger Agreement and the Merger and recommending that MCG stockholders approve the Merger Agreement and the Merger. For a further discussion of the material factors considered by MCG's board of directors, see "The Merger - Reasons for the Merger."

### **Risks Relating to the Proposed Merger**

The Merger and the other transactions contemplated by the Merger Agreement are subject to the following risks. MCG and PFLT stockholders should carefully consider these risks before deciding how to vote on the proposals to be voted on at their respective special meetings. See "Risk Factors - Risks Relating to the Merger" below for a more detailed discussion of these factors.

MCG stockholders and PFLT stockholders will experience a reduction in percentage ownership and voting power as a result of the Merger.

PFLT may be unable to realize the benefits anticipated by the Merger, including the estimated cost savings, or it may take longer than anticipated to achieve such benefits.

The Merger may trigger certain "change of control" provisions and other restrictions in contracts of PFLT and the failure to obtain any required consents or waivers could adversely impact the combined company.

The opinions delivered to the boards of directors of MCG and PFLT by the parties' respective financial advisors will not reflect changes in circumstances between signing the Merger Agreement and completion of the Merger.

Termination of the Merger Agreement or the failure to close the Merger could negatively impact MCG and PFLT.

Under certain circumstances, MCG and PFLT are obligated to pay each other a termination fee upon termination of the Merger Agreement.

The Merger Agreement limits MCG's ability to pursue alternatives to the Merger.

The Merger is subject to closing conditions, including stockholder approvals, that, if not satisfied or waived, will result in the Merger not being completed, which may result in material adverse consequences to MCG's business and operations.

Certain persons related to MCG have interests in the Merger that differ from the interests of MCG stockholders.

PFLT may not immediately use the assets it acquires in the Merger to make additional investments in existing portfolio companies or make investments in new portfolio companies.

MCG will be subject to business uncertainties and contractual restrictions while the Merger is pending.

The shares of PFLT Common Stock to be received by MCG stockholders as a result of the Merger will have different rights associated with them than shares of MCG Common Stock currently held by them.

The market price of PFLT Common Stock after the Merger may be affected by factors different from those affecting MCG Common Stock or PFLT Common Stock currently.

**Special Meeting of PFLT Stockholders**

PFLT plans to hold its special meeting of common stockholders on August 14, 2015 at 10:00 a.m., Eastern Time, at the offices of Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036. At the PFLT special meeting, holders of PFLT Common Stock will be asked to:

approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement; and

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adjourn the PFLT special meeting, if necessary, to solicit additional proxies in favor of the foregoing proposal. You can vote at the PFLT special meeting if you owned PFLT Common Stock at the close of business on July 13, 2015. As of that date, there are anticipated to be approximately 14,898,056 shares of PFLT Common Stock outstanding and entitled to vote, 237,759 of which, or 1.6%, are anticipated to be owned beneficially or of record by directors and officers of PFLT.

### **Special Meeting of MCG stockholders**

MCG plans to hold its special meeting of common stockholders on August 14, 2015 at 10:00 a.m., Eastern Time, at Hyatt Arlington, 1325 Wilson Boulevard, Arlington, Virginia, 22209. At the MCG special meeting, holders of MCG Common Stock will be asked to:

approve the Merger and the Merger Agreement; and

adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies in favor of the foregoing proposal.

You can vote at the MCG special meeting if you owned MCG Common Stock at the close of business on July 13, 2015. As of that date, there are anticipated to be approximately 37,074,117 shares of MCG Common Stock outstanding and entitled to vote. Approximately 1,072,471 of such total outstanding shares, or 2.9%, are anticipated to be owned beneficially or of record by directors and officers of MCG.

### **PFLT's Financial Advisor Has Provided an Opinion to PFLT's Board of Directors Regarding the Fairness From a Financial Point of View to PFLT of the Stock Consideration in the Initial Merger**

In connection with the Merger, PFLT's financial advisor, KBW, delivered a written opinion, dated April 28, 2015, or the KBW Opinion, to PFLT's board of directors as to the fairness, from a financial point of view and as of the date of the opinion, to PFLT of the stock consideration in the Initial Merger. The full text of the KBW Opinion, which describes the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW in preparing the KBW Opinion, is attached as *Annex C* to this joint proxy statement and prospectus. **The opinion was for the information of, and was directed to, the PFLT board of directors (in its capacity as such) in connection with its consideration of the financial terms of the merger. The KBW Opinion did not address the underlying business decision of PFLT to engage in the Merger or enter into the Merger Agreement or constitute a recommendation to the PFLT board of directors in connection with the Merger, and it does not constitute a recommendation to any holder of PFLT Common Stock or any stockholder of any other entity as to how to vote in connection with the Merger or any other matter.**

### **Morgan Stanley Has Provided an Opinion to MCG's Board of Directors Regarding the Merger**

Morgan Stanley & Co. LLC, which is referred to as Morgan Stanley, was retained by the MCG board of directors to act as its financial advisor in connection with the proposed Merger. On April 28, 2015, Morgan Stanley rendered its oral opinion, which was subsequently confirmed in writing, to the MCG board of directors to the effect that, as of that date and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in the written opinion, the merger consideration to be received by the holders of shares of MCG Common Stock (including shares of MCG Common Stock that will vest in full upon the closing of the Merger, which are referred to as the MCG Restricted Common



Stock, but excluding (i) shares owned by MCG as treasury stock, (ii) shares owned by PFLT, (iii) subject to certain exceptions, shares owned by wholly owned subsidiaries of MCG or PFLT and (iv) shares owned by MCG stockholders who are entitled to and who properly exercise and perfect appraisal rights under Delaware law) pursuant to the Merger Agreement was fair from a financial point of view to the holders of shares of MCG Common Stock.

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The full text of the written opinion of Morgan Stanley to the MCG board of directors, dated as of April 28, 2015, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached to this joint proxy statement and prospectus as *Annex B*, and is incorporated by reference into this joint proxy statement and prospectus in its entirety. The summary of the opinion of Morgan Stanley in this joint proxy statement and prospectus is qualified in its entirety by reference to the full text of the opinion. You are encouraged to read Morgan Stanley's opinion and the section below captioned "The Merger Opinion of Morgan Stanley & Co. LLC" summarizing Morgan Stanley's opinion carefully and in their entirety. Morgan Stanley's opinion was directed to the MCG board of directors, in its capacity as such, and addressed only the fairness from a financial point of view of the merger consideration to be received by the holders of shares of MCG Common Stock (including shares of MCG Restricted Common Stock, but excluding (i) shares owned by MCG as treasury stock, (ii) shares owned by PFLT, (iii) subject to certain exceptions, shares owned by wholly owned subsidiaries of MCG or PFLT and (iv) shares owned by MCG stockholders who are entitled to and who properly exercise and perfect appraisal rights under Delaware law) pursuant to the Merger Agreement, as of the date of the opinion, and did not address any other aspects or implications of the Merger. It was not intended to, and does not, constitute advice or a recommendation to any stockholder of MCG or PFLT as to how to vote at any stockholders' meeting to be held pursuant to the Merger or whether to take any other action with respect to the Merger.

**PFLT's Board of Directors Unanimously Recommends That PFLT Stockholders Vote FOR Approval of the Issuance of PFLT Common Stock pursuant to the Merger**

PFLT's board of directors, including its independent directors, unanimously approved the Merger and the Merger Agreement, including the issuance of PFLT Common Stock in connection therewith, and recommends that PFLT stockholders vote FOR approval of the issuance of the PFLT Common Stock to be issued pursuant to the Merger Agreement and FOR approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.

**MCG's Board of Directors Unanimously Recommends That MCG Stockholders Vote FOR Approval of the Merger and the Merger Agreement**

MCG's board of directors, including its independent directors, believes that the Merger is advisable and in the best interest of MCG's stockholders and unanimously recommends that its stockholders vote FOR approval of the Merger and the Merger Agreement, and FOR approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.

**Votes Required to Approve the Merger and Merger Agreement**

The affirmative vote of the holders of at least a majority of the outstanding shares of MCG Common Stock entitled to vote is required to approve the Merger and the Merger Agreement. Stockholders who abstain or who fail to return their proxies, and do not instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or vote at the MCG special meeting, will have the same effect as if they voted AGAINST the Merger Agreement and the Merger.

**Votes Required to Approve the Issuance of Shares of PFLT Common Stock Pursuant to the Merger Agreement**

The affirmative vote of at least a majority of the votes cast by holders of PFLT Common Stock at a meeting at which a quorum is present is required to approve the issuance of the shares of PFLT Common Stock to be

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issued pursuant to the Merger Agreement. Stockholders who abstain or who fail to return their proxies, and do not instruct the proxy solicitor on how to cast their vote by calling the proxy solicitor or via the Internet pursuant to the instructions shown on the proxy card or vote at the PFLT special meeting, will have no effect on the result of the vote.

### **Completion of the Merger**

While there can be no assurances as to the exact timing, or that the Merger will be completed at all, MCG and PFLT are working to complete the Merger in the third quarter of 2015. As more fully described in this joint proxy statement and prospectus and in the Merger Agreement, the completion of the Merger depends on a number of conditions being satisfied or, where legally permissible, waived.

### **Interests of Certain Persons Related to MCG in the Merger**

Certain persons related to MCG, including named executive officers and directors, have certain interests, including financial interests, in the Merger that may be different from, or in addition to, the interests of MCG stockholders. The MCG board of directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the transactions contemplated thereby. These interests include:

The terms of previously granted restricted shares of MCG Common Stock provide for the accelerated vesting of restricted shares upon the effective time of the transaction;

MCG previously entered into severance agreements with two of its executive officers and adopted a severance plan applicable to the other executive officer (and other employees), pursuant to which each of the executive officers of MCG are entitled to certain payments and benefits upon a qualifying termination of employment following the effective time of the Merger;

Pursuant to the Merger Agreement, MCG may establish certain incentive compensation pools that the MCG board of directors may use to retain employees and consultants, and the executive officers of MCG may receive distributions from the incentive compensation pool if the MCG board of directors exercises its right to make such payments; and

Members of the MCG board of directors and executive officers of MCG are entitled to continued indemnification and insurance coverage under the Merger Agreement.

### **Conditions That Must Be Satisfied or Waived for the Merger to Occur**

As more fully described in the Merger Agreement, the obligations of MCG and PFLT to complete the Merger are subject to the satisfaction or, where permissible, waiver of certain conditions including the following:

the approvals of MCG and PFLT stockholders are obtained at their respective special meetings;

the registration statement, of which this joint proxy statement and prospectus forms a part, has become effective and no stop order suspending its effectiveness has been issued and no proceedings for that purpose have been initiated by the SEC;

the absence of changes or events that have had or would reasonably be expected to have a material adverse effect on MCG or PFLT;

no order or law preventing or making illegal the consummation of the Merger or any of the other transactions contemplated by the Merger Agreement is in effect, and no such suit or proceeding is pending; and

the truth and accurateness of the representations and warranties and compliance with covenants of each other party in the Merger Agreement, subject to the materiality standards provided in the Merger Agreement.

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**Termination of the Merger Agreement**

The Merger Agreement contains certain termination rights for MCG or PFLT, as applicable, including if:

the parties mutually agree to terminate;

the Merger has not been completed by January 28, 2016;

a governmental entity has issued a final and non-appealable order or promulgated a law prohibiting or making illegal the Merger or any of the other transactions contemplated by the Merger Agreement;

the stockholders of MCG fail to approve the Merger and the Merger Agreement;

the MCG board of directors has changed its recommendation in favor of the Merger and the Merger Agreement;

either party breaches its representations, warranties or covenants in the Merger Agreement such that the closing conditions cannot be satisfied;

the stockholders of PFLT fail to approve the issuance of PFLT Common Stock pursuant to the Merger; or

MCG receives a superior offer to the terms of the Merger Agreement to acquire MCG by a third-party;

**Termination Fee**

The Merger Agreement provides that, in connection with the termination of the Merger Agreement under specified circumstances, MCG may be required to pay a termination fee of \$7 million to PFLT and PFLT may be required to pay a reverse termination fee of \$7 million to MCG. See [Description of the Merger Agreement Termination of the Merger Agreement](#) for a discussion of the circumstances that could result in the payment of a termination fee. PFLT or MCG, as applicable, will be the entities entitled to receive any termination fees under the Merger Agreement. The boards of directors of each of PFLT and MCG have approved the amount of the termination fee which may be paid.

**Table of Contents****COMPARATIVE FEES AND EXPENSES**

The following tables are intended to assist you in understanding the costs and expenses that an investor in the common stock of PFLT or MCG bears directly or indirectly and PFLT's costs and expenses that are expected to be incurred in the first year following the Merger. PFLT and MCG caution you that some of the percentages indicated in the table below are estimates and may vary. Except where the context suggests otherwise, whenever this document contains a reference to fees or expenses paid or to be paid by you, PFLT, or MCG stockholders will indirectly bear such fees or expenses as investors in PFLT or MCG, as applicable.

	Actual PFLT	Actual MCG	Pro Forma PFLT Combined
<b><i>Stockholder transaction expenses</i></b> (as a percentage of offering price)			
Sales load paid by PFLT and MCG	None <sup>(1)</sup>	None <sup>(1)</sup>	None <sup>(1)</sup>
Offering expenses borne by PFLT and MCG	None <sup>(1)</sup>	None <sup>(1)</sup>	None <sup>(1)</sup>
Dividend reinvestment plan expenses	None <sup>(2)</sup>	None <sup>(2)</sup>	None <sup>(2)</sup>
Total stockholder transaction expenses paid by PFLT and MCG	None	None	None

	Actual PFLT	Actual MCG	Pro Forma PFLT Combined
<b><i>Annual expenses</i></b> (as a percentage of consolidated net assets attributable to common stock) <sup>(3), (4)</sup> :			
Management fees <sup>(5)</sup>	1.63%	%	1.12%
Incentive fees <sup>(6)</sup>	0.97%	%	0.55%
Interest payments on borrowed funds <sup>(7)</sup>	1.56%	%	0.88% <sup>(8)</sup>
Other expenses <sup>(9)</sup>	1.04%	5.94%	2.19%
Total annual expenses <sup>(10)</sup>	5.20%	5.94%	4.74%

(1) Purchases of shares of PFLT Common Stock or MCG Common Stock on the secondary market are not subject to sales charges, but may be subject to brokerage commissions or other charges. The table does not include any sales load (underwriting discount or commission) that stockholders may have paid in connection with their purchase of shares of PFLT Common Stock or MCG Common Stock. If there are any expenses in connection with the offering, they will be determined at the closing date.

(2) PFLT maintains an opt out dividend reinvestment plan for its common stockholders. As a result, if PFLT declares a distribution, then stockholders' cash distributions will be automatically reinvested in additional shares of its common stock, unless they specifically opt out of the dividend reinvestment plan so as to receive cash distributions. The expenses of the dividend reinvestment plan are included in Other expenses.

- (3) Consolidated net assets attributable to common stock equals net assets at March 31, 2015. For the Pro Forma Combined column, the net assets of PFLT on a pro forma basis as of March 31, 2015 were used. See PFLT's Pro Forma Condensed Consolidated Financial Statements for more information. All expense ratios presented have been annualized.
- (4) MCG is internally managed by its management team acting under the supervision of its board of directors, and therefore pays operating costs associated with employing a management team and investment professionals instead of paying an investment advisory fee. As a result, the annual expenses MCG incurs in connection with the employment of such employees is included in the line item Other expenses and, accordingly, any comparison of the individual items of MCG and PFLT set forth under Annual expenses above may not be useful because PFLT, in contrast to MCG, is externally managed. The pro forma combined company's annual expenses are consistent with the information presented in the Unaudited Pro Forma Condensed Consolidated Financial Statements included herein.
- (5) PFLT is externally managed by the PFLT Investment Adviser. Following completion of the Merger, the combined company will continue to be externally managed by the PFLT Investment Adviser. The pro forma combined company management fee has been calculated in a manner consistent with the PFLT Investment Management Agreement. PFLT's contractual management fee is calculated at an annual rate of 1.00% of its average adjusted gross assets at the end of the two most recently completed calendar quarters. PFLT has assumed that the base management fee remains at 1.00% as set forth in the current PFLT Investment Management Agreement. Unless terminated earlier, the PFLT Investment Management Agreement will remain in effect if approved annually by its board of directors, or



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by the affirmative vote of the holders of a majority of its outstanding voting securities, including, in either case, approval by a majority of its directors who are not interested persons of PFLT or the PFLT Investment Adviser. Under the 1940 Act, any material change to the PFLT Investment Management Agreement must be submitted to PFLT's stockholders for approval. See [Certain Relationships and Related Transactions of PFLT PFLT Investment Management Agreement](#) for more information.

- (6) The portion of incentive fees paid to PFLT Investment Adviser with respect to net investment income and capital gains, if any, is based on actual amounts incurred during the six months ended March 31, 2015, annualized for a full year. Such incentive fees are based on performance, vary from period to period and are not paid unless PFLT's performance exceeds specified thresholds. The portion of PFLT's 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 PFLT Investment Management Agreement, as of the termination date) and equals 20.0% of its realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees. For purposes of this chart and PFLT's Consolidated Financial Statements, its incentive fees on capital gains are calculated in accordance with U.S. generally accepted accounting principles, or GAAP. For purposes of pro forma incentive fees on capital gains, we have assumed no additional fees were earned. As PFLT cannot predict its 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 six months ended March 31, 2015. The pro forma combined company incentive fees have been calculated in a manner consistent with GAAP. See [Certain Relationships and Related Transactions of PFLT Investment Management Agreement](#) for more information.
- (7) Interest payments on borrowed funds represents an estimate of annualized interest expense based on actual interest and credit facility expenses incurred during the six months ended March 31, 2015. As of March 31, 2015, PFLT maintained a \$200 million Credit Facility under which \$117.3 million was outstanding bearing interest at LIBOR plus 200 basis points during the revolving period, which extends to May 2016, excluding the undrawn commitment fee of 0.50%. Although the pro forma combined information assumes no additional leverage, PFLT's use of leverage, as calculated under the asset coverage requirements, or the asset coverage ratio, of the 1940 Act, may generally range between 70% and 90% of its net assets, or 40% and 50% of its managed assets. PFLT cannot assure investors that its leverage will remain within the range. The amount of leverage that PFLT employs will depend on its assessment of the market and other factors at the time of any proposed borrowing. PFLT has estimated the annual interest expense on borrowed funds, and cautions you that its actual interest expense will depend on prevailing interest rates and its rate of borrowing, which may be substantially higher than the estimates provided in this table. See [Risk Factors Risks Relating to PFLT Risks Relating to PFLT's Business and Structure](#) PFLT currently uses borrowed funds to make investments and is exposed to the typical risks associated with leverage for more information.
- (8) This is based on the assumption that borrowings and interest costs after the Merger will remain the same as those costs prior to the Merger. PFLT expects over time that as a result of additional investment purchases, and in turn, additional borrowings on the credit facility after the Merger, the combined company's interest payments on borrowed funds may be more than the amounts estimated in the Unaudited Pro Forma Combined Statement of Operations and, accordingly, that estimated total expenses may be different than as reflected in the Unaudited Pro Forma Combined Statement of Operations for the six months ended March 31, 2015. However, the actual amount of leverage employed at any given time cannot be predicted. See [Risk Factors Risks Relating to PFLT Risks](#)

Relating to PFLT's Business and Structure. If PFLT incurs additional debt, it could increase the risk of investing in PFLT's shares. For more information.

- (9) Includes overhead expenses, in the case of PFLT, payments under the Administration Agreement based on its allocable portion of overhead and other expenses incurred by PFLT Administrator in performing its obligations under such administration agreement. In the case of MCG, such expenses are based on annualized employee salaries and benefits and employee stock awards, as applicable, and administrative expenses for the six months ended March 31, 2015. In the case of PFLT, such expenses are based on annualized Other expenses for the six months ended March 31, 2015. See Certain Relationships and Related Transactions of PFLT Administration Agreement for more information. For the combined company, Other expenses were based on the amount indicated in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended March 31, 2015. The holders of shares of PFLT and MCG Common Stock (and not the holders of their debt securities, if any) indirectly bear the cost associated with their annual expenses. For the combined company, the Other expenses ratio is higher than for PFLT standalone because MCG's Other Expenses excluding salaries and benefits exceeds PFLT's level of expenses as a percentage of net assets.
- (10) To the extent that a company borrows money to make investments, its Total annual expenses as a percentage of consolidated net assets attributable to common stock will be higher than if that company were not leveraged. PFLT borrows money to leverage its net assets and increase its total assets.

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses over various periods prior to the Merger with respect to a hypothetical investment in MCG or PFLT or, following the Merger, the combined company's common stock. In calculating the following expense amounts, each of MCG, PFLT and

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the combined company has assumed that it would have no additional leverage and that its annual operating expenses would remain at the levels set forth in the table above. Transaction expenses related to the Merger are not included in the following example.

	1 year	3 years	5 years	10 years
<b>You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return in:</b>				
MCG	\$ 59	\$ 176	\$ 290	\$ 567
PFLT				
Assuming no return from net realized capital gains or net unrealized capital appreciation.	\$ 42	\$ 128	\$ 216	\$ 440
Assuming return from only realized capital gains and thus subject to the capital gains incentive fee.	\$ 52	\$ 156	\$ 260	\$ 517
Pro forma following the Merger				
Assuming no return from net realized capital gains or net unrealized capital appreciation.	\$ 42	\$ 127	\$ 214	\$ 436
Assuming return from only realized capital gains and thus subject to the capital gains incentive fee.	\$ 52	\$ 155	\$ 258	\$ 514

The table above is to assist you in understanding the various costs and expenses that an investor in MCG, PFLT, or following the Merger, the combined company's common stock will bear directly or indirectly. This example and the expenses in the table above should not be considered a representation of the companies' future expenses. Actual expenses may be greater or less than those assumed. While the example assumes, as required by the SEC, a 5% annual return, performance will vary and may result in a return greater or less than 5%. In the case of PFLT and the combined company following the Merger, assuming a 5% annual return, the incentive fee under the PFLT Investment Management Agreement would not be earned or payable and is not included in the example. If PFLT or the combined company following the Merger achieves sufficient returns on its investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, its expenses, and returns to its investors, would be higher. The example assumes that all dividends and distributions, if any, are reinvested at net asset value. Depending upon the market value of PFLT Common Stock, reinvestment of dividends and distributions under its dividend reinvestment plan may occur at a price per share that differs from, and which could be lower than, net asset value. See PFLT Dividend Reinvestment Plan for more information.

**This example and the expenses in the table above should not be considered a representation of MCG, PFLT or, following the Merger, the combined company's future expenses as actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.**

**Table of Contents****SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF PFLT**

The data below has been derived from PFLT's audited and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such periods. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data are derived from PFLT's audited and unaudited Consolidated Financial Statements. These selected financial data should be read in conjunction with PFLT's Consolidated Financial Statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations of PFLT for more information.

	Six Months Ended March 31,		Year Ended September 30,			For the period March 4, 2011 (commencement of operations) to September 30, 2011
	2015 (unaudited)	2014	2014	2013	2012	
<b>(Dollar amounts in thousands, except per share data)</b>						
<b>Consolidated Statements of Operations data:</b>						
Total investment income	\$ 15,460	\$ 14,467	\$ 30,357	\$ 18,867	\$ 12,099	\$ 2,947
Total expenses	5,535	7,515	13,721	8,344	5,789	2,626
Net investment income	9,925	6,952	16,636	10,523	6,310	320
Net realized and unrealized (loss) gain	(3,362)	6,342	3,878	1,461	5,651	(3,793)
Net increase (decrease) in net assets resulting from operations	6,563	13,294	20,514	11,985	11,961	(3,473)
<b>Per share data:</b>						
NAV (at period end)	14.30	14.46	14.40	14.10	13.98	13.44
Net investment income <sup>(1)</sup>	0.67	0.47	1.12	1.10	0.92	0.05
Net realized and unrealized (loss) gain <sup>(1)</sup>	(0.23)	0.42	0.26	0.15	0.83	(0.56)
Net increase (decrease) in net assets resulting from operations <sup>(1)</sup>	0.44	0.89	1.38	1.25	1.75	(0.51)
Distributions declared <sup>(1), (2)</sup>	0.54	0.53	1.08	1.05	0.91	0.25
<b>Consolidated Statements of Assets and Liabilities data:</b>						
Total assets	354,374	402,690	372,874	328,802	178,367	121,075
Total investment portfolio	335,525	389,208	348,428	317,804	171,834	110,724
Credit Facility payable <sup>(3)</sup>	117,593	173,200	146,949	99,600	75,123	24,650
Total NAV	212,971	215,353	214,528	210,066	95,744	92,072
<b>Other data:</b>						
Total return <sup>(4)</sup>	5.85%	4.27%	8.05%	17.17%	29.43%	(28.13)%
Number of portfolio companies <sup>(5)</sup>	71	87	72	83	61	38
Yield on debt portfolio <sup>(5)</sup>	8.4%	8.1%	8.2%	8.1%	8.6%	8.0%

- (1) Based on the weighted average shares outstanding for the respective periods.
- (2) Determined based on taxable income calculated in accordance with income tax regulations, which may differ from amounts determined under GAAP.
- (3) At fair value.
- (4) Not annualized for a period of less than a year. Based on the change in market price per share during the periods and takes into account distributions, if any, reinvested in accordance with PFLT's dividend reinvestment plan.
- (5) Unaudited.

**Table of Contents****SELECTED QUARTERLY DATA (Unaudited) (dollar amounts in thousands, except per share data)**

	<b>2015</b>	
	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 7,983	\$ 7,477
Net investment income	\$ 4,456	\$ 5,468
Net realized and unrealized gain (loss)	\$ 1,668	\$ (5,030)
Net increase in net assets resulting from operations	\$ 6,124	\$ 438
Net increase in net assets resulting from operations per common share *	\$ 0.41	\$ 0.03
NAV per share at the end of the quarter	\$ 14.30	\$ 14.16
Market value per share at the end of the quarter	\$ 14.03	\$ 13.73

	<b>2014</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 8,221	\$ 7,669	\$ 7,623	\$ 6,844
Net investment income	\$ 5,320	\$ 4,363	\$ 3,725	\$ 3,228
Net realized and unrealized (loss) gain	\$ (3,043)	\$ 579	\$ 3,513	\$ 2,829
Net increase in net assets resulting from operations	\$ 2,278	\$ 4,942	\$ 7,237	\$ 6,057
Net increase in net assets resulting from operations per common share *	\$ 0.15	\$ 0.33	\$ 0.49	\$ 0.41
NAV per share at the end of the quarter	\$ 14.40	\$ 14.52	\$ 14.46	\$ 14.24
Market value per share at the end of the quarter	\$ 13.78	\$ 14.29	\$ 13.82	\$ 13.73

	<b>2013</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 6,095	\$ 4,670	\$ 4,140	\$ 3,963
Net investment income	\$ 3,581	\$ 3,217	\$ 1,666	\$ 2,059
Net realized and unrealized gain (loss)	\$ 1,866	\$ (1,650)	\$ 1,540	\$ (294)
Net increase in net assets resulting from operations	\$ 5,447	\$ 1,567	\$ 3,206	\$ 1,765
Net increase in net assets resulting from operations per common share *	\$ 0.39	\$ 0.15	\$ 0.45	\$ 0.26
NAV per share at the end of the quarter	\$ 14.10	\$ 13.98	\$ 14.10	\$ 13.99
Market value per share at the end of the quarter	\$ 13.78	\$ 14.14	\$ 13.96	\$ 12.70

\* Based on weighted average shares outstanding for the respective periods, as applicable.

**Table of Contents****SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA OF MCG**

The data below have been derived from MCG's audited and unaudited financial data and, in the opinion of management, such information reflects all adjustments (consisting of normal recurring adjustments) that are necessary to present fairly the results of such periods. The Consolidated Statement of Operations data, per share data and Consolidated Statement of Assets and Liabilities data for the three months ended March 31, 2015 and March 31, 2014 are derived from MCG's Consolidated Financial Statements which have been reviewed by Ernst & Young LLP, an independent registered public accounting firm. The Consolidated Statement of Operations data, Per share data and Consolidated Statement of Assets and Liabilities data for the fiscal years ended December 31, 2014, 2013, 2012, 2011, and 2010 are derived from MCG's audited Consolidated Financial Statements. These selected financial data should be read in conjunction with MCG's Consolidated Financial Statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations of MCG.

	Three Months Ended		Year Ended December 31,				
	March 31,						
	2015	2014	2014	2013	2012	2011	2010
<b>Dollar amounts in thousands, except per share data)</b>							
<b>Consolidated Statements of Operations</b>							
<b>Income data:</b>							
Total investment income	\$ 1,954	\$ 9,346	\$ 26,813	\$ 50,485	\$ 60,993	\$ 85,696	\$ 89,569
Total expenses	2,241	5,023	23,670	20,589	42,187	48,038	49,004
Net investment (loss) income	(287)	4,323	3,143	29,896	18,806	37,658	40,565
Net realized and unrealized gain (loss)	1,584	(23,255)	(24,179)	(28,594)	(13,299)	(129,873)	(54,819)
Net increase (decrease) in net assets							
Resulting from operations	1,299	(18,936)	(20,843)	1,176	4,998	(93,115)	(13,072)
<b>Per share data:</b>							
NAV <sup>(1)</sup>	4.75	4.37	4.69	4.74	5.18	5.65	7.54
Net investment (loss) income <sup>(2)</sup>	(0.01)	0.06	0.06	0.42	0.25	0.49	0.54
Net realized and unrealized gain (loss) <sup>(2)</sup>	0.04	(0.33)	(0.44)	(0.40)	(0.18)	(1.71)	(0.69)
Net increase (decrease) in net assets							
Resulting from operations <sup>(2)</sup>	0.03	(0.27)	(0.38)	0.02	0.07	(1.22)	(0.17)
Distributions declared		(0.13)	(0.25)	(0.50)	(0.58)	(0.66)	(0.37)
<b>Consolidated Statements of Assets and Liabilities data:</b>							
Total assets	180,918	448,560	183,797	513,992	630,776	890,538	1,145,277
Total investment portfolio	50,134	326,298	75,332	368,873	477,724	741,166	1,009,705
Credit Facility payable		150,000		175,172	248,053	430,219	546,882
Total NAV	176,138	296,046	178,901	333,954	371,728	434,952	578,016
<b>Other data:</b>							
Total return <sup>(3)</sup>	3.4%	-8.1%	-7.4%	6.5%	34.0%	33.7%	66.7%
Number of portfolio companies	5	33	7	34	44	60	71
Held on debt portfolio	11.7%	11.4%	12.2%	12.2%	11.3%	10.7%	11.7%

(1) Based on total number of shares outstanding.

- (2) Based on weighted-average number of shares outstanding for the respective periods.
- (3) Total return percentage is calculated by dividing the sum of the amount of dividends paid per share and the difference between the ending and beginning market price per share by the beginning market price per share.



**Table of Contents****SELECTED QUARTERLY DATA (Unaudited)****(dollar amounts in thousands, except per share data)**

	<b>2015 Q1</b>
Total investment income	\$ 1,954
Net investment income (loss)	\$ (287)
Net realized and unrealized gain	\$ 1,584
Net increase in net assets resulting from operations	\$ 1,299
Net increase in net assets resulting from operations per common share	\$ 0.03
NAV per share at the end of the quarter	\$ 4.75
Market value per share at the end of the quarter	\$ 3.96

	<b>2014</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 2,278	\$ 5,664	\$ 9,525	\$ 9,346
Net investment (loss) income	\$ (755)	\$ (976)	\$ 551	\$ 4,323
Net realized and unrealized gain (loss)	\$ 2,786	\$ 2,109	\$ (5,819)	\$ (23,255)
Net increase (decrease) in net assets resulting from operations	\$ 2,076	\$ 1,285	\$ (5,268)	\$ (18,936)
Net increase (decrease) in net assets resulting from operations per common share	\$ 0.05	\$ 0.03	\$ (0.09)	\$ (0.27)
NAV per share at the end of the quarter	\$ 4.69	\$ 4.48	\$ 4.42	\$ 4.37
Market value per share at the end of the quarter	\$ 3.83	\$ 3.52	\$ 3.92	\$ 3.79

	<b>2013</b>			
	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>
Total investment income	\$ 11,179	\$ 13,170	\$ 12,890	\$ 13,246
Net investment income	\$ 6,333	\$ 7,964	\$ 7,556	\$ 8,043
Net realized and unrealized gain (loss)	\$ (24,757)	\$ (4,616)	\$ 1,012	\$ (233)
Net increase (decrease) in net assets resulting from operations	\$ (18,439)	\$ 3,289	\$ 8,574	\$ 7,752
Net increase (decrease) in net assets resulting from operations per common share	\$ (0.26)	\$ 0.05	\$ 0.112	\$ 0.11
NAV per share at the end of the quarter	\$ 4.74	\$ 5.10	\$ 5.18	\$ 5.18
Market value per share at the end of the quarter	\$ 4.40	\$ 5.04	\$ 5.21	\$ 4.78

**Table of Contents****UNAUDITED SELECTED PRO FORMA CONSOLIDATED FINANCIAL DATA**

The following tables set forth unaudited pro forma condensed consolidated financial data for PFLT and MCG as a consolidated entity. The information as of September 30, 2014 is presented as if the Merger had been completed on October 1, 2013. The information as of March 31, 2015 is presented as if the Merger had been completed on October 1, 2014. The Merger follows the asset acquisition method of accounting as detailed in Accounting Standards Codification, or ASC, 805-50 *Business Combinations Related Issues*.

The Unaudited Pro Forma Condensed Consolidated Financial Data should be read together with the respective historical audited and Unaudited Consolidated Financial Statements and related notes to the financial statements of MCG and PFLT in this document. The Unaudited Pro Forma Condensed Consolidated Financial Data are presented for comparative purposes only and do not necessarily indicate what the future operating results or financial position of PFLT will be following completion of the Merger. The Unaudited Pro Forma Condensed Consolidated Financial Data does not include adjustments to reflect all net cost savings or other operational efficiencies that may be realized as a result of the Merger of MCG into PFLT.

**PennantPark Floating Rate Capital Ltd. and Subsidiaries****Pro Forma Condensed Consolidated Financial Data****Unaudited****(in thousands, except per share data)**

	<b>For the Six Months Ended March 31, 2015</b>	<b>For the Year Ended September 30, 2014</b>
Total investment income	\$ 19,692	66,071
Total expenses	8,961	35,255
Net investment income	10,731	30,816
Net realized and unrealized gains (losses) on investments and credit facility	1,008	(47,844)
Net increase (decrease) in net assets resulting from operations	\$ 11,739	(17,028)
	<b>As of March 31, 2015</b>	
Total assets	\$ 524,553	
Total debt	\$ 117,593	
Total net assets	\$ 378,370	



**Table of Contents****UNAUDITED PRO FORMA PER SHARE DATA**

The following selected Unaudited Pro Forma Per Share Data for the six months ended March 31, 2015 and for the year ended September 30, 2014 reflects the Merger and related transactions as if they had occurred on October 1, 2014 and 2013, respectively. The unaudited pro forma combined net asset value per common share outstanding reflects the Merger and related transactions as if they had occurred on March 31, 2015 and September 30, 2014.

Such Unaudited Pro Forma Combined Per Share Data are based on the historical financial statements of PFLT and MCG and on publicly available information and certain assumptions and adjustments as discussed in the section entitled Unaudited Pro Forma Condensed Consolidated Financial Statements. This Unaudited Pro Forma Combined Per Share Data are provided for illustrative purposes only and is not necessarily indicative of what the operating results, level of distributions or financial position of PFLT or MCG would have been had the Merger and related transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results, level of distributions or financial position. The following should be read in connection with the section entitled Unaudited Pro Forma Condensed Consolidated Financial Statements and other information included in or incorporated by reference into this document.

(amounts in thousands except per share data)	As of and For the Six Months Ended March 31, 2015				As of and For the Year Ended September 30, 2014			
	PFLT	MCG	Pro forma Combined		PFLT	MCG	Pro forma Combined	
			PFLT	Per Equivalent MCG Share <sup>(3)</sup>			PFLT	Per Equivalent MCG Share <sup>(3)</sup>
Numerator for net increase (decrease) in net assets resulting from operations:	\$ 6,563	\$ 3,375	\$ 11,739		\$ 20,514	\$ (41,358)	\$ (17,028)	
Basic	\$ 0.44	\$ 0.08	\$ 0.44	\$ 0.14	\$ 1.38	\$ (0.66) <sup>(4)</sup>	\$ (0.64)	\$ (0.20)
Diluted	\$ 0.44	\$ 0.08	\$ 0.44	\$ 0.14	\$ 1.38	\$ (0.66) <sup>(4)</sup>	\$ (0.64)	\$ (0.20)
Cash distributions declared <sup>(1)</sup>	\$ 0.54	\$	\$ 0.54	\$ 0.17	\$ 1.08	\$ 0.37	\$ 1.08	\$ 0.34
Net asset value per share <sup>(2)</sup>	\$ 14.30	\$ 4.75	\$ 14.24	\$ 4.50	\$ 14.40	\$ 4.48		

- (1) The cash distributions declared per share represent the actual distributions declared per share for the period presented. The pro forma combined distributions declared are the distributions per share as declared by PFLT.
- (2) The pro forma combined net asset value per share is computed by dividing the pro forma combined net assets as of March 31, 2015 by the pro forma combined number of shares outstanding.
- (3) MCG equivalent pro forma per share amount is calculated by multiplying the combined pro forma share amounts by the common stock exchange ratio of .3162.
- (4) For the year ended September 30, 2014, MCG excluded 712 weighted-average shares of restricted stock from the calculation of diluted loss per share because the inclusion of these shares would have had an anti-dilutive impact on the calculation of loss per share.



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**RISK FACTORS**

*In addition to the other information included in this joint proxy statement and prospectus, stockholders should consider the matters described below in determining whether to approve the Merger and the Merger Agreement, in the case of MCG stockholders, and approve the issuance of PFLT Common Stock pursuant to the Merger, in the case of PFLT stockholders. The risks set out below are not the only risks PFLT, MCG and, following the Merger, the combined company. Additional risks and uncertainties not currently known to PFLT or MCG or that they currently deem to be immaterial also may materially adversely affect their or, following the Merger, the combined company's business, financial condition or operating results. If any of the following events occur, PFLT, MCG or, following the Merger, the combined company's business, financial condition or results of operations could be materially adversely affected.*

**RISKS RELATING TO THE MERGER**

***MCG stockholders and PFLT stockholders will experience a reduction in percentage ownership and voting power in the combined company as a result of the Merger.***

MCG stockholders will experience a substantial reduction in their respective percentage ownership interests and effective voting power in respect of the combined company relative to their respective percentage ownership interests in MCG prior to the Merger. Consequently, MCG stockholders should expect to exercise less influence over the management and policies of the combined company following the Merger than they currently exercise over the management and policies of MCG. PFLT stockholders will experience a substantial reduction in their respective percentage ownership interests and effective voting power in respect of the combined company relative to their respective ownership interests in PFLT prior to the Merger. Consequently, PFLT stockholders should expect to exercise less influence over the management and policies of the combined company following the Merger than they currently exercise over the management and policies of PFLT. If the Merger is consummated, based on the number of shares of PFLT Common Stock issued and outstanding at the closing of the Merger, it is expected PFLT stockholders will own approximately 56% of the outstanding PFLT Common Stock and MCG stockholders will own approximately 44% of the outstanding PFLT Common Stock.

***Under no circumstance will the aggregate cash consideration payable by the PFLT Investment Adviser exceed \$11.339 million.***

In connection with the Merger, each share of MCG Common Stock will be entitled to receive from the PFLT Investment Adviser \$0.226 in cash consideration (subject to upward adjustment based on the market price of PFLT Common Stock). Under no circumstance, however, will the aggregate cash consideration payable by the PFLT Investment Adviser exceed \$11.339 million. As a result, if more than 12,000,000 shares of PFLT Common Stock are issued in the Merger and the Merger Share Price (as defined in the Merger Agreement) is less than the PFLT Closing NAV (as defined in the Merger Agreement), the upward adjustment component of the cash consideration you are entitled to receive may be less than \$0.25 per share of PFLT Common Stock that you receive in the Merger. See Description of the Merger Agreement.

***PFLT may be unable to realize the benefits anticipated by the Merger, including estimated cost savings, or it may take longer than anticipated to achieve such benefits.***

The realization of certain benefits anticipated as a result of the Merger will depend in part on the integration of MCG's assets with PFLT's business. There can be no assurance that MCG's assets can be profitable or integrated successfully into PFLT's operations in a timely fashion or at all. The dedication of management resources to such integration may

detract attention from the day-to-day business of PFLT and there can be no assurance that there will not be substantial costs associated with the transition process or there will not be other material adverse effects as a result of these integration efforts. Such effects could have a material adverse effect on the financial results of PFLT.

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PFLT also expects to achieve certain cost savings from the Merger when the two companies have fully integrated their operations. It is possible that the estimates of the potential cost savings could turn out to be incorrect. The cost savings estimates also assume PFLT's ability to combine the operations of PFLT and MCG's assets in a manner that permits those cost savings to be fully realized. If the estimates turn out to be incorrect or if PFLT is not able to successfully combine MCG's assets with the operations of PFLT, the anticipated cost savings may not be fully realized or realized at all or may take longer to realize than expected.

***The Merger may trigger certain change of control provisions and other restrictions in contracts of PFLT and the failure to obtain any required consents or waivers could adversely impact the combined company.***

Certain agreements of MCG and PFLT or their controlled affiliates will or may require the consent of one or more counterparties in connection with the Merger. The failure to obtain any such consent may permit such counterparties to terminate, or otherwise increase their rights or MCG's or PFLT's obligations under, any such agreement because the Merger may violate an anti-assignment, change of control or similar provision. If this occurs, PFLT may have to seek to replace that agreement with a new agreement or seek a waiver or amendment to such agreement. MCG and PFLT cannot assure you that PFLT will be able to replace, amend or obtain a waiver under any such agreement on comparable terms or at all.

If any such agreement is material, the failure to obtain consents, amendments or waivers under, or to replace on similar terms or at all, any of these agreements could adversely affect the financial performance or results of operations of the combined company following the Merger.

In addition, the consummation of the Merger may violate, conflict with, result in a breach of provisions of or the loss of any benefit under, constitute a default (or an event that, with or without notice or lapse of time or both, would constitute a default) under, or result in the termination, cancellation, acceleration or other change of any right or obligation (including any payment obligation) under certain agreements of PFLT. Any such violation, conflict, breach, loss, default or other effect could, either individually or in the aggregate, have a material adverse effect on the financial condition, results of operations, assets or business of the combined company following completion of the Merger.

***The opinions delivered to the boards of directors of MCG and PFLT by the parties' respective financial advisors will not reflect changes in circumstances between signing the Merger Agreement and completion of the Merger.***

Neither MCG nor PFLT has obtained an updated opinion as of the date of this joint proxy statement and prospectus from their respective financial advisors and neither anticipates obtaining an updated opinion prior to closing of the Merger. Changes in the operations and prospects of MCG or PFLT, general market and economic conditions and other factors that may be beyond the control of MCG or PFLT may significantly alter the value of MCG or the prices of shares of PFLT Common Stock or MCG Common Stock by the time the Merger is completed. The opinions do not speak as of the time the Merger will be completed or as of any date other than the date of such opinions. The recommendations of the boards of directors of MCG and PFLT that their respective stockholders vote FOR approval of the matters described in this joint proxy statement and prospectus are made as of the date of this joint proxy statement and prospectus. For a description of the opinion MCG's financial advisor, see The Merger Opinion of MCG's Financial Advisors. For a description of the opinion delivered by PFLT's financial advisor, see The Merger Opinion of PFLT's Financial Advisor.

***Termination of the Merger Agreement or the failure to close the Merger could negatively impact MCG and PFLT.***

If the Merger Agreement is terminated, there may be various consequences, including:



MCG's and PFLT's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing any of the anticipated benefits of completing the Merger;

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the market price of MCG Common Stock and PFLT Common Stock might decline to the extent that the market price prior to such termination reflects a market assumption that the Merger will be completed;

in the case of MCG, it may not be able to find a party willing to pay an equivalent or more attractive price than the price PFLT has agreed to pay in the Merger; and

the payment of any termination fee or reverse termination fee, if required under the circumstances, could adversely affect the financial condition and liquidity of MCG or PFLT.

The Merger may not be completed. If the Merger is not completed, PFLT and MCG will have incurred substantial expenses for which no ultimate benefit will have been received. Both companies have incurred out-of-pocket expenses in connection with the Merger for investment banking, legal and accounting fees and financial printing and other related charges, much of which will be incurred even if the Merger is not completed.

***Under certain circumstances, a termination fee may be payable by MCG or PFLT upon termination of the Merger Agreement.***

The Merger Agreement provides for the payment by MCG of a termination fee to PFLT of \$7 million if the Merger is terminated by MCG or PFLT under certain circumstances including termination to pursue a Superior Proposal to the Merger. In addition, the Merger Agreement provides for a payment by PFLT of a reverse termination fee of \$7 million to MCG if PFLT is unable to obtain the necessary votes of PFLT stockholders to approve the issuance of PFLT Common Stock. See [Description of the Merger Agreement](#) [Termination of the Merger Agreement](#) for a discussion of the circumstances that could result in the payment of a termination fee. PFLT or MCG, as applicable, will be the entities entitled to receive any termination fees under the Merger Agreement. The boards of directors of each of PFLT and MCG have approved the amount of the termination fee which may be paid.

***The Merger Agreement limits MCG's ability to pursue alternatives to the Merger.***

The Merger Agreement contains provisions that limit MCG's ability to solicit, discuss or negotiate competing third-party proposals to acquire all or a significant part of MCG. These provisions, which are typical for transactions of this type, and include a \$7 million termination fee payable under certain circumstances, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of MCG from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the Merger or might result in a potential competing acquiror proposing to pay a lower per share price to acquire MCG than it might otherwise have proposed to pay.

***The Merger is subject to closing conditions, including stockholder approvals, that, if not satisfied or waived, will result in the Merger not being completed, which may result in material adverse consequences to MCG's business and operations.***

The Merger is subject to closing conditions, including certain approvals of MCG's and PFLT's respective stockholders, that, if not satisfied, will prevent the Merger from being completed. The closing condition that MCG's stockholders approve the Merger and the Merger Agreement may not be waived under applicable law and must be satisfied for the Merger to be completed. MCG currently expects that all directors and executive officers of MCG will vote their shares of MCG Common Stock in favor of the proposals presented at the MCG special meeting. If MCG's stockholders do not approve the Merger and the Merger Agreement and the Merger is not completed, the resulting failure of the Merger could have a material adverse impact on MCG's business and operations. In addition to the required approvals

of MCG's and PFLT's stockholders, the Merger is subject to a number of other conditions beyond MCG's control that may prevent, delay or otherwise materially adversely affect its completion. Neither MCG nor PFLT can predict whether and when these other conditions will be satisfied.

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***Certain persons related to MCG have interests in the Merger that differ from the interests of MCG stockholders.***

Certain persons related to MCG have financial interests in the Merger that are different from, or in addition to, the interests of MCG's stockholders. The members of the MCG board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger and in recommending to MCG stockholders that the Merger Agreement and Merger be approved. These interests are described in more detail in the section of this joint proxy statement and prospectus entitled "The Merger - Interests of Certain Persons Related to MCG in the Merger."

Based on the assumptions set forth in "The Merger - Interests of Certain Persons Related to MCG in the Merger," MCG's chief executive officer, principal financial officer, other most highly compensated current executive officer as of the end of the fiscal year ended December 31, 2014, who are referred to in this proxy statement as the MCG Named Executive Officers, may be entitled to receive aggregate payments of approximately \$3,144,461 in severance payments (including continuation of welfare benefits and tax gross up amounts) under MCG's benefit plans. In addition, two of the MCG Named Executive Officers may be entitled to receive \$1,592,544 in connection with restricted shares of MCG Common Stock that will vest upon the consummation of the Merger.

***PFLT may not immediately use the cash and cash equivalents it acquires in the Merger to make additional investments in existing portfolio companies or make investments in new portfolio companies.***

Pending the investment by PFLT in existing or new portfolio companies, PFLT will invest the cash acquired in the Merger primarily in cash equivalents, U.S. government securities and other high-quality investment grade investments that mature in one year or less from the date of investment. The income PFLT earns on such temporary investments will generally be significantly less than what it would expect to receive from its existing investments in portfolio companies, and pending the investment by PFLT in similar investments, PFLT's income may be limited.

***MCG will be subject to operational uncertainties and contractual restrictions while the Merger is pending.***

Uncertainty about the effect of the Merger may have an adverse effect on MCG while the Merger is pending. These uncertainties may impair MCG's ability to retain and motivate key personnel until the Merger is consummated and could cause those that deal with MCG to seek to change their existing relationships with MCG. Retention of certain employees may be challenging during the pendency of the Merger, as certain employees may experience uncertainty about their future following completion of the Merger. In addition, the Merger Agreement restricts MCG from taking actions that it might otherwise consider to be in its best interests. These restrictions may prevent MCG from pursuing certain business opportunities that may arise prior to the completion of the Merger. Please see the section entitled "Description of the Merger Agreement - Conduct of Business Pending Completion of the Merger" for a description of the restrictive covenants to which MCG is subject.

***The shares of PFLT Common Stock to be received by MCG stockholders as a result of the Merger will have different rights associated with them than shares of MCG Common Stock currently held by them.***

The rights associated with MCG Common Stock are different from the rights associated with PFLT Common Stock. See the section of this joint proxy statement and prospectus entitled "Comparison of Stockholder Rights."

As discussed in the section entitled "Comparison of Stockholder Rights," material differences in the rights of MCG stockholders and PFLT stockholders include:

the fact that PFLT stockholders have the right to call special meetings under certain circumstances and MCG stockholders do not;

the fact that appraisal rights are not available with respect to shares of PFLT Common Stock but are available with respect to shares of MCG Common Stock under certain circumstances;

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the different business combination statutes applicable to each of MCG and PFLT under Delaware law and Maryland law, respectively; and

the right of MCG stockholders to amend MCG's bylaws, while PFLT's bylaws may only be amended by the PFLT board of directors.

***The market price of shares of PFLT Common Stock after the Merger may be affected by factors different from those affecting MCG Common Stock or shares of PFLT Common Stock currently.***

The businesses of PFLT and MCG differ in some respects and, accordingly, the results of operations of the combined company and the market price of PFLT Common Stock after the Merger may be affected by factors different from those currently affecting the independent results of operations of each of PFLT or MCG.

## **RISKS RELATING TO PFLT**

### **Risks Relating to PFLT's Business and Structure**

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

The U.S. capital markets have experienced periods of disruption characterized by the freezing of available credit, a lack of liquidity in the debt capital markets, significant losses in the principal value of investments, the re-pricing of credit risk in the broadly syndicated credit market and the failure of major financial institutions. During these periods of disruption, general economic conditions deteriorated with material and adverse consequences for the broader financial and credit markets, and the availability of debt and equity capital for the market as a whole, and financial services firms in particular, was reduced significantly. These conditions may reoccur for a prolonged period of time or materially worsen in the future. PFLT may in the future have difficulty accessing debt and equity capital, and a severe disruption in the global financial markets, deterioration in credit and financing conditions or uncertainty regarding U.S. government spending and deficit levels could have a material adverse effect on PFLT's business, financial condition and results of operations.

***Volatility or a prolonged disruption in the credit markets could materially damage PFLT's business.***

PFLT is required to record its assets at fair value, as determined in good faith by its board of directors in accordance with PFLT's valuation policy. As a result, volatility in the capital markets may have a material adverse effect on PFLT's valuations and its NAV, even if PFLT holds investments to maturity. Volatility or dislocation in the capital markets may depress PFLT's stock price below its NAV per share and create a challenging environment in which to raise equity and debt capital. As a BDC, PFLT is generally not able to issue additional shares of PFLT Common Stock at a price less than PFLT's NAV without first obtaining approval for such issuance from PFLT's stockholders and independent directors. Additionally, PFLT's ability to incur indebtedness is limited by the asset coverage ratio for a BDC, as defined under the 1940 Act. Declining portfolio values negatively impact PFLT's ability to borrow additional funds under the Credit Facility because PFLT's NAV is reduced for purposes of the asset coverage ratio. If the fair value of PFLT's assets declines substantially, PFLT may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, cause PFLT to lose its status as a BDC and materially impair PFLT's business operations. A lengthy disruption in the credit markets could also materially decrease demand for PFLT's investments.

The significant disruption in the capital markets experienced in the past had, and may in the future have a negative effect on the valuations of PFLT's investments and on the potential for liquidity events involving PFLT's investments. The debt capital that may be available to PFLT in the future may be at a higher cost and have less favorable terms and conditions than those currently in effect. If PFLT's financing costs increase and PFLT has no increase in interest income, then its net investment income will decrease. A prolonged inability to

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raise capital may require PFLT to reduce the volume of investments it originates and could have a material adverse impact on its business, financial condition and results of operations. This may also increase the probability that other structural risks negatively impact PFLT. These situations may arise due to circumstances that PFLT may be unable to control, such as a lengthy disruption in the credit markets, a severe decline in the value of the U.S. dollar, a sharp economic downturn or recession or an operational problem that affects third parties or PFLT, and could materially damage PFLT's business, financial condition and results of operations.

### ***Market developments may adversely affect PFLT's business and results of operations by reducing availability and/or triggering mandatory prepayment under Funding I's Credit Facility.***

In addition to the applicable asset coverage ratio that restricts PFLT's ability to borrow under the Credit Facility, the Credit Facility contains various covenants applicable to Funding I. For example, the income coverage covenant, or test, compares the amount of interest received on the portfolio loans held by Funding I to the amount of interest payable under the Credit Facility to affiliates of SunTrust Bank, or the Lenders, and certain other expenses. To meet this test, the aggregate amount of interest received on the portfolio loans must equal at least 125% of the interest payable in respect to the Lenders and other parties. Failure to satisfy the various covenants under the Credit Facility could accelerate repayment under the Credit Facility or otherwise require changes in the priority of distributions under the payment waterfall, which could materially and adversely affect PFLT's liquidity, financial condition and results of operations. Funding I's borrowings under the Credit Facility are collateralized by the assets in Funding I's investment portfolio. The agreements governing the Credit Facility require Funding I to comply with certain financial and operational covenants. These covenants include:

A requirement to retain PFLT's status as a RIC;

A requirement to maintain a minimum amount of stockholder's equity; and

A requirement that PFLT's outstanding borrowings under the Credit Facility not exceed a certain percentage of the values of its portfolio companies.

PFLT's continued compliance with these covenants depends on many factors, some of which are beyond its control. A material decrease in PFLT's NAV in connection with additional borrowings could result in an inability to comply with PFLT's obligation to restrict the level of indebtedness that PFLT is able to incur in relation to the value of its assets or to maintain a minimum level of stockholders' equity. This could have a material adverse effect on PFLT's operations, as it would reduce availability under the Credit Facility and could trigger mandatory prepayment obligations under the terms of the Credit Facility.

### ***PFLT operates in a highly competitive market for investment opportunities.***

A number of entities compete with PFLT to make the types of investments that it makes in middle-market companies. PFLT competes with public and private funds, including other BDCs, commercial and investment banks, commercial financing companies, collateralized loan obligation, or CLO funds and, to the extent they provide an alternative form of financing, private equity funds. Additionally, alternative investment vehicles, such as hedge funds, also invest in middle-market companies. As a result, competition for investment opportunities at middle-market companies can be intense. Many of PFLT's potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than PFLT does. For example, PFLT believes some competitors have a lower cost



of funds and access to funding sources that are not available to PFLT. In addition, some of PFLT's 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 PFLT. Furthermore, many of PFLT's competitors are not subject to the regulatory restrictions that the 1940 Act imposes on PFLT as a BDC. PFLT cannot assure you that the competitive pressures it faces will not have a material adverse effect on its business, financial condition and results of operations. Also, as a result of this competition, PFLT may not be able to take advantage of attractive investment opportunities from time to time, and PFLT can offer no assurance that it will be able to identify and make investments that are consistent with its investment objectives.

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Participants in PFLT's industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision-making. PFLT does not seek to compete primarily based on the interest rates it offers, and PFLT believes that some of its competitors may make loans with interest rates that are lower than the rates PFLT offers. PFLT may lose investment opportunities if it does not match its competitors' pricing, terms and structure. However, if PFLT matches its competitors' pricing, terms and structure, it may experience decreased net interest income and increased risk of credit loss.

***PFLT's borrowers may default on their payments, which may have a materially negative effect on PFLT's financial performance.***

PFLT's primary business exposes it to credit risk, and the quality of its portfolio has a significant impact on its earnings. Credit risk is a component of PFLT's fair valuation of its portfolio companies. Negative credit events will lead to a decrease in the fair value of PFLT's portfolio companies.

In addition, market conditions have affected consumer confidence levels, which may harm the business of PFLT's portfolio companies and result in adverse changes in payment patterns. Increased delinquencies and default rates would negatively impact PFLT's results of operations. Deterioration in the credit quality of PFLT's portfolio could have a material adverse effect on PFLT's business, financial condition and results of operations. If interest rates rise, some of PFLT's portfolio companies may not be able to pay the escalating interest on PFLT's loans and may default.

PFLT makes long-term loans and debt investments, which may involve a high degree of repayment risk. PFLT's investments with a deferred interest feature, such as original issue discount, or OID, income, could represent a higher credit risk than investments that must pay interest in full in cash on a regular basis. PFLT invests in companies that may have limited financial resources, may be highly leveraged and may be unable to obtain financing from traditional sources. Accordingly, a general economic downturn or severe tightening in the credit markets could materially impact the ability of PFLT's borrowers to repay their loans, which could significantly damage PFLT's business. Numerous other factors may affect a borrower's ability to repay its loan, including the failure to meet its business plan or a downturn in its industry. A portfolio company's failure to satisfy financial or operating covenants imposed by PFLT or other lenders could lead to defaults and, potentially, termination of its loans or foreclosure on the secured assets. This could trigger cross-defaults under other agreements and jeopardize PFLT's portfolio company's ability to meet its obligations under the loans or debt securities that PFLT holds. In addition, PFLT's portfolio companies may have, or may be permitted to incur, other debt that ranks senior to or equally with PFLT's securities. This means that payments on such senior-ranking securities may have to be made before PFLT receive any payments on its subordinated loans or debt securities. Deterioration in a borrower's financial condition and prospects may be accompanied by deterioration in any related collateral and may have a material adverse effect on PFLT's financial condition and results of operations.

***Any unrealized losses PFLT experiences on its investment portfolio may be an indication of future realized losses, which could reduce PFLT's income available for distribution.***

As a BDC, PFLT is required to carry its investments at fair value, which is derived from a market value or, if no market value is ascertainable or if market value does not reflect the fair value of such investment in the bona fide determination of PFLT's board of directors, then PFLT would carry its investments at fair value as determined in good faith by or under the direction of PFLT's board of directors. Decreases in the market values or fair values of PFLT's investments are recorded as unrealized depreciation or loss. Unrealized losses of any given portfolio company could be an indication of such company's inability in the future to meet its repayment obligations to PFLT.

If the fair value of PFLT's portfolio companies reflects future realized losses, this would ultimately result in reductions of PFLT's income available for distribution in future periods and could materially harm PFLT's results of operations and cause a material decline in the value of PFLT Common Stock.

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***PFLT may be the target of securities litigation.***

If PFLT's stock price fluctuates significantly, PFLT may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from PFLT's business and cause a material adverse effect on PFLT's business, financial condition and results of operations.

***PFLT is dependent upon the PFLT Investment Adviser's key personnel for PFLT's future success, and if the PFLT Investment Adviser is unable to hire and retain qualified personnel or if the PFLT Investment Adviser loses any member of its management team, PFLT's ability to achieve its investment objectives could be significantly harmed.***

PFLT depends on the diligence, skill and network of business contacts of the senior investment professionals of the PFLT Investment Adviser. PFLT also depends, to a significant extent, on the PFLT Investment Adviser's access to the investment information and deal flow generated by these investment professionals and any others that may be hired by the PFLT Investment Adviser. Subject to the overall supervision of PFLT's board of directors, the managers of the PFLT Investment Adviser evaluates, negotiates, structures, closes and monitors PFLT's investments. PFLT's future success depends on the continued service of management personnel of the PFLT Investment Adviser. The departure of managers of the PFLT Investment Adviser could have a material adverse effect on PFLT's ability to achieve its investment objectives. In addition, PFLT can offer no assurance that the PFLT Investment Adviser will remain PFLT's investment adviser. The PFLT Investment Adviser has the right, under the investment management agreement between PFLT and the PFLT Investment Adviser, or the PFLT Investment Management Agreement, to resign at any time upon 60 days' written notice, whether PFLT has found a replacement or not.

If the PFLT Investment Management Agreement is terminated, PFLT's costs under new agreements that it enters into may increase. In addition, PFLT will likely incur significant time and expense in locating alternative parties to provide the services it expects to receive under the PFLT Investment Management Agreement. Any new investment management agreement would also be subject to approval by PFLT's stockholders.

***PFLT is exposed to risks associated with changes in interest rates that may affect its cost of capital and net investment income.***

Since PFLT borrows money to make investments, its net investment income depends, in part, upon the difference between the rate at which PFLT borrows funds and the rate at which PFLT invests those funds. As a result, PFLT can offer no assurance that a significant change in market interest rates will not have a material adverse effect on its net investment income. In periods of rising interest rates, PFLT's cost of funds will increase and the interest rate on investments with an interest rate floor will not increase until interest rates exceed the applicable floor, which could reduce PFLT's net investment income. PFLT may use interest rate risk management techniques, such as total return swaps and interest rate swaps, in an effort to limit its exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act and applicable commodities laws. These activities may limit PFLT's ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or hedging transactions could have a material adverse effect on PFLT's business, financial condition and results of operations. Also, PFLT has limited experience in entering into hedging transactions, and it will initially have to purchase or develop such expertise. See Management's Discussion and Analysis of Financial Condition and Results of Operations of PFLT Quantitative and Qualitative Disclosures About Market Risk for more information.

A rise in the general level of interest rates can be expected to lead to higher interest rates applicable to PFLT's debt investments. Accordingly, an increase in interest rates would make it easier for PFLT to meet or exceed the incentive fee hurdle applicable under the PFLT Investment Management Agreement and may result in a substantial increase of

the amount of incentive fees payable to the PFLT Investment Adviser with respect to Pre-Incentive Fee Net Investment Income.

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General interest rate fluctuations may have a substantial negative impact on PFLT's investments, the value of PFLT Common Stock and PFLT's rate of return on invested capital. A reduction in interest rates may result in both lower interest rates on new investments and higher repayments on current investments with higher interest rates which may have an adverse impact on PFLT's net investment income. An increase in interest rates could decrease the value of any investments PFLT holds which earn fixed interest rates or are subject to interest rate floors and also could increase PFLT's interest expense, thereby decreasing its net income. Also, an increase in interest rates available to investors could make an investment in PFLT Common Stock less attractive if PFLT is not able to increase its dividend rate, which could reduce the value of PFLT Common Stock.

***PFLT's financial condition and results of operation depend on its ability to manage future growth effectively.***

PFLT's ability to achieve its investment objectives depends on its ability to grow, which depends, in turn, on the PFLT Investment Adviser's ability to identify, invest in and monitor companies that meet PFLT's investment criteria. Accomplishing this result on a cost-effective basis is largely a function of the PFLT Investment Adviser's structuring of the investment process, its ability to provide competent, attentive and efficient services to PFLT and its access to financing on acceptable terms. The management team of the PFLT Investment Adviser has substantial responsibilities under the PFLT Investment Management Agreement. In order to grow, the PFLT Investment Adviser will need to hire, train, supervise and manage new employees. However, PFLT can offer no assurance that any such employees will contribute effectively to the work of the PFLT Investment Adviser. PFLT cautions you that the principals of the PFLT Investment Adviser or PFLT Administrator may also be called upon to provide and currently do provide managerial assistance to portfolio companies and other investment vehicles, including other BDCs, which are managed by the PFLT Investment Adviser. Such demands on their time may distract them or slow PFLT's rate of investment. Any failure to manage PFLT's future growth effectively could have a material adverse effect on PFLT's business, financial condition and results of operations.

***PFLT is highly dependent on information systems and systems failures could have a material adverse effect on its business, financial condition and results of operations.***

PFLT's business depends on the communications and information systems, including financial and accounting systems, of the PFLT Investment Adviser, PFLT Administrator and PFLT's sub-administrator. Any failure or interruption of such systems could cause delays or other problems in PFLT's activities. This, in turn, could have a material adverse effect on PFLT's business, financial condition and results of operations.

***PFLT may not replicate the historical performance of other investment companies and funds with which its investment professionals have been affiliated.***

The 1940 Act imposes numerous constraints on the investment activities of BDCs. For example, BDCs are required to invest at least 70% of their total assets primarily in securities of U.S. private companies or thinly traded public companies (public companies with a market capitalization of less than \$250 million), cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. These constraints may hinder the PFLT Investment Adviser's ability to take advantage of attractive investment opportunities and to achieve PFLT's investment objectives. In addition, the investment philosophy and techniques used by the PFLT Investment Adviser may differ from those used by other investment companies and funds advised by the PFLT Investment Adviser. Accordingly, PFLT can offer no assurance that it will replicate the historical performance of other investment companies and funds with which its investment professionals have been affiliated, and PFLT cautions that its investment returns could be substantially lower than the returns achieved by such other companies.



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### ***Any failure on PFLT's part to maintain its status as a BDC would reduce its operating flexibility.***

If PFLT does not remain a BDC, it might be regulated as a closed-end investment company under the 1940 Act, which would subject it to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease its operating flexibility, which could have a material adverse effect on PFLT's business, financial condition and results of operations.

### ***Loss of RIC tax status would substantially reduce net assets and income available for debt service and distributions.***

PFLT has operated and continues to operate so as to maintain its election to be taxed as a RIC under Subchapter M of the Code. If PFLT meets source of income, quarterly asset diversification, and distribution requirements, it generally will not be subject to corporate-level income taxation on income it timely distributes, or is deemed to distribute, to its stockholders as distributions. PFLT would cease to qualify for such tax treatment if it were unable to comply with these requirements. In addition, PFLT may have difficulty meeting the requirement to make distributions to PFLT's stockholders because in certain cases PFLT may recognize income before or without receiving cash representing such income. If PFLT fails to qualify as a RIC, it will have to pay corporate-level taxes on all of its income whether or not it distributes it, which would substantially reduce the amount of income available for debt service as well as reduce and/or affect the character and amount of its distributions to PFLT's stockholders. Even if PFLT qualifies as a RIC, it generally will be subject to a 4% nondeductible excise tax if it does not distribute an amount generally at least equal to the sum of (1) 98% of PFLT's net ordinary income (for the calendar year), (2) 98.2% of the sum of PFLT's capital gain net income (during each 12-month period ending on October 31), and (3) the sum of any net ordinary income plus capital gain net ordinary income for preceding years that were not distributed during such years and on which PFLT paid no U.S. federal income tax.

### ***PFLT may have difficulty paying its required distributions if it recognizes income before or without receiving cash representing such income.***

For federal income tax purposes, PFLT includes in income certain amounts that it has not yet received in cash, such as OID and payment-in-kind interest, or PIK interest, which represents interest added to the loan balance and due at the end of the loan term. OID, which could be significant relative to PFLT's overall investment assets, and increases in loan balances as a result of PIK interest will be included in income before PFLT receives any corresponding cash payments. PFLT also may be required to include in income certain other amounts that it will not receive in cash, such as amounts attributable to foreign currency transactions.

The part of the incentive fee payable by PFLT that relates to its net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

In some cases PFLT may recognize income before or without receiving cash representing such income. As a result, PFLT may have difficulty meeting the Annual Distribution Requirement (as defined below) and obtaining RIC tax benefits. Accordingly, PFLT may have to sell some of its investments at times or prices PFLT would not consider advantageous, or raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements, which could have a material adverse effect on PFLT's business, financial condition and results of operations. If PFLT is not able to obtain cash from other sources, it may fail to qualify for RIC tax benefits and thus be subject to corporate-level income tax.





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***Because PFLT intends to distribute substantially all of its income to its stockholders to maintain its status as a RIC, PFLT will need to raise additional capital to finance its growth. If funds are not available to PFLT, PFLT may need to curtail new investments, and PFLT Common Stock value could decline.***

In order to satisfy the requirements applicable to a RIC, PFLT intends to distribute to its stockholders substantially all of its net ordinary income and net capital gains. However, PFLT may retain certain net long-term capital gains and pay applicable income taxes with respect thereto and elect to treat as deemed distributions to PFLT's stockholders. As a BDC, PFLT generally is required to meet a 200% asset coverage ratio of total assets to total senior securities, which includes all of PFLT's borrowings, and any preferred stock PFLT may issue in the future. This requirement limits the amount PFLT may borrow. If the value of PFLT's assets declines, PFLT may be unable to satisfy this test. If that happens, PFLT may be required to sell a portion of its investments or sell additional PFLT Common Stock and, depending on the nature of PFLT's leverage, to repay a portion of its indebtedness at a time when such sales and repayments may be disadvantageous. In addition, the issuance of additional securities could dilute the percentage ownership of PFLT's current stockholders in PFLT.

PFLT is partially dependent on Funding I for cash distributions to enable PFLT to meet the RIC distribution requirements. Funding I may be limited by its covenants from making certain distributions to PFLT that may be necessary to maintain PFLT's status as a RIC. PFLT may have to request a waiver of these covenants' restrictions for Funding I to make certain distributions to maintain PFLT's RIC status. PFLT cannot assure you that Funding I will be granted such a waiver, and if Funding I is unable to obtain a waiver, compliance with the covenants may result in a corporate-level income tax on PFLT.

***Regulations governing PFLT's operation as a BDC will affect PFLT's ability to, and the way in which PFLT, raises additional capital.***

PFLT's business requires a substantial amount of capital. PFLT may acquire additional capital from the issuance of additional senior securities or other indebtedness, the issuance of additional shares of PFLT Common Stock, the issuance of warrants or subscription rights to purchase certain of PFLT's securities, or from securitization transactions. However, PFLT may not be able to raise additional capital in the future on favorable terms or at all. PFLT may issue debt securities or preferred securities, which PFLT refers to collectively as senior securities, and PFLT may borrow money from banks, or other financial institutions, up to the maximum amount permitted by the 1940 Act. The 1940 Act permits PFLT to issue senior securities or incur indebtedness only in amounts permissible under the asset coverage definition under the 1940 Act. PFLT's ability to pay dividends or issue additional senior securities would be restricted if PFLT's asset coverage ratio was not met. If the value of PFLT's assets declines, PFLT may be unable to satisfy this test. If that happens, PFLT may be required to liquidate a portion of its investments and repay a portion of its indebtedness at a time when such sales may be disadvantageous, which could materially damage PFLT's business.

***Senior Securities.*** As a result of issuing senior securities, PFLT is exposed to typical risks associated with leverage, including an increased risk of loss. If PFLT issues preferred securities, they would rank senior to PFLT Common Stock in PFLT's capital structure. Preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of holders of PFLT Common Stock. Furthermore, the issuance of preferred securities could have the adverse effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for PFLT stockholders or otherwise be in your best interest. PFLT's senior securities may include conversion features that cause them to bear risks more closely associated with an investment in PFLT Common Stock.

***Additional PFLT Common Stock.*** PFLT's board of directors may decide to issue PFLT Common Stock to finance PFLT's operations rather than issuing debt or other senior securities. As a BDC, PFLT is generally not able to issue PFLT Common Stock at a price below NAV per share without first obtaining certain approvals from PFLT's stockholders and PFLT's board of directors. Also, subject to the requirements of the 1940 Act, PFLT may issue rights to acquire PFLT Common Stock at a price below the current NAV per share of the PFLT Common Stock if PFLT's board of directors determines

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that such sale is in PFLT's best interests and the best interests of PFLT stockholders. In any such case, the price at which PFLT's securities are to be issued and sold may not be less than a price, that in the determination of PFLT's board of directors, closely approximates the market value of such securities. However, when required to be undertaken, the procedures used by the board of directors to determine the NAV per share of PFLT Common Stock within 48 hours of each offering of PFLT Common Stock may differ materially from and will necessarily be more abbreviated than the procedures used by the board of directors to determine the NAV per share of PFLT Common Stock at the end of each quarter because there is an extensive process each quarter to determine the NAV per share of PFLT Common Stock which cannot be completed in 48 hours. Such procedures may yield a NAV that is less precise than the NAV determined at the end of each quarter. PFLT will not offer transferable subscription rights to PFLT's stockholders at a price equivalent to less than the then current NAV per share of PFLT Common Stock, excluding underwriting commissions, unless PFLT first files a post-effective amendment that is declared effective by the SEC with respect to such issuance and the PFLT Common Stock to be purchased in connection with such rights represents no more than one-third of PFLT's outstanding stock at the time such rights are issued. In addition, for PFLT to file a post-effective amendment to a registration statement on Form N-2, PFLT must then be qualified to register PFLT's securities under the requirements of Form S-3. PFLT may actually issue shares above or below a future NAV. If PFLT raises additional funds by issuing more PFLT Common Stock or warrants or senior securities convertible into, or exchangeable for, PFLT Common Stock, the percentage ownership of PFLT stockholders at that time would decrease, and PFLT stockholders would experience voting dilution.

***Securitization.*** In addition to issuing securities to raise capital as described above, PFLT anticipates that in the future, as market conditions permit, PFLT may securitize PFLT's loans to generate cash for funding new investments. To securitize loans, PFLT may create a wholly-owned subsidiary, contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who PFLT would expect to be willing to accept a substantially lower interest rate than the loans earn. Even though PFLT expects the pool of loans that PFLT contributes to any such securitization vehicle to be rated below investment grade, because the securitization vehicle's portfolio of loans would secure all of the debt issued by such vehicle, a portion of such debt may be rated investment grade, subject in each case to market conditions that may require such portion of the debt to be over collateralized and various other restrictions. If applicable accounting pronouncements or SEC staff guidance require PFLT to consolidate the securitization vehicle's financial statements with PFLT's financial statements, any debt issued by it would be generally treated as if it were issued by PFLT for purposes of the asset coverage ratio applicable to PFLT. In such case, PFLT would expect to retain all or a portion of the equity and/or subordinated notes in the securitization vehicle. PFLT's retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, PFLT would earn an incremental amount of income on its retained equity but it would be exposed, up to the amount of equity it retained, to that proportion of any losses it would have experienced if it had continued to hold the loans in its portfolio. PFLT may hold subordinated debentures in any such securitization vehicle and, if so, PFLT would not consider such securities to be senior securities. An inability to successfully securitize PFLT's loan portfolio could limit PFLT's ability to grow its business and fully execute its business strategy and adversely affect PFLT's earnings, if any. Moreover, the successful securitization of a portion of PFLT's loan portfolio might expose PFLT to losses as the residual loans in which PFLT does not sell interests will tend to be those that are riskier and less liquid.

***PFLT currently uses borrowed funds to make investments and is exposed to the typical risks associated with leverage.***

Because PFLT borrows funds through Funding I to make investments, it is exposed to increased risk of loss due to PFLT's use of debt to make investments. A decrease in the value of PFLT's investments will have a

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greater negative impact on the NAV attributable to PFLT Common Stock than it would if PFLT did not use debt. PFLT's ability to pay distributions is restricted when its asset coverage ratio is not met and any cash that it uses to service its indebtedness is not available for distribution to PFLT's common stockholders.

PFLT's current debt is governed by the terms of the Credit Facility and may in the future be governed by an indenture or other instrument containing covenants restricting its operating flexibility. PFLT bears, and indirectly PFLT's stockholders bear, the cost of issuing and servicing debt. Any convertible or exchangeable securities that PFLT issues in the future may have rights, preferences and privileges more favorable than those of PFLT Common Stock.

***If PFLT incurs additional debt, it could increase the risk of investing in its shares.***

PFLT has indebtedness outstanding pursuant to the Credit Facility and expects in the future to borrow additional amounts under the Credit Facility or other debt securities, subject to market availability, and, may increase the size of the Credit Facility. PFLT cannot assure you that its leverage will remain at current levels. The amount of leverage that PFLT employs will depend upon its assessment of the market and other factors at the time of any proposed borrowing. Lenders have fixed dollar claims on PFLT's assets that are superior to the claims of PFLT common stockholders or preferred stockholders, if any, and PFLT has granted a security interest in Funding I's assets in connection with Credit Facility borrowings. In the case of a liquidation event, those lenders would receive proceeds before PFLT common stockholders. Any future debt issuance will increase PFLT's leverage and may be subordinate to the Credit Facility. In addition, borrowings or debt issuances, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in PFLT's securities. Leverage is generally considered a speculative investment technique. If the value of PFLT's assets decreases, then leveraging would cause the NAV attributable to PFLT Common Stock to decline more than it otherwise would have had PFLT not utilized leverage. Similarly, any decrease in PFLT's revenue would cause its net income to decline more than it would have had PFLT not borrowed funds and could negatively affect PFLT's ability to make distributions on its common or preferred stock. PFLT's ability to service any debt that it incurs depends largely on its financial performance and is subject to prevailing economic conditions and competitive pressures.

As of March 31, 2015, PFLT had outstanding borrowings of \$117.3 million under the Credit Facility with a current interest rate of 2.18% exclusive of the fees on the undrawn commitment of 0.50%. Accordingly, to cover the annual interest on PFLT's borrowings outstanding at March 31, 2015, at the then current rate, PFLT would have to receive an annual yield of at least 0.77%. This example is for illustrative purposes only, and actual interest rates on the Credit Facility or any future borrowings are likely to fluctuate. The costs associated with PFLT's borrowings, including any increase in the management fee or incentive fee payable to the PFLT Investment Adviser, are and will be borne by PFLT common stockholders.

The following table is designed to illustrate the effect on return to a holder of PFLT Common Stock of the leverage created by PFLT's use of borrowing at March 31, 2015 of 33% of total assets (including such borrowed funds), at a current interest rate at the time of 2.18%, and assumes hypothetical annual returns on PFLT's portfolio of minus 10 to plus 10 percent. The table also assumes that PFLT will maintain a constant level and weighted average rate of leverage. The amount of leverage and cost of borrowing that PFLT uses will vary from time to time. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses) <sup>(1)</sup>	(10.0)%	(5.0)%	%	5.0%	10.0%
Corresponding return to common stockholders <sup>(2)</sup>	(17.8)	(7.5)	(1.2)	7.1	15.4

- (1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, PFLT's projected or actual performance.

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- (2) In order to compute the corresponding return to common stockholders, the assumed return on portfolio is multiplied by the total value of PFLT's assets at the beginning of the period to obtain an assumed return to PFLT. From this amount, all interest expense expected to be accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of PFLT's net assets as of the beginning of the period to determine the corresponding return to common stockholders.

***PFLT may in the future determine to fund a portion of its investments with debt securities, which would magnify the potential for loss and the risks of investing in PFLT.***

As a result of any issuance of debt securities, PFLT would be exposed to typical risks associated with leverage, including an increased risk of loss and an increase in expenses, which are ultimately borne by PFLT stockholders. Payment of interest on such debt securities must take preference over any other distributions or other payments to PFLT stockholders. If PFLT issues debt securities in the future, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting PFLT's operating flexibility. In addition, such securities may be rated by rating agencies, and in obtaining a rating for such securities, PFLT may be required to abide by operating and investment guidelines that could further restrict PFLT's operating flexibility. Furthermore, any cash that PFLT uses to service its indebtedness would not be available for the payment of distributions to PFLT common stockholders.

***PFLT's credit ratings may not reflect all risks of an investment in its debt securities.***

PFLT's credit ratings, if any, are an assessment of PFLT's ability to pay its obligations. Consequently, real or anticipated changes in PFLT's credit ratings will generally affect the market value of any publicly issued debt securities. PFLT's credit ratings, generally may not reflect the potential impact of risks related to market conditions or other factors discussed above on the market value of, or trading market for, any publicly issued debt securities.

***Market conditions may make it difficult to extend the maturity of or refinance PFLT's existing indebtedness and any failure to do so would have a material adverse effect on PFLT's business.***

The Credit Facility expires in May 2018. PFLT utilizes the Credit Facility to make investments in its portfolio companies. The life of PFLT's investments typically exceeds the duration of PFLT's indebtedness under the Credit Facility. This means that PFLT will have to extend the maturity of the Credit Facility or refinance PFLT's indebtedness under the Credit Facility in order to avoid selling investments at a time when such sales may be at prices that are disadvantageous to it, which could materially damage PFLT's business. In addition, future market conditions may affect PFLT's ability to renew or refinance the Credit Facility on terms as favorable as those in PFLT's existing Credit Facility. If PFLT fails to extend or refinance the indebtedness outstanding under the Credit Facility by the time it becomes due and payable, the administrative agent of the Credit Facility may elect to exercise various remedies, including the sale of all or a portion of the collateral securing the Credit Facility, subject to certain restrictions, any of which could have a material adverse effect on PFLT's business, financial condition and results of operations. The illiquidity of PFLT's investments may make it difficult for it to sell such investments. If PFLT is required to sell its investments on short-term notice, it may not receive the value that it has recorded for such investments, and this could materially affect PFLT's results of operations.

***PFLT may in the future determine to fund a portion of its investments with preferred stock, which is another form of leverage and would magnify the potential for loss and the risks of investing in PFLT.***

Preferred stock, which is another form of leverage, has the same risks to PFLT common stockholders as borrowings because the dividends on any preferred stock PFLT issues must be cumulative. If PFLT issues preferred securities they would rank senior to PFLT Common Stock in its capital structure. Payment of dividends on, and repayment of



the liquidation preference of, such preferred stock would typically take

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preference over any dividends or other payments to PFLT common stockholders. Also, preferred stockholders are not, typically, subject to any of PFLT's expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference. Furthermore, preferred stockholders would have separate voting rights and may have rights, preferences or privileges more favorable than those of PFLT common stockholders. Also, the issuance of preferred securities could have the adverse effect of delaying, deferring or preventing a transaction or a change of control that might involve a premium price for PFLT common stockholders or otherwise be in your best interest.

***PFLT's interests in Funding I are subordinated.***

PFLT owns 100% of the equity interests in Funding I. PFLT consolidates Funding I in PFLT's Consolidated Financial Statements and treats the indebtedness of Funding I as PFLT's leverage. PFLT's interests in Funding I (other than the management fees that the PFLT Investment Adviser has irrevocably directed to be paid to PFLT) are subordinate in priority of payment to every other obligation of Funding I and are subject to certain payment restrictions set forth in the Credit Facility documents. PFLT may receive cash distributions on its equity interests in Funding I only after it has made all (1) required cash interest and, if applicable, principal payments to the Lenders, (2) required administrative expenses and (3) claims of other unsecured creditors of Funding I. PFLT cannot assure you that there will be sufficient funds available to make any distributions to PFLT or that such distributions will meet its expectations.

PFLT's equity interests in Funding I are subordinate to all of the secured and unsecured creditors, known or unknown, of Funding I, including the Lenders. Consequently, to the extent that the value of Funding I's portfolio of loan investments has been reduced as a result of conditions in the credit markets, defaulted loans, capital losses exceeding gains on the underlying assets, prepayments or changes in interest rates, the return on PFLT's investment in Funding I could be reduced. Accordingly, PFLT's investment in Funding I is subject to a complete risk of loss.

***PFLT may not receive cash on its equity interests from Funding I.***

Except for management fees that the PFLT Investment Adviser has irrevocably directed to be paid to PFLT, PFLT receives cash from Funding I only to the extent that PFLT receives distributions on its equity interests in Funding I. Funding I may make equity distributions on such interests only to the extent permitted by the payment priority provisions of the Credit Facility. The Credit Facility generally provides that payments on such interests may not be made on any payment date unless all amounts owing to the Lenders and other secured parties are paid in full. In the event that PFLT fails to receive cash from Funding I, PFLT could be unable to make distributions to PFLT's stockholders in amounts sufficient to qualify as a RIC. PFLT also could be forced to sell investments in portfolio companies at less than their fair value in order to continue making such distributions.

***If PFLT issues preferred stock, debt securities or convertible debt securities, the NAV and market value of PFLT Common Stock may become more volatile.***

PFLT cannot assure you that the issuance of preferred stock and/or debt securities would result in a higher yield or return to the holders of PFLT Common Stock. The issuance of preferred stock, debt securities and/or convertible debt would likely cause the NAV and market value of PFLT Common Stock to become more volatile. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to approach the net rate of return on PFLT's investment portfolio, the benefit of leverage to the holders of PFLT Common Stock would be reduced or entirely eliminated. If the dividend rate on the preferred stock, or the interest rate on the debt securities, were to exceed the net rate of return on PFLT's portfolio, the use of leverage would result in a lower rate of return to the holders of PFLT Common Stock than if PFLT had not issued the preferred stock or debt securities. Any decline in the NAV of PFLT's investment would be borne entirely by the holders of PFLT Common Stock. Therefore, if the market value of PFLT's

portfolio were to decline, the leverage would result in a greater decrease in NAV to the holders of PFLT Common Stock than if PFLT were not leveraged through the issuance of preferred stock, debt securities or convertible debt. This decline in NAV would also tend to cause a greater decline in the market price for PFLT Common Stock.

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There is also a risk that, in the event of a sharp decline in the value of PFLT's net assets, PFLT would be in danger of failing to maintain required asset coverage ratios or other covenants which may be required by the preferred stock, debt securities and/or convertible debt or risk a downgrade in the ratings of the preferred stock, debt securities and/or convertible debt or PFLT's current investment income might not be sufficient to meet the dividend requirements on the preferred stock or the interest payments on the debt securities. In order to counteract such an event, PFLT might need to liquidate investments in order to fund redemption of some or all of the preferred stock, debt securities or convertible debt. In addition, PFLT would pay (and the holders of PFLT Common Stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, debt securities, convertible debt or any combination of these securities. Holders of preferred stock, debt securities, convertible debt or any combination of these securities may have different interests than holders of PFLT Common Stock and may at times have disproportionate influence over PFLT's affairs.

***Holders of any preferred stock that PFLT may issue will have the right to elect members of the board of directors and have class voting rights on certain matters.***

The 1940 Act requires that holders of shares of preferred stock must be entitled as a class to elect two directors at all times and to elect a majority of the directors if distributions on such preferred stock are in arrears by two years or more, until such arrearage is eliminated. In addition, certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock, including conversion to open-end status and, accordingly, preferred stockholders could veto any such changes in addition to any ability of common and preferred stockholders, voting together as a single class, to veto such matters. Restrictions imposed on the declarations and payment of distributions to the holders of PFLT Common Stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair PFLT's ability to maintain its qualification as a RIC for U.S. federal income tax purposes, which could have a material adverse effect on PFLT's business, financial condition and results of operations.

***PFLT may in the future issue securities for which there is no public market and for which it expects no public market to develop.***

In order to raise additional capital, PFLT may issue debt or other securities for which no public market exists, and for which no public market is expected to develop. If PFLT issues shares of PFLT Common Stock as a component of a unit security, PFLT would expect the PFLT Common Stock to separate from the other securities in such unit after a period of time or upon occurrence of an event and to trade publicly on NASDAQ, which may cause volatility in PFLT's publicly traded common stock. To the extent PFLT issue securities for which no public market exists and for which no public market develops, a purchaser of such securities may not be able to liquidate the investment without considerable delay, if at all. If a market should develop for PFLT's debt and other securities, the price may be highly volatile, and PFLT's debt and other securities may lose value.

***There are significant potential conflicts of interest which could impact PFLT's investment returns.***

The professionals of the PFLT Investment Adviser and PFLT Administrator may serve as officers, directors or principals of entities that operate in the same or a related line of business as PFLT does or of investment funds managed by affiliates of PFLT that currently exist or may be formed in the future. The PFLT Investment Adviser and PFLT Administrator may be engaged by such funds at any time and without the prior approval of PFLT's stockholders or PFLT's board of directors. PFLT's board of directors monitors any potential conflict that may arise upon such a development. Accordingly, if this occurs, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of PFLT or PFLT's stockholders. Currently, the executive officers and directors, as well as the current senior investment professionals of the PFLT Investment Adviser, may serve as officers

and directors of PFLT's affiliated funds. In addition, PFLT notes that any affiliated investment vehicles currently formed or formed in the future and managed by the PFLT Investment Adviser or its affiliates may have overlapping investment objectives with PFLT's own and, accordingly, may invest in asset classes similar to those targeted by PFLT. As a result, the PFLT Investment Adviser may face conflicts in allocating investment opportunities between PFLT and such other entities. Although the PFLT

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Investment Adviser will endeavor to allocate investment opportunities in a fair and equitable manner, it is possible that, in the future, PFLT may not be given the opportunity to participate in investments made by investment funds managed by the PFLT Investment Adviser or an investment manager affiliated with the PFLT Investment Adviser. In any such case, when the PFLT Investment Adviser identifies an investment, it is forced to choose which investment fund should make the investment. PFLT may co-invest on a concurrent basis with any other affiliates that the PFLT Investment Adviser currently has or forms in the future, subject to compliance with applicable regulations and regulatory guidance and PFLT's allocation procedures.

In the ordinary course of PFLT's investing activities, PFLT pays investment advisory and incentive fees to the PFLT Investment Adviser, and reimburses the PFLT Investment Adviser for certain expenses it incurs. As a result, investors in PFLT Common Stock invest on a gross basis and receive distributions on a net basis after expenses, resulting in a lower rate of return than an investor might achieve through direct investments. Accordingly, there may be times when the management team of the PFLT Investment Adviser has interests that differ from those of PFLT's stockholders, giving rise to a conflict.

PFLT has entered into a license agreement with the PFLT Investment Adviser, pursuant to which the PFLT Investment Adviser has agreed to grant PFLT a royalty-free non-exclusive license to use the name PennantPark. The license agreement will expire (i) upon expiration or termination of the PFLT Investment Management Agreement, (ii) if the PFLT Investment Adviser ceases to serve as PFLT's investment adviser, (iii) by either party upon 60 days written notice or (iv) by the PFLT Investment Adviser at any time in the event PFLT assigns or attempt to assign or sublicense the license agreement or any of PFLT's rights or duties thereunder without the prior written consent of the PFLT Investment Adviser. Other than with respect to this limited license, PFLT has no legal right to the PennantPark name.

In addition, PFLT pays PFLT Administrator, an affiliate of the PFLT Investment Adviser, PFLT's allocable portion of overhead and other expenses incurred by PFLT Administrator in performing its obligations under the administration agreement between PFLT and PFLT Administrator, or the Administration Agreement, including rent and PFLT's allocable portion of the cost of PFLT's Chief Financial Officer and Chief Compliance Officer and their respective staffs. These arrangements may create conflicts of interest that PFLT's board of directors must monitor.

### ***The ability to sell investments held by Funding I is limited.***

The Credit Facility places restrictions on the collateral manager's ability to sell investments. As a result, there may be times or circumstances during which the collateral manager is unable to sell investments or take other actions that might be in PFLT's best interests.

### ***The trading market or market value of any publicly issued debt or convertible debt securities may be volatile.***

If PFLT publicly issues debt or convertible debt securities, they initially will not have an established trading market. PFLT cannot assure investors that a trading market for its publicly issued debt or convertible debt securities would develop or be maintained if developed. In addition to PFLT's creditworthiness, many factors may have a material adverse effect on the trading market for, and market value of, PFLT's publicly issued debt or convertible debt securities.

These factors include the following:

the time remaining to the maturity of these debt securities;

the outstanding principal amount of debt securities with terms identical to these debt securities;

the supply of debt securities trading in the secondary market, if any;

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the redemption, repayment or convertible features, if any, of these debt securities;

the level, direction and volatility of market interest rates; and

market rates of interest higher or lower than rates borne by the debt securities.

There also may be a limited number of buyers for PFLT's debt securities. This too may have a material adverse effect on the market value of the debt securities or the trading market for the debt securities. PFLT's debt securities may include convertible features that cause them to more closely bear risks associated with an investment in PFLT Common Stock.

***Terms relating to redemption may have a material adverse effect on the return on any debt securities.***

If PFLT issues debt securities that are redeemable at its option, it may choose to redeem the debt securities at times when prevailing interest rates are lower than the interest rate paid on the debt securities. In addition, if the debt securities are subject to mandatory redemption, PFLT may be required to redeem the debt securities at times when prevailing interest rates are lower than the interest rates paid on the debt securities. In this circumstance, a holder of PFLT's debt securities may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the debt securities being redeemed.

***If PFLT issues subscription rights or warrants for PFLT Common Stock, your interest in PFLT may be diluted as a result of such rights or warrants offering.***

Stockholders who do not fully exercise rights or warrants issued to them in an offering of subscription rights or warrants to purchase PFLT Common Stock should expect that they will, at the completion of an offering, own a smaller proportional interest in PFLT than would otherwise be the case if they fully exercised their rights or warrants. PFLT cannot state precisely the amount of any such dilution in share ownership because it does not know what proportion of the PFLT Common Stock would be purchased as a result of any such offering.

In addition, if the subscription price or warrant exercise price is less than PFLT's NAV per share of PFLT Common Stock at the time of an offering, then PFLT's stockholders would experience an immediate dilution of the aggregate NAV of their shares as a result of the offering. The amount of any such decrease in NAV is not predictable because it is not known at this time what the subscription price, warrant exercise price or NAV per share will be on the expiration date of such rights offering or what proportion of PFLT Common Stock will be purchased as a result of any such offering.

***PFLT may experience fluctuations in its quarterly results.***

PFLT could experience fluctuations in its quarterly operating results due to a number of factors, including the interest rate payable on the debt securities it acquires, the default rate on such securities, the level of PFLT's expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which PFLT encounters competition in its markets and general economic conditions. However, as a result of PFLT's irrevocable election to apply the fair value option to the Credit Facility future decreases of fair value of PFLT's debt will have a corresponding increase to PFLT's NAV. Further increases of fair value of PFLT's debt will have the opposite effect. Any future indebtedness that PFLT elects the fair value option for may have similar effects on its NAV as the Credit Facility. This will tend to mitigate volatility in PFLT's earnings and NAV. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.



***The impact of recent financial reform legislation on PFLT is uncertain.***

In light of current conditions in the U.S. and global financial markets and the U.S. and global economy, legislators, the presidential administration and regulators have increased their focus on the regulation of the financial services industry. The Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, became effective in 2010. Although many provisions of the Dodd-Frank Act have delayed

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effectiveness or will not become effective until the relevant federal agencies issue new rules to implement the Dodd-Frank Act, the Dodd-Frank Act may nevertheless have a material adverse impact on the financial services industry as a whole and on PFLT's business, financial condition and results of operations. Accordingly, PFLT is continuing to evaluate the effect the Dodd-Frank Act or implementing its regulations will have on its business, financial condition and results of operations.

### ***Changes in laws or regulations governing PFLT's operations may adversely affect PFLT's business.***

PFLT and its portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse effect on PFLT's business. See Regulation for more information.

### ***PFLT's board of directors may change PFLT's investment objectives, operating policies and strategies without prior notice or stockholder approval.***

PFLT's board of directors has the authority to modify or waive certain of PFLT's operating policies and strategies without prior notice and without stockholder approval (except as required by the 1940 Act). However, absent stockholder approval, under the 1940 Act PFLT may not change the nature of its business so as to cease to be, or withdraw its election as, a BDC. PFLT cannot predict the effect any changes to its current operating policies and strategies would have on its business, operating results and value of PFLT Common Stock. Nevertheless, the effects may adversely affect PFLT's business and impact PFLT's ability to make distributions.

### **Risks Relating to the Illiquid Nature of PFLT's Portfolio Securities**

#### ***PFLT invests in illiquid assets, and its valuation procedures with respect to such assets may result in recording values that are materially different than the values PFLT ultimately receives upon disposition of such assets.***

All of PFLT's investments are recorded using broker or dealer quotes, or at fair value as determined in good faith by PFLT's board of directors. PFLT expects that primarily most, if not all, of its investments (other than cash and cash equivalents) and the fair value of the Credit Facility will be classified as Level 3 under the Financial Accounting Standards Board, or FASB, ASC Topic 820, Fair Value Measurements and Disclosures, or ASC 820. This means that the portfolio valuations will be based on unobservable inputs and PFLT's own assumptions about how market participants would price the asset or liability. PFLT expects that inputs into the determination of fair value of its portfolio investments and Credit Facility borrowings will require significant management judgment or estimation. Even if observable market data are available, such information may be the result of consensus pricing information or broker quotes, which include a disclaimer that the broker would not be held to such a price in an actual transaction. The non-binding nature of consensus pricing and/or quotes accompanied by such a disclaimer materially reduces the reliability of such information.

Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments PFLT makes. In determining fair value in good faith, PFLT generally obtains financial and other information from portfolio companies, which may represent unaudited, projected or pro forma financial information. Unlike banks, PFLT is not permitted to provide a general reserve for anticipated loan losses; PFLT is instead required by the 1940 Act to specifically fair value each individual investment on a quarterly basis. PFLT records unrealized appreciation if it believes that the underlying portfolio company has appreciated in value. Likewise, PFLT records unrealized depreciation if it believes that the underlying portfolio company has depreciated in value. As a result, there will be uncertainty as to the value of PFLT's portfolio investments.

PFLT adjusts quarterly the valuation of its portfolio to reflect its board of directors' determination of the fair value of each investment in its portfolio. Any changes in fair value are recorded on its Consolidated Statements of Operations as net change in unrealized appreciation or depreciation.

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At March 31, 2015, all of PFLT's investments were recorded at fair value as approved in good faith by its board of directors. PFLT's board of directors uses the services of one or more nationally recognized independent valuation firms to aid it in determining the fair value of its investments. The factors that may be considered in fair value pricing of PFLT's investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and cash flows, the markets in which the portfolio company does business, comparison to publicly traded companies and other relevant factors. Because valuations may fluctuate over short periods of time and may be based on estimates, PFLT's determinations of fair value may differ materially from the value received in an actual transaction. Additionally, valuations of private securities and private companies are inherently uncertain. PFLT's NAV could be adversely affected if its determinations regarding the fair value of its investments were materially higher or lower than the values that PFLT ultimately realizes upon the disposal of such investments.

### ***The lack of liquidity in PFLT's investments may adversely affect its business.***

PFLT may acquire its investments directly from the issuer in privately negotiated transactions. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. PFLT typically exits its investments when the portfolio company has a liquidity event such as a sale, refinancing, or initial public offering of the company, but PFLT is not required to do so.

The illiquidity of PFLT's investments may make it difficult or impossible for it to sell such investments if the need arises, particularly at times when the market for illiquid securities is substantially diminished. In addition, if PFLT is required to liquidate all or a portion of its portfolio quickly, it may realize significantly less than the value at which it had previously recorded its investments, which could have a material adverse effect on its business, financial condition and results of operations. In addition, PFLT may face other restrictions on its ability to liquidate an investment in a portfolio company to the extent that it has material non-public information regarding such portfolio company.

Investments purchased by PFLT that are liquid at the time of purchase may subsequently become illiquid due to events relating to the issuer of the investments, market events, economic conditions or investor perceptions. Domestic and foreign markets are complex and interrelated, so that events in one sector of the world markets or economy, or in one geographical region, can reverberate and have materially negative consequences for other market, economic or regional sectors in a manner that may not be foreseen and which may materially harm PFLT's business.

### ***A general disruption in the credit markets could materially damage PFLT's business.***

PFLT is susceptible to the risk of significant loss if it is forced to discount the value of its investments in order to provide liquidity to meet its liability maturities. Funding I's borrowings under the Credit Facility are collateralized by the assets in its investment portfolio. A general disruption in the credit markets could result in a diminished appetite for PFLT's securities. In addition, with respect to over-the-counter traded securities, the continued viability of any over-the-counter secondary market depends on the continued willingness of dealers and other participants to purchase the securities.

If the fair value of PFLT's assets declines substantially, it may fail to maintain the asset coverage ratio stipulated by the 1940 Act, which could, in turn, cause PFLT to lose its status as a BDC and materially impair its business operations. PFLT's liquidity could be impaired further by an inability to access the capital markets or to draw down Funding I's Credit Facility. These situations may arise due to circumstances that PFLT may be unable to control, such as a general disruption in the credit markets, a severe decline in the value of the U.S. dollar, a sharp economic downturn or an operational problem that affects third parties or PFLT, and could materially damage PFLT's business.



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***PFLT relies in part on its over-the-counter securities, which have and may continue to face liquidity constraints under recent market conditions, to provide it with adequate liquidity.***

The market for over-the-counter traded securities has and may continue to experience limited liquidity and other weakness as the viability of any over-the-counter secondary market depends on the continued willingness of dealers and other participants to purchase the securities.

## **Risks Relating to PFLT's Investments**

***PFLT's investments in prospective portfolio companies may be risky, and you could lose all or part of your investment.***

PFLT intends to invest primarily in Floating Rate Loans, which may consist of senior secured loans, mezzanine debt and selected equity investments issued by U.S. middle-market companies.

1. ***Floating Rate Loans:*** Floating rate loans PFLT invests in are usually rated below investment grade or may also be unrated. Investments in Floating Rate Loans rated below investment grade are considered speculative because of the credit risk of their issuers. Such companies are more likely than investment grade issuers to default on their payments of interest and principal owed to PFLT, and such defaults could reduce PFLT's NAV and income distributions. An economic downturn would generally lead to a higher non-payment rate by portfolio companies, and a floating rate loan may lose significant market value before a default occurs and PFLT may experience losses due to the inherent illiquidity of the investments. Moreover, any specific collateral used to secure a floating rate loan may decline in value or become illiquid, which would adversely affect the floating rate loan's value. Floating rate loans are subject to a number of risks, including liquidity risk and the risk of investing in below investment-grade, variable-rate securities.

Floating rate loans are subject to the risk of non-payment of scheduled interest or principal. Such non-payment would result in a reduction of income to PFLT, a reduction in the value of the investment and a potential decrease in PFLT's NAV. There can be no assurance that the liquidation of any collateral securing a floating rate loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal payments, or that the collateral could be readily liquidated. In the event of bankruptcy or insolvency of a borrower, PFLT could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a floating rate loan. The collateral securing a Floating Rate Loan may lose all or substantially all of its value in the event of the bankruptcy or insolvency of a borrower. Some loans are subject to the risk that a court, pursuant to fraudulent conveyance or other similar laws, could subordinate the rights in collateral of such loans to presently existing or future indebtedness of the borrower or take other action detrimental to the holders of loans including, in certain circumstances, invalidating such loans or causing interest previously paid to be refunded to the borrower. Either such step could materially negatively affect PFLT's performance.

PFLT may acquire Floating Rate Loans through assignments or participations of interests in such loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to such debt obligation. However, the purchaser's rights can be more restricted than those of the assigning institution, and PFLT may not be able to unilaterally enforce all rights and remedies under an assigned debt obligation and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest and not directly with the borrower. Sellers of participations typically include banks, broker-dealers, other financial institutions and lending institutions. In purchasing participations, PFLT generally will have no right to enforce compliance by the borrower with the terms of

the loan agreement against the borrower, and it may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, PFLT will be exposed to the credit risk of both the borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, PFLT will not be able to conduct the same level of due diligence on a borrower or the quality of the Floating Rate Loan with respect to which it is buying a participation as it would conduct if it

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were investing directly in the Floating Rate Loan. This difference may result in PFLT being exposed to greater credit or fraud risk with respect to such Floating Rate Loans than it expected when initially purchasing the participation.

2. **Senior Secured Loans:** When PFLT extends senior secured loans, which PFLT defines to include first lien debt, it will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries, although this will not always be the case. PFLT expects this security interest, if any, to help mitigate the risk that it will not be repaid. However, there is a risk that the collateral securing PFLT's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Also, in some circumstances, PFLT's lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company's financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that PFLT will receive principal and interest payments according to the loan's terms, or at all, or that it will be able to collect on the loan should it be forced to enforce its remedies.
3. **Mezzanine Debt:** PFLT's mezzanine debt investments, which PFLT defines to include second lien secured and subordinated debt, will generally be subordinated to senior secured loans and will generally be unsecured. PFLT's second lien debt is subordinated debt that benefits from a collateral interest in the borrower. As such, other creditors may rank senior to PFLT in the event of insolvency. This may result in an above average amount of risk and volatility or a loss of principal. These investments may involve additional risks that could adversely affect PFLT's investment returns. To the extent interest payments associated with such debt are deferred, such debt may be subject to greater fluctuations in valuations, and such debt could subject PFLT and its stockholders to non-cash income. Since PFLT may not receive cash interest or principal prior to the maturity of some of its mezzanine debt investments, such investments may be of greater risk than cash paying loans.
4. **Equity Investments:** PFLT has made and expects to continue to make select equity investments, all of which are subordinated to debt investments. In addition, when PFLT invests in senior secured loans or mezzanine debt, it may acquire warrants to purchase equity investments from time to time. PFLT's goal is ultimately to dispose of these equity investments and realize gains upon its disposition of such interests. However, the equity investments PFLT receives may not appreciate in value and, in fact, may decline in value. Accordingly, PFLT may not be able to realize gains from its equity investments, and any gains that it does realize on the disposition of any equity investments may not be sufficient to offset any other losses it experiences. In addition, many of the equity securities in which PFLT invests may not pay dividends on a regular basis, if at all.

In addition, investing in middle-market companies involves a number of significant risks, including:

companies may be highly leveraged, have limited financial resources and may be unable to meet their obligations under their debt securities that PFLT holds, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of PFLT realizing any guarantees it may have obtained in connection with its investment;



they typically have shorter operating histories, more limited publicly-available information, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and changing market conditions, as well as general economic downturns;

they are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on PFLT's portfolio company and, in turn, on PFLT;

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they generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, PFLT's executive officers, directors and the PFLT Investment Adviser may, in the ordinary course of business, be named as defendants in litigation arising from PFLT's investments in the portfolio companies; and

they may have difficulty accessing the capital markets to meet future capital needs, which may limit their ability to grow or to repay their outstanding indebtedness upon maturity.

***Under the 1940 Act PFLT may invest up to 30% of its assets in investments that are not qualifying assets for business development companies. If PFLT does not invest a sufficient portion of its assets in qualifying assets, it could be precluded from investing in assets that it deems to be attractive.***

As a BDC, PFLT may not acquire any asset other than qualifying assets, as defined under the 1940 Act, unless at the time the acquisition is made such qualifying assets represent at least 70% of the value of its total assets. Qualifying assets include investments in U.S. operating companies whose securities are not listed on a national securities exchange and companies listed on a national securities exchange subject to a maximum market capitalization of \$250 million. Qualifying assets also include cash, cash equivalents, government securities and high quality debt securities maturing in one year or less from the time of investment.

PFLT believes that most of its debt and equity investments do and will constitute qualifying assets. However, PFLT may be precluded from investing in what it believes are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If PFLT does not invest a sufficient portion of its assets in qualifying assets, it will be prohibited from making any additional investment that is not a qualifying asset and could be forced to forgo attractive investment opportunities. Similarly, these rules could prevent PFLT from making follow-on investments in existing portfolio companies (which could result in the dilution of its position) or could require PFLT to dispose of investments at inappropriate times in order to comply with the 1940 Act. If PFLT needs to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, PFLT may have difficulty in finding a buyer and, even if it does find a buyer, it may have to sell the investments at a substantial loss.

***PFLT is a non-diversified investment company within the meaning of the 1940 Act, and therefore it generally is not limited with respect to the proportion of its assets that may be invested in securities of a single issuer.***

PFLT is classified as a non-diversified investment company within the meaning of the 1940 Act, which means that it is not limited by the 1940 Act with respect to the proportion of its assets that it may invest in securities of a single issuer, excluding limitations on investments in other investment companies. To the extent that PFLT assumes large positions in the securities of a small number of issuers, its NAV may fluctuate to a greater extent than that of a diversified investment company as a result of changes in the financial condition or the market's assessment of the issuer. PFLT may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond PFLT's income tax diversification requirements, it does not have fixed guidelines for diversification, and its investments could be concentrated in relatively few portfolio companies.

***Economic recessions or downturns could impair PFLT's portfolio companies and harm its operating results.***

Many of PFLT's portfolio companies are susceptible to economic slowdowns or recessions and may be unable to repay loans from PFLT during these periods. Therefore, PFLT's number of non-performing assets is likely to increase, and

the value of its portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of PFLT's loans and the value of its equity

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investments. Economic slowdowns or recessions could lead to financial losses in PFLT's portfolio and a material decrease in revenues, net income and assets. Unfavorable economic conditions also could increase PFLT's funding costs, limit PFLT's access to the capital markets or result in a decision by lenders not to extend credit to PFLT. These events could prevent PFLT from increasing investments and materially harm its operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by PFLT or other lenders could lead to defaults and potential termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize PFLT's portfolio company's ability to meet its obligations under the debt securities that PFLT holds. PFLT may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. Depending on the facts and circumstances of PFLT's investments and the extent of PFLT's involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize its debt investments as equity investments and subordinate all or a portion of its claim to that of other creditors. This could occur regardless of how PFLT may have structured its investment.

***If PFLT fails to make follow-on investments in its portfolio companies, this could materially impair the value of its portfolio.***

Following an initial investment in a portfolio company, PFLT may make additional investments in that portfolio company as follow-on investments, in order to:

increase or maintain in whole or in part its equity ownership percentage;

exercise warrants, options or convertible securities that were acquired in the original or subsequent financing; or

attempt to preserve or enhance the value of its investment.

PFLT has the discretion to make any follow-on investments, subject to the availability of capital resources and regulatory considerations. PFLT may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. Any failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and PFLT's initial investment, or may result in a missed opportunity for it to increase its participation in a successful operation. Even if PFLT has sufficient capital to make a desired follow-on investment, it may elect not to make a follow-on investment because it may not want to increase its concentration of risk, because it prefers other opportunities, or because it is inhibited by compliance with BDC requirements or the desire to maintain its RIC status.

***Because PFLT does not generally hold controlling equity interests in its portfolio companies, it is not in a position to exercise control over its portfolio companies or to prevent decisions by management of its portfolio companies that could decrease the value of its investments.***

Because PFLT does not generally have controlling equity positions in its portfolio companies, it is subject to the risk that a portfolio company may make business decisions with which it disagrees, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to its interests. Due to the lack of liquidity for the debt and equity investments that PFLT typically holds in its portfolio companies, PFLT may not be

able to dispose of its investments in the event it disagrees with the actions of a portfolio company, and may therefore suffer a decrease in the value of its investments.

*An investment strategy focused primarily on privately held companies, including controlling equity interests, presents certain challenges, including the lack of available or comparable information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.*

PFLT has invested and intends to continue to invest primarily in privately held companies. Generally, little public information exists about these companies, and PFLT relies on the ability of the PFLT Investment

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Adviser's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If they are unable to uncover all material information about these companies, PFLT may not make a fully informed investment decision, and it may lose value on its investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could have a material adverse impact on PFLT's investment returns as compared to companies investing primarily in the securities of public companies.

***PFLT's portfolio companies may incur debt that ranks equally with, or senior to, its investments in such companies.***

PFLT invests primarily in Floating Rate Loans issued by its portfolio companies. The portfolio companies usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, PFLT's investments. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which PFLT is entitled to receive payments in respect of the debt securities in which it invests. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to PFLT's investment in that portfolio company would typically be entitled to receive payment in full before PFLT receives any distribution in respect of its investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to PFLT. In the case of debt ranking equally with debt securities in which PFLT invests, PFLT would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company.

***PFLT's incentive fee may induce the PFLT Investment Adviser to make speculative investments.***

The incentive fee payable by PFLT to the PFLT Investment Adviser may create an incentive for PFLT Investment Adviser to make investments on PFLT's behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to the PFLT Investment Adviser is calculated based on a percentage of PFLT's return on invested capital. This may encourage the PFLT Investment Adviser to use leverage to increase the return on PFLT's investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of PFLT Common Stock. In addition, the PFLT Investment Adviser will receive the incentive fee based, in part, upon net capital gains realized on PFLT's investments. Unlike that portion of the incentive fee based on income, there is no hurdle applicable to the portion of the incentive fee based on net capital gains. As a result, the PFLT Investment Adviser may have a tendency to invest more capital in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in PFLT's investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The part of PFLT's incentive fee payable by it to the PFLT Investment Adviser that relates to PFLT's investment income is computed and paid on income that has been accrued but that has not been received in cash. The PFLT Investment Adviser is not obligated to reimburse PFLT for any such incentive fees even if PFLT subsequently incur losses or never receive in cash the deferred income that was previously accrued. As a result, there is a risk that PFLT will pay incentive fees with respect to income that it never receives in cash.

***PFLT's investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.***

PFLT's investment strategy contemplates potential investments in securities of companies located outside of the United States. Investments in securities located outside the United States would not be qualifying assets under Section 55(a) of the 1940 Act. Investing in companies located outside of the United States may expose PFLT to

additional risks not typically associated with investing in U.S. companies. These risks include changes

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in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of PFLT's investments will be U.S. dollar-denominated, any investments denominated in a foreign currency will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. PFLT may employ hedging techniques such as using the Credit Facility's multicurrency capability to minimize these risks, but it can offer no assurance that it will, in fact, hedge currency risk or, that if it does, such strategies will be effective.

***PFLT may make investments that cause its stockholders to bear investment advisory fees and other expenses on such investments in addition to its management fees and expenses.***

PFLT may invest, to the extent permitted by law, in the securities and instruments of other investment companies and companies that would be investment companies but are excluded from the definition of an investment company provided in Section 3(c) of the 1940 Act. To the extent PFLT so invests, it will bear the ratable share of any such investment company's expenses, including management and performance fees. PFLT will also remain obligated to pay investment advisory fees, consisting of a base management fee and an incentive fee, to the PFLT Investment Adviser with respect to investments in the securities and instruments of other investment companies under the PFLT Investment Management Agreement. With respect to any such investments, each of PFLT's stockholders will bear his or her share of the investment advisory fees of the PFLT Investment Adviser as well as indirectly bearing the investment advisory fees and other expenses of any investment companies in which PFLT invests.

***The effect of global climate change may impact the operations of PFLT's portfolio companies.***

There may be evidence of global climate change. Climate change creates physical and financial risk and some of PFLT's portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increases in the cost of energy could adversely affect the cost of operations of PFLT's portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of PFLT's portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions.

***PFLT may be obligated to pay the PFLT Investment Adviser incentive compensation even if it incurs a loss.***

The PFLT Investment Adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of PFLT's investment income for that quarter (before deducting incentive compensation, net operating losses and certain other items) above a threshold return for that quarter. PFLT's Pre-Incentive Fee Net Investment Income for incentive compensation purposes excludes realized and unrealized capital losses that PFLT may incur in the fiscal quarter, even if such capital losses result in a net loss on PFLT's Consolidated Statements of Operations for that quarter. Thus, PFLT may be required to pay the PFLT Investment Adviser incentive compensation for a fiscal quarter even if there is a decline in the value of PFLT's portfolio or it incur a net loss for that quarter.





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***PFLT may expose itself to risks if it engages in hedging transactions.***

If PFLT engages in hedging transactions, it may expose itself to risks associated with such transactions. PFLT may borrow under a multicurrency credit facility in currencies selected to minimize its foreign currency exposure or, to the extent permitted by the 1940 Act and applicable commodities laws, use instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of its portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of PFLT's interest rate or currency positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging designed to gain from those changes in interest rates or foreign currency exposures, for instance, may also limit the opportunity for gain if the changes in the underlying positions should move against such hedges. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that PFLT is not able to enter into a hedging transaction at an acceptable price.

While PFLT may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if PFLT had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, PFLT may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent PFLT from achieving the intended hedge and expose PFLT to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations. PFLT's ability to engage in hedging transactions may also be adversely affected by recent rules adopted by the Commodity Futures Trading Commission.

***Any investments in distressed debt may not produce income and may require PFLT to bear large expenses in order to protect and recover its investment.***

Distressed debt investments may not produce income and may require PFLT to bear certain additional expenses in order to protect and recover its investment. Therefore, to the extent PFLT invests in distressed debt, its ability to achieve current income for its stockholders may be diminished. PFLT also will be subject to significant uncertainty as to when and in what manner and for what value the distressed debt in which it invests will eventually be satisfied (e.g., through liquidation of the obligor's assets, an exchange offer or plan of reorganization involving the distressed debt securities or a payment of some amount in satisfaction of the obligation). In addition, even if an exchange offer is made or plan of reorganization is adopted with respect to distressed debt PFLT holds, there can be no assurance that the securities or other assets received by PFLT in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than may have been anticipated when the investment was made. Moreover, any securities received by PFLT upon completion of an exchange offer or plan of reorganization may be restricted as to resale. If PFLT participates in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of distressed debt, it may be restricted from disposing of such securities.

**Risks Relating to an Investment in PFLT Common Stock**

***PFLT may obtain the approval of its stockholders to issue shares of PFLT Common Stock at prices below the then-current NAV per share of PFLT Common Stock. If PFLT receives such approval from stockholders in the future, it may issue shares of PFLT Common Stock at a price below the then-current NAV per share of PFLT Common Stock. Any such issuance could materially dilute your interest in PFLT Common Stock and reduce***

***PFLT's NAV per share.***

PFLT intends to seek to obtain from its stockholders and they may approve a proposal that authorizes it to issue shares of PFLT Common Stock at prices below the then-current NAV per share of PFLT Common Stock in

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one or more offerings for a 12-month period. Such approval would allow PFLT to access the capital markets in a way that it was previously unable to do as a result of restrictions that, absent stockholder approval, apply to BDCs under the 1940 Act.

Any sale or other issuance of shares of PFLT Common Stock at a price below NAV per share will result in an immediate dilution to your interest in PFLT Common Stock and a reduction of PFLT's NAV per share. This dilution would occur as a result of a proportionately greater decrease in a stockholder's interest in PFLT's earnings and assets and voting interest in PFLT than the increase in its assets resulting from such issuance. Because the number of future shares of PFLT Common Stock that may be issued below PFLT's NAV per share and the price and timing of such issuances are not currently known, PFLT cannot predict the actual dilutive effect of any such issuance. PFLT also cannot determine the resulting reduction in its NAV per share of any such issuance at this time. PFLT cautions you that such effects may be material, and PFLT undertakes to describe all the material risks and dilutive effects of any offerings it makes at a price below its then-current NAV in the future in a prospectus supplement issued in connection with any such offering.

The determination of NAV in connection with an offering of shares of PFLT Common Stock will involve the determination by PFLT's board of directors or a committee thereof that PFLT is not selling shares of its PFLT Common Stock at a price below the then current NAV of PFLT Common Stock at the time at which the sale is made or otherwise in violation of the 1940 Act unless it has previously received the consent of the majority of its stockholders to do so and the board of directors decides such an offering is in the best interests of PFLT's common stockholders. Whenever PFLT does not have current stockholder approval to issue shares of PFLT Common Stock at a price per share below its then current NAV per share, the offering price per share (exclusive of any distributing commission or discount) will equal or exceed its then-current NAV per share, based on the value of its portfolio securities and other assets determined in good faith by its board of directors as of a time within 48 hours (excluding Sundays and holidays) of the sale.

***There is a risk that PFLT's stockholders may not receive distributions or that PFLT's distributions may not grow over time.***

PFLT intends to make distributions on a monthly basis to its stockholders out of assets legally available for distribution. PFLT cannot assure you that it will achieve investment results that will allow it to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage ratio applicable to PFLT as a BDC, it may be limited in its ability to make distributions. Further, if more stockholders opt to receive cash dividends and other distributions rather than participate in PFLT's dividend reinvestment plan, PFLT may be forced to liquidate some of its investments and raise cash in order to make distribution payments, which could materially harm its business. Finally, to the extent PFLT makes distributions to stockholders which include a return of capital, that portion of the distribution essentially constitutes a return of the stockholders' investment. Although such return of capital may not be taxable, such distributions may increase an investor's tax liability for capital gains upon the future sale of PFLT Common Stock.

***Investing in PFLT's shares may involve an above average degree of risk.***

The investments PFLT makes in accordance with its investment objectives may result in a higher amount of risk and volatility than alternative investment options or loss of principal. PFLT's investments in portfolio companies may be highly speculative and aggressive and therefore, an investment in PFLT's shares may not be suitable for someone with lower risk tolerance.

***PFLT may allocate the net proceeds from any offering of its securities in ways with which you may not agree.***

PFLT has significant flexibility in investing the net proceeds of any offering of its securities and may use the net proceeds from an offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

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***PFLT's shares may trade at discounts from or at premiums to NAV that are unsustainable over the long term.***

Shares of BDCs may trade at a market price that is less than the NAV that is attributable to those shares. PFLT's shares have traded above and below its NAV. PFLT's shares closed on NASDAQ at \$14.08 on June 12, 2015. PFLT's NAV per share was \$14.30 as of March 31, 2015. The possibility that PFLT Common Stock will trade at a discount from NAV or at a premium that is unsustainable over the long term is separate and distinct from the risk that PFLT's NAV will decrease. It is not possible to predict whether PFLT's shares will trade at, above or below NAV in the future.

***The market price of PFLT Common Stock may fluctuate significantly.***

The market price and liquidity of the market for shares of PFLT Common Stock may be significantly affected by numerous factors, some of which are beyond PFLT's control and may not be directly related to its operating performance. These factors include:

significant volatility in the market price and trading volume of securities of BDCs or other companies in PFLT's sector, which are not necessarily related to the operating performance of these companies;

changes in regulatory policies or tax guidelines, particularly with respect to RICs or BDCs;

any loss of PFLT's BDC or RIC status;

changes in earnings or variations in operating results;

changes in prevailing interest rates;

changes in the value of PFLT's portfolio of investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

the inability of the PFLT Investment Adviser to employ additional experienced investment professionals or the departure of any of the PFLT Investment Adviser's key personnel;

operating performance of companies comparable to PFLT;

general national and international economic trends and other external factors;

general price and volume fluctuations in the stock markets, including as a result of short sales;

conversion features of subscription rights, warrants or convertible debt; and

loss of a major funding source.

Since PFLT's initial listing on NASDAQ, PFLT Common Stock has traded at a wide range of prices. PFLT can offer no assurance that PFLT Common Stock will not display similar volatility in future periods.

***PFLT may be unable to invest the net proceeds raised from offerings on acceptable terms, which would harm its financial condition and operating results.***

Until PFLT identifies new investment opportunities, it intends to either invest the net proceeds of future offerings in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less or use the net proceeds from such offerings to reduce then-outstanding obligations under the Credit Facility. PFLT cannot assure you that it will be able to find enough appropriate investments that meet its investment criteria or that any investment it completes using the proceeds from an offering will produce a sufficient return.

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### ***Sales of substantial amounts of PFLT's securities may have an adverse effect on the market price of its securities.***

Sales of substantial amounts of PFLT's securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for its securities. If this occurs and continues it could impair PFLT's ability to raise additional capital through the sale of securities should it desire to do so.

### ***You may have current tax liabilities on distributions you reinvest in PFLT Common Stock.***

Under the dividend reinvestment plan, if you own shares of PFLT Common Stock registered in your own name, you will have all cash distributions automatically reinvested in additional shares of PFLT Common Stock unless you opt out of the dividend reinvestment plan by delivering a written notice to the plan administrator prior to the record date of the next dividend or distribution. If you have not opted out of the dividend reinvestment plan, you will be deemed to have received, and for federal income tax purposes will be taxed on, the amount reinvested in PFLT Common Stock to the extent the amount reinvested was not a tax-free return of capital. As a result, you may have to use funds from other sources to pay your federal income tax liability on the value of the PFLT Common Stock received. See

Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Distributions for more information.

### ***There is a risk that PFLT's stockholders may receive its stock as distributions in which case they may be required to pay taxes in excess of the cash they receive.***

PFLT may distribute PFLT Common Stock as a dividend of its taxable income and a stockholder could receive a portion of the dividends declared and distributed by PFLT in shares of PFLT Common Stock with the remaining amount in cash. A stockholder will be considered to have recognized dividend income equal to the fair market value of the stock paid by PFLT plus cash received with respect to such dividend. The total dividend declared would be taxable income to a stockholder even though he or she may only receive a relatively small portion of the dividend in cash to pay any taxes due on the dividend. PFLT has not elected to distribute stock as a dividend but reserves the right to do so.

### ***PFLT incurs significant costs as a result of being a publicly traded company.***

As a publicly traded company, PFLT incurs legal, accounting and other expenses, including costs associated with the periodic reporting requirements applicable to a company whose securities are registered under the Exchange Act, as well as additional corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, and other rules implemented by the SEC and the listing standards of the NASDAQ Stock Market LLC.

### ***Provisions of the Maryland General Corporation Law and of PFLT's charter and bylaws could deter takeover attempts and have an adverse impact on the price of PFLT Common Stock.***

The Maryland General Corporation Law, PFLT's charter and amended and restated bylaws, or the PFLT bylaws, contain provisions that may discourage, delay or make more difficult a change in control of PFLT or the removal of its directors. PFLT is subject to the Maryland Business Combination Act, the application of which is subject to any applicable requirements of the 1940 Act. PFLT's board of directors has adopted a resolution exempting from the Business Combination Act any business combination between PFLT and any other person, subject to prior approval of such business combination by PFLT's board, including approval by a majority of its disinterested directors. If the resolution exempting business combinations is repealed or PFLT's board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of PFLT and increase the



difficulty of consummating such an offer.

In addition, the PFLT bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of PFLT Common Stock by any person. If PFLT amends the PFLT bylaws to repeal the exemption from such act, it may make it more difficult for a third party to obtain control of PFLT and increase the difficulty of

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consummating such an offer. Also, PFLT's charter provides for classifying its board of directors in three classes, with directors serving classified terms expiring at the third annual meeting of stockholders following their election, and provisions of its charter authorize its board of directors to classify or reclassify shares of its stock in one or more classes or series, to cause the issuance of additional shares of its stock, and to amend its charter, without stockholder approval, to increase or decrease the number of shares of stock that it has authority to issue.

These anti-takeover provisions may inhibit a change of control in circumstances that could give PFLT's stockholders the opportunity to realize a premium over the market price for PFLT Common Stock. See Description of PFLT's Capital Stock Provisions of the Maryland General Corporation Law and PFLT's Charter and Bylaws Business combinations, Control share acquisitions and Classified board of directors.

**RISKS RELATING TO MCG**

***Investing in lower middle-market companies is inherently risky. MCG's financial results may be affected adversely if one or more of its portfolio investments defaults on its loans or fails to perform.***

MCG's portfolio consists primarily of debt and equity investments in privately owned lower middle-market companies. Investing in lower middle-market companies involves a number of significant risks. The debt in which MCG invests is typically not rated. When rated by one or more rating agencies, a majority of MCG's investments are rated below investment grade and have the highest risk of default among corporate bonds, typically referred to as junk bonds. Compared to larger publicly traded companies with greater financial, technical and marketing resources, lower middle-market companies typically have fewer resources and may experience wider variations in their operating results, making them more vulnerable to economic downturns. Lower middle-market companies experience limited access to capital and the cost of capital is usually higher than for their larger competitors. Many lower middle-market companies are unable to obtain financing from public capital markets or from traditional credit sources, such as commercial banks, often because they are perceived to pose a higher default risk. The success of lower middle-market companies often depends heavily on the managerial talents and efforts of an individual or a small group of persons. Therefore, the loss of any key employee could harm both its financial condition and its ability to compete effectively. Further, some lower middle-market companies conduct business in regulated industries. Changes in the regulatory environment impacting lower middle-market companies could result in significant expenditures and impair cash flow by making it difficult for them to conduct business in a cost effective manner, and have more dire effects, including bankruptcy. Even minor events may adversely affect the value of a loan's collateral and a company's ability to repay its obligations, which in turn may adversely affect the return on, or the recovery of, its investment in these businesses.

When evaluating a potential investment, MCG must rely on its employees' diligence to obtain information necessary to make well informed investment decisions. If MCG fails to uncover material information about its portfolio companies, either prior to or after its investment, MCG may lose money. A portfolio company's failure to satisfy financial or operating covenants imposed by MCG or other lenders could lead to defaults under MCG's loan documents and trigger cross-defaults under other agreements. Should other lenders choose to accelerate their loans and/or foreclose on the company's secured assets, it could jeopardize the portfolio company's ability to meet its obligations under MCG's debt securities. MCG may also incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company.

***Very few of MCG's portfolio investments are publicly traded and, as a result, their value is uncertain. If MCG's determinations regarding the fair value of its investments are higher than that which it ultimately realizes upon disposition, MCG's NAV could be affected adversely.***

Typically, there is no public market for the securities of the privately held companies in which MCG has invested, and in which MCG generally expects to continue to invest. In accordance with the 1940 Act and accounting principles generally accepted in the United States, MCG carries substantially all of its portfolio investments at fair value as determined in good faith by the MCG board of directors.

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Whenever possible, the MCG board of directors values its securities at market value; however, since very few of MCG's investments are traded publicly the board considers various factors to assist it in determining fair value during the valuation process. For example, depending on the nature of the investment, the board may examine public and private mergers and acquisitions transactions, comparisons to publicly traded comparable companies, third-party assessments of valuation, discounted cash flow analyses, the nature and realizable value of any collateral, the portfolio company's earnings and its ability to make payments, the markets in which the portfolio company does business, market-based pricing, bond-yield analysis and other relevant factors. MCG also obtains financial and other information from portfolio companies, which may include unaudited, projected or pro forma financial information. MCG's board of directors also engages independent valuation firms to assist in determining the fair value of MCG's investments. Because valuations, particularly those of private securities and private companies, are inherently uncertain, they may fluctuate over short periods of time and are often based on estimates. MCG's determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and from the amounts MCG may realize on any disposition of such investments. If MCG's determinations regarding the fair value of its investments are materially higher than the values that it ultimately realize upon the disposition of such investments, MCG's NAV could be affected adversely.

***The general volatility of the financial markets and the economy could impair MCG's portfolio companies' financial positions and operating results, which, in turn, could harm MCG's operating results.***

The future of the United States economy, sub-sectors of the broader economy and state and local economies in which MCG invests, is unclear. If economic performance in these markets declines in the future, the financial results of MCG's lower middle-market portfolio companies may experience deterioration or limited growth. Prolonged, unfavorable or uncertain economic and market conditions may impact the ability of MCG's portfolio companies to service their debt or engage in a liquidity event, such as a sale, merger, recapitalization or initial public offering.

Should this happen, MCG may experience a loss of value in its portfolio and decreases in its revenues, net income and net assets. Adverse economic conditions also may impair the value of collateral securing some of MCG's loans and the value of its equity investments.

***MCG operates in a highly competitive market for investment opportunities, and the success of its business model necessitates that MCG develop and maintain strong referral relationships. Failure to do so, or to offer desirable investment terms, may preclude MCG from winning new business and adversely affect its financial conditions and results of operations.***

MCG competes with many types of investors for the portfolio companies in which it invests, including public and private funds (including other BDCs), commercial and investment banks, commercial financing companies and, to the extent they provide an alternative form of financing, private equity funds or hedge funds. As a result of these entrants, competition for investment opportunities has intensified in recent years and may intensify further in the future. A majority of MCG's competitors are substantially larger and have considerably greater financial, technical and marketing resources. Some may also have a lower cost of funds and access to funding sources that are not available to MCG. In addition, some of MCG's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments that may lead to additional market share and a competitive advantage over MCG. Unlike many of its competitors, MCG is also subject to regulatory restrictions and valuation requirements the 1940 Act imposes on MCG as a BDC.

The myriad competitive pressures MCG faces require its management team to develop and maintain strong relationships with intermediaries, financial institutions, investment bankers, commercial bankers, financial advisors, attorneys, accountants, consultants and other individuals within its network in order to keep apprised of potential

investment opportunities. MCG has experienced significant executive turnover and staff reductions while it monetized a majority of its investments and repurchased MCG Common Stock in the open market,

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which MCG believes has negatively impacted its ability to remain active investors with current or prospective clients. If MCG's management team fails to maintain its existing relationships or develop new ones with important sources of investment opportunities, the company may fail to remain competitive for new business or to generate positive net operating income and its investment portfolio may languish as a result. Regardless of the strength of relationships, no one is obligated to provide MCG with investment opportunities, and there is no assurance that such relationships will generate investment opportunities for the company.

While MCG does not seek to compete primarily based on the interest rates it offers, MCG may lose investment opportunities if MCG does not match its competitors' pricing, terms and structure. If MCG does match its competitors' pricing, terms and structure to win business, it may then experience a decrease in investment income resulting from lower net earning assets. MCG may be precluded from taking advantage of attractive investment opportunities from time to time as a result of an inability to meet market terms, and it can offer no assurance that it will be able to identify and successfully make investments that are consistent with its investment objective. Failure to compete effectively for, and establish strong relationships that could lead to, new business would have a material adverse effect on MCG's business, financial condition and results of operations.

***MCG's portfolio is concentrated in certain industries, which increases its risk of significant loss if any one of these companies fails to service MCG's debt because of industry downturns.***

From time to time, MCG targets specific industries in which to invest on a recurring basis, which may result in significant concentrations in its portfolio. As a consequence, the aggregate returns MCG realizes may be substantially adversely affected by the unfavorable performance of a small number of such investments or a substantial write-down of any one investment. Beyond regulatory and income tax diversification requirements, MCG does not have fixed guidelines for industry concentration. In addition, while it generally declines to make investments in a particular industry or group of industries that would exceed 15.0% of MCG's total assets at the time of Closing Date, it is possible that as the values of its portfolio companies change, one industry or a group of industries may come to exceed such level. As a result, a downturn in an industry in which MCG has invested a significant portion of its total investments could have a materially adverse effect on the company. As of March 31, 2015, due to the number of recent monetizations and loan repayments, 99.5% of MCG's total investments at fair value were invested in healthcare, business services and broadcasting industries. As of December 31, 2014, due to the number of recent monetizations and loan repayments, 59.2%, 18.8% and 12.2% of MCG's total investments at fair value were invested in healthcare, business services and broadcasting industries, respectively. Therefore, MCG is susceptible to the economic circumstances in these industries, and a downturn in any one of these industries could have a material adverse effect on MCG's results of operations and financial condition.

***Changes, enforcement or interpretation of healthcare or other laws and regulations applicable to some of MCG's portfolio companies' businesses may constrain their ability to offer their products and services.***

Changes, enforcement or interpretation of healthcare or other laws and regulations applicable to the businesses of some of MCG's portfolio companies may increase their compliance and other costs of doing business, require significant systems enhancements, or render their products or services less profitable or obsolete, any of which could have a material adverse effect on their results of operations. There has also been an increased political and regulatory focus on healthcare laws in recent years, and new legislation, regulation, enforcement or interpretation may have a material effect on the business and operations of some of MCG's portfolio companies.

***MCG must effectively manage and deploy capital to ensure its financial condition and results of operations. If MCG fails to do so, it could experience a decline in its business prospects and the loss of key employees, both of which could negatively affect MCG's operating results.***

Equity capital is, and may continue to be, difficult to raise because MCG generally is not able to issue and sell its common stock at a price below NAV per share without stockholder approval. In addition, available debt

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capital may be costly and/or carry less favorable terms and conditions. Therefore, MCG's ability to maximize its portfolio's total return depends on the ability to successfully manage and deploy capital effectively. MCG's debt investments generate capital from current income, and its equity and equity-related investments generally provide capital appreciation, enhancing its overall operating results. MCG's ability to identify and evaluate, and ultimately to finance and invest in, companies that will produce the desired financial gains rests squarely in the hands of its investment team. Accomplishing MCG's investment objectives on a cost-effective basis is largely a function of its investment team's handling of the investment process, its ability to provide competent, attentive and efficient services and MCG's access to investments offering acceptable terms. In addition to monitoring the performance of its existing investments, members of MCG's investment team are also called upon, from time to time, to provide managerial assistance to some of MCG's portfolio companies. These demands on their time may distract them or slow the rate of investment capital.

MCG's results of operations will depend on many factors, including the availability of opportunities for investment, and economic conditions. Furthermore, if MCG cannot successfully operate its business or implement its investment policies and strategies it could negatively impact MCG's ability to pay dividends. The prolonged inability to effectively deploy capital could negatively impact MCG's business prospects, cause the departure of key employees and have an adverse impact on its operating results.

***MCG's ability to raise additional capital is limited by the market price of its common stock and by regulations governing its operations as a BDC.***

Although shares of closed-end investment companies frequently trade at a market price that is less than the NAV attributable to those shares, this characteristic has no correlation with the risk of decline to MCG's own NAV. It is not possible to predict whether MCG Common Stock will trade at, above, or below NAV. In the recent past, the stocks of BDCs as an industry, including shares of MCG Common Stock, have traded below NAV as a result of concerns over market conditions, credit concerns, liquidity, dividend coverage, leverage restrictions, distribution requirements and various other reasons. When MCG Common Stock trades below its NAV per share, the 1940 Act prohibits it from selling shares of its common stock at a price below the current NAV unless MCG stockholders approve such a sale and the MCG board of directors makes certain determinations.

MCG has issued debt securities and may in the future incur additional debt, issue preferred stock, and/or borrow money from banks or other financial institutions, which are referred to collectively as senior securities. Under the provisions of the 1940 Act, as a BDC MCG is permitted to issue senior securities only in amounts such that MCG's BDC asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of MCG's assets declines MCG may be unable to satisfy this test, precluding it from issuing senior securities and paying dividends. MCG may also be required to sell a portion of its investments and, depending on the nature of its leverage, repay a portion of its indebtedness at a time when such sales may be disadvantageous.

***If MCG fails to qualify as a RIC, MCG will have to pay corporate-level taxes on its income and its income available for distribution would be reduced significantly or eliminated.***

MCG has elected to be taxed for federal income tax purposes as a RIC, under Subchapter M of the Code. To qualify as a RIC under the Code, MCG must meet certain source-of-income, asset diversification and the Annual Distribution Requirement and maintain its status as a BDC, including:



Sources of Income. MCG must obtain at least 90% of its income each year from dividends, interest, gains from the sale of stock or securities or similar sources.

Asset Diversification. At the end of each taxable year, at least 50% of the value of MCG's assets must consist of cash, cash equivalents, U.S. government securities, securities of other RICs, and other acceptable securities. No more than 25% of the value of MCG's assets may be invested in the securities, other than U.S. government securities or securities of other RICs, (i) of one issuer, or (ii) of

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two or more issuers that are controlled, as determined under applicable Code rules, by MCG and that are engaged in the same or similar or related trades or businesses or of certain qualified publicly traded partnerships.

**Income Distribution.** MCG must distribute to its stockholders at least 90% of its ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis. Because MCG is subject to an asset coverage ratio requirement under the 1940 Act, and may also be subject to certain financial covenants under any debt financings MCG may incur, MCG could, under certain circumstances, be restricted from making the distributions necessary to satisfy the IRS requirement.

As MCG's total assets continue to decline associated with its stock repurchase program and tender offer, dividend distributions to stockholders and other transactions that reduce MCG's total assets, there is an increased risk of non-qualification as a RIC due to the 50% or 25% asset diversification test as outlined in Code Section 851(b)(3). The 50% diversification test requires at least 50% of the value of a RIC's total assets be invested in cash, cash items (including receivables), government securities (as defined under the 1940 Act), securities of other RICs, or investments in other securities that, with respect to any one issuer, do not represent more than 5% of the RIC's assets or more than 10% of the issuer's voting securities.

The 25% diversification test requires that not more than 25% of the value of the company's total assets are invested in the securities (other than government securities or the securities of other RICs) of any one issuer, or of two or more issuers which the taxpayer controls and which are determined to be engaged in the same or similar trades or businesses. The term "controls" means the ownership of 20% or more of the total combined voting power of all classes of voting stock in a corporation.

The 50% and 25% diversification test must be satisfied at the end of each quarter of a RIC's taxable year.

Failure to meet the foregoing requirements may result in MCG having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of MCG's investments will be in private companies, and, therefore, will be relatively illiquid, any such dispositions could be made at disadvantageous prices and could result in losses. If MCG fails to qualify as a RIC for any reason it would become subject to corporate-level income tax, substantially reducing its net assets, the amount of income available for distribution, if any, and the amount of its distributions. Such a failure would have a material adverse effect on MCG stockholders and the company.

***If MCG fails to establish new credit facilities on favorable terms, its business could be harmed materially.***

MCG cannot be certain that it will be able to establish new borrowing facilities to provide working and investment capital, including for new originations. If MCG is unable to establish new facilities of a reasonable size, its liquidity will be reduced significantly. Even if MCG is able to consummate new borrowing facilities, it may not be able to do so on favorable terms.

***MCG may be unable to obtain debt capital on favorable terms or at all, in which case it would not be able to use leverage to increase the return on its investments.***

If MCG is unable to obtain debt capital, then its equity investors will not benefit from the potential for increased returns on equity resulting from leverage to the extent that its investment strategy is successful and MCG may be limited in its ability to make new commitments or fundings to its portfolio companies.

***Prepayments of MCG's debt investments by its portfolio companies could adversely impact MCG's results of operations and reduce its return on equity.***

MCG is subject to the risk that the investments it makes in its portfolio companies may be repaid prior to maturity. When this occurs, MCG could experience significant delays in reinvesting these amounts. Any future

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investment in a new portfolio company may also be at lower yields than the debt that was repaid. As a result, MCG's results of operations could be materially adversely affected if one or more of its portfolio companies elect to prepay amounts owed to MCG. Additionally, prepayments could negatively impact MCG's return on equity, which could result in a decline in the market price of MCG Common Stock.

***In situations where MCG holds junior priority liens, its ability to control decisions with respect to its portfolio companies may be limited by lenders holding superior liens. In a default scenario, the value of collateral may be insufficient to repay MCG after the senior priority lenders are paid in full.***

MCG makes certain loans to portfolio companies that are secured by a junior priority security interest in the same collateral pledged to secure debt owed to lenders with liens senior to MCG's. Often the senior lender has procured covenants from the portfolio company prohibiting the incurrence of additional secured debt without the senior lender's consent. As a condition of permitting the portfolio company to incur junior secured indebtedness, the senior lender will require that MCG as junior lender enter into an intercreditor agreement that, among other things, will establish the senior lender's right to control the disposition of any collateral in the event of an insolvency proceeding or other default situation. In addition, intercreditor agreements generally will expressly subordinate junior liens to senior liens as well as the repayment of junior debt to senior debt.

Because of the control MCG may cede to senior lenders under intercreditor agreements, it may be unable to control the manner or timing of collateral disposition. In addition, the value of collateral securing MCG's debt investment will ultimately depend on market and economic conditions at the time of disposal, the availability of buyers and other factors. Therefore, there can be no assurance that the proceeds, if any, from the sale or sales of all of the collateral would be sufficient to satisfy the loan obligations secured by MCG's liens. There is also a risk that such collateral securing MCG's investments will be difficult to sell in a timely manner or to appraise. If the proceeds of the collateral are insufficient to repay its loans, then MCG will have an unsecured claim to the extent of the deficiency against any of the company's remaining assets, which claim will likely be shared with many other unsecured creditors.

***As a debt or minority equity investor in a portfolio company, MCG may have little direct influence over the entity. The stockholders and management of the portfolio company may make decisions that could decrease the value of MCG's portfolio holdings.***

MCG makes both debt and minority equity investments. Should a portfolio company make business decisions with which MCG disagrees, or the stockholders and management of that company take risks or otherwise act in ways that do not serve MCG's interests, the value of MCG's portfolio holdings could decrease and have an adverse effect on its financial position and results of operations.

***If MCG needs to sell any of its investments, MCG may not be able to do so at a favorable price and, as a result, MCG may suffer losses.***

MCG's investments usually are subject to contractual or legal restrictions on resale or are otherwise illiquid because there is usually no established trading market. The illiquidity of most of MCG's investments may make it difficult for it to dispose of them at a favorable price. As a result, MCG may suffer losses. In addition, if MCG were forced to liquidate some or all of the investments in its portfolio on an expedited basis, the proceeds of such liquidation could be significantly less than the current fair value of such investments. MCG may be required to liquidate some or all of its portfolio to meet its debt service obligations or to maintain its qualification as a BDC and as a RIC to the extent it fails to satisfy the applicable regulatory criteria.

***The disposition of MCG's investments may result in contingent liabilities.***

Most of its investments involve private securities. In connection with the disposition of an investment in private securities, MCG may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of a business. MCG may also be required to indemnify the purchasers of such investment with respect to certain potential liabilities or to the extent that any

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of its representations turn out to be inaccurate. These arrangements may result in contingent liabilities that ultimately yield funding obligations that must be satisfied through its return of certain distributions previously made to MCG.

***Portfolio company litigation could result in additional costs, the diversion of management time and resources and have an adverse impact on the fair value of MCG's investment.***

In the course of providing significant managerial assistance to certain of its portfolio companies, MCG may serve as directors on the boards of such companies. In addition, in the course of making portfolio company investments, MCG may elect to take an equity position in any given company. To the extent that litigation arises out of its investments, MCG may be named as a defendant, which could result in additional costs and the diversion of management time and resources. In addition, litigation involving a portfolio company may be costly and affect the operations of the business, which could in turn have an adverse impact on the fair value of MCG's investment.

***There may be circumstances where MCG's debt investments could be subordinated to claims of other creditors or MCG could be subject to lender liability claims.***

If one of MCG's portfolio companies were to go bankrupt, depending on the facts and circumstances, including the extent to which MCG provided managerial assistance to that portfolio company, a bankruptcy court could elect to subordinate all or a portion of MCG's claims to those of other creditors regardless of the seniority of its original investment. In such instances, the court may deem MCG's actions to be more like that of an equityholder than a debt holder. Were that to occur, the claims MCG carried as senior in right of payment on its books might instead be recharacterized by the court as junior, and therefore come much lower in the priority of payments. To the extent that there are insufficient funds remaining to pay it once other debtholders are paid in full, MCG may lose all or a portion of its investment.

The actions MCG takes with respect to a portfolio company's business, including providing managerial assistance, or the exercise of control over a portfolio company could also give rise to lender liability claims. Should MCG's actions be viewed as more akin to those of an equityholder than a debtholder because of MCG's involvement in the operations of the portfolio company, a presumption could arise that it has a fiduciary duty to the portfolio company. A third party could then sue MCG, for example, in an attempt to make it liable for any negative performance by such portfolio company.

***MCG may choose to waive or defer enforcement of covenants in the debt securities held in its portfolio, which may cause it to lose all or part of its investment in these companies.***

MCG structures the debt investments in its portfolio companies to include business and financial covenants placing affirmative and negative obligations on the operation of the company's business and its financial condition. However, from time to time MCG may elect to waive breaches of these covenants, including its right to payment, or waive or defer enforcement of remedies, such as acceleration of obligations or foreclosure on collateral, depending upon the financial condition and prospects of the particular portfolio company. These actions may reduce the likelihood of MCG's receipt of the full amount of future payments of interest or principal and be accompanied by a deterioration in the value of the underlying collateral as many of these companies may have limited financial resources, may be unable to meet future obligations and may go bankrupt. This could negatively impact MCG's ability to pay dividends, could adversely affect its results of operation and financial condition and cause the loss of all or part of your investment.

***Any unrealized losses experienced by MCG on its investment portfolio may be an indication of future realized losses, which could reduce MCG's income available for distribution and could impair MCG's ability to service its borrowings, if any.***

As a BDC, MCG is required to carry its investments at market value or, if no market value is ascertainable, at fair value as determined in good faith by MCG's board of directors. Decreases in the market values or fair

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values of MCG's investments will be recorded as unrealized depreciation. Any unrealized depreciation in MCG's investment portfolio could be an indication of a portfolio company's inability to meet its repayment obligations to MCG with respect to the affected investments. This could result in realized losses in the future and ultimately in reductions of MCG's income available for distribution in future periods and could materially adversely affect its ability to service its outstanding borrowings, if any.

***MCG's stock price has been, and continues to be, volatile and purchasers of MCG Common Stock could incur substantial losses.***

The stock market in general, and the market prices for securities of financial services companies in particular, have experienced extreme volatility that often has been unrelated or disproportionate to the operating performance of these companies. If current levels of market volatility continue or worsen, MCG may continue to experience an adverse effect, possibly material, on its ability to access capital and on its business, financial condition and results of operations.

The market price and the liquidity of the market for MCG's shares may from time to time be affected by a number of factors, which include, but are not limited to, the following:

MCG's quarterly results of operations;

MCG's origination activity, including the pace of, and competition for, new investment opportunities;

price and volume fluctuations in the overall stock market from time to time;

investors' general perception of the company, the economy and general market conditions;

actual or anticipated changes in MCG's earnings or fluctuations in its operating results or changes in the expectations of securities analysts;

the financial performance of the specific industries in which MCG invests on a recurring basis, including without limitation, its investments in the healthcare, business services and education industries;

significant transactions or capital commitments by MCG or its competitors;

significant volatility in the market price and trading volume of securities of BDCs or other financial services companies;



volatility resulting from trading in derivative securities related to MCG Common Stock including puts, calls or short trading positions;

potential future sales of debt securities convertible into or exchangeable or exercisable for MCG Common Stock or the conversion of such securities;

the average trading volume and the ability of investors to obtain liquidity in MCG Common Stock in the open market, which may be negatively impacted by the number of shares MCG repurchases in the open market;

changes in laws or regulatory policies or tax guidelines with respect to BDCs or RICs;

loss of RIC status;

the inability to secure additional debt or equity capital;

announcements of strategic developments, acquisitions and other material events by MCG or its competitors;

litigation or regulatory actions affecting MCG or its portfolio companies; and

departures of key personnel.

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If any of these factors causes an adverse effect on MCG's business, its results of operations or its financial condition, the price of MCG Common Stock could fall and investors may not be able to sell their common stock at or above their respective purchase prices.

### ***You may not receive future distributions.***

In the event that the asset coverage ratio applicable to MCG as a BDC falls below 200%, MCG will be unable to make distributions until the ratio again meets or exceeds the threshold. If MCG does not distribute at least 90% of its investment company taxable income annually, it will suffer adverse tax consequences, including the possible loss of its status as a RIC for the applicable period. From December 2001 through March 31, 2015, MCG has declared distributions totaling \$14.13 per common share. Due to the market dislocation, MCG suspended its distributions from the third quarter of 2008 through the first quarter of 2010. MCG reinstated its distribution on April 29, 2010, and until the third quarter of 2014 continued to declare a quarterly dividend. There can be no assurance that distributions will resume in the future.

MCG will make future decisions with respect to the actual level of distributions after taking into account the minimum statutorily required level of distributions, gains and losses recognized for tax purposes, portfolio transactional events, its liquidity, cash earnings and its BDC asset coverage ratio at the time of such decision. Regulatory constraints, MCG's inability to achieve operating results or a decline in the performance of its business could restrict MCG's ability to make any future distributions. In addition, MCG may not be able to make distributions at a specific level or to increase the amount of these distributions from time to time.

### ***MCG may have difficulty paying its required distributions if it recognizes income before, or without, receiving cash representing such income.***

In accordance with applicable tax laws and regulations, MCG includes in taxable income certain amounts that MCG has not yet received in cash from its portfolio companies, such as contractual PIK interest, interest on loans that are on non-accrual status and original issue discount. PIK interest represents contractual interest added to the loan balance and due at the end of the loan term. Loans that are on non-accrual status reflect an inability of a portfolio company to make payments to MCG when due. Original issue discount may arise if MCG receives warrants in connection with the issuance of a debt instrument or in other circumstances. MCG is required to include in income each year a portion of the original issue discount that accrues over the life of the obligation, regardless of whether cash representing such income is received by MCG in the same taxable year. Other situations may also arise where MCG is required to include amounts in taxable income for which it has not yet received payment in cash.

MCG must distribute at least 90% of its investment company taxable income to maintain the tax benefits it enjoys as a RIC. This obligation applies whether or not that income was actually received in cash. Since MCG may recognize income before, or without, receiving cash representing such income, it may have difficulty meeting the requirement. To raise funds to make the required distributions, MCG may have to raise additional debt or equity capital at unattractive rates or on unfavorable conditions. MCG might also need to sell some of its investments at unfavorable prices, or repurpose the cash it had reserved for new investment originations. If it cannot obtain cash from these or other sources, MCG may fail to qualify as a RIC and, thus, be subject to corporate-level income tax.

### ***Any change in the regulation of MCG's business could have a significant adverse effect on the profitability of its operations and its cost of doing business.***

Changes in the laws, regulations or interpretations of the laws and regulations that govern BDCs, RICs or non-depository commercial lenders could have a significant adverse effect on MCG's operations and its cost of doing

business. MCG is subject to federal, state and local laws and regulations and also to judicial and administrative decisions that affect its operations. If these laws, regulations or decisions change, or if MCG

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expands its business into jurisdictions that have adopted requirements that are more stringent than those in which it currently conducts business, MCG may have to incur significant expenses in order to comply or it may have to restrict its operations.

***MCG may in the future decide to issue preferred stock, which would magnify the risks of investing in the company, as well as the potential for loss.***

Because preferred stock is another form of borrowing and the dividends on any preferred stock MCG might issue would be cumulative, preferred stock has the same risks to its common stockholders as debt. MCG is obligated to pay the cumulative dividends and any liquidation preference attached to such preferred stock before it makes any payments to its common stockholders. While the value of preferred stock is unaffected by MCG's expenses or losses, preferred stockholders do not participate in any income or appreciation in excess of their stated preference. Holders of any preferred stock MCG might issue would have the right to elect members of the board of directors as well as class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status. Accordingly, preferred stockholders could veto changes to the detriment of the company and its common stockholders. See Description of MCG's Capital Stock Preferred Stock. MCG currently has no plans to issue preferred stock.

***Investments in equity securities involve a substantial degree of risk.***

MCG has purchased, and may purchase in the future, common stock and other equity securities, including warrants, in various portfolio companies. Although equity securities historically have generated higher average total returns than debt securities over the long term, equity securities may experience more volatility in those returns than debt securities. The equity securities MCG acquires may fail to appreciate, decline in value or lose all value, and MCG's ability to recover its investment will depend on the portfolio company's success. Investments in equity securities involve a number of significant risks, including the risk of further dilution in the event the portfolio company issues additional securities. Investments in preferred securities involve special risks, such as the risk of deferred distributions, illiquidity and limited voting rights.

***Fluctuations in interest rates could affect MCG's income adversely.***

Because MCG sometimes borrow to make investments, its net income depends, in part, on the difference between the interest rate at which MCG borrows funds and the interest rate at which it then invests these funds. Because a significant portion of MCG's assets and liabilities may be priced using various short-term rate indices, including one-month to six-month LIBOR, commercial paper rates and the prime rate, the timing of changes in market interest rates or in the relationship between interest rate indices could affect the interest rates earned on MCG's interest-earning assets differently than the interest rates MCG pays on interest-bearing liabilities. As a result, significant changes in market interest rates could have a material adverse effect on MCG's net income.

A significant portion of MCG's variable rate loans have interest rate floors based on the LIBOR or prime rate. These floors minimize the company's exposure to significant decreases in interest rates. A significant increase in market interest rates could harm MCG's ability to attract new portfolio companies and originate new loans and investments. In addition, MCG's non-performing assets could increase and the value of its portfolio decreases because its floating-rate loan portfolio companies may be unable to meet higher payment obligations.

***Uncertainty relating to the LIBOR calculation process may adversely affect the value of MCG's portfolio of the LIBOR-indexed, floating-rate debt securities.***

Concerns have been publicized that some of the member banks surveyed by the British Bankers Association, or BBA, in connection with the calculation of LIBOR across a range of maturities and currencies may have been under-reporting or otherwise manipulating the inter-bank lending rate applicable to them in order to profit on their derivatives positions or to avoid an appearance of capital insufficiency or adverse reputational or other consequences that may have resulted from reporting inter-bank lending rates higher than those they

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actually submitted. A number of BBA member banks have entered into settlements with their regulators and law enforcement agencies with respect to alleged manipulation of LIBOR, and investigations by regulators and governmental authorities in various jurisdictions are ongoing.

Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. Uncertainty as to the nature of such potential changes may adversely affect the market for LIBOR-based securities, including MCG's portfolio of LIBOR-indexed, floating-rate debt securities. In addition, any further changes or reforms to the determination or supervision of LIBOR may result in a sudden or prolonged increase or decrease in reported LIBOR, which could have an adverse impact on the market for LIBOR-based securities or the value of MCG's portfolio of LIBOR-indexed, floating-rate debt securities.

***MCG's business is subject to increasingly complex corporate governance, public disclosure and accounting requirements that could adversely affect its business and financial results.***

MCG is subject to changing rules and regulations of federal and state government as well as the stock exchange on which its common stock is listed. These entities, including the Public Company Accounting Oversight Board, the SEC and the NASDAQ Stock Market have issued a significant number of new and increasingly complex requirements and regulations over the course of the last several years and continue to develop additional regulations and requirements in response to laws enacted by Congress. On July 21, 2010, the Dodd-Frank Act was enacted. There are significant corporate governance and executive compensation-related provisions in the Dodd-Frank Act, and the SEC has adopted, and will continue to adopt, additional rules and regulations that may impact MCG. MCG's efforts to comply with these requirements have resulted in, and are likely to continue to result in, an increase in expenses and a diversion of management's time from other business activities.

***Certain provisions of the Delaware General Corporation Law, MCG's restated certificate of incorporation and its amended and restated bylaws could deter takeover attempts and have an adverse impact on the price of MCG Common Stock.***

The Delaware General Corporation Law, MCG's restated certificate of incorporation and its amended and restated bylaws contain provisions that may discourage a third party from making a proposal to acquire the company. MCG has also adopted measures that may make it difficult for a third party to obtain control of the board or the company, including provisions in MCG's restated certificate of incorporation dividing the board of directors into three classes with the term of one class expiring at each annual meeting of stockholders. These anti-takeover provisions may inhibit a change in control in circumstances that could give the holders of MCG Common Stock the opportunity to realize a premium over the market price of MCG Common Stock. See Description of MCG's Capital Stock.

***The failure in cyber security systems, as well as the occurrence of events unanticipated in MCG's disaster recovery systems and management continuity planning could impair its ability to conduct business effectively.***

The occurrence of a disaster such as a cyber-attack, a natural catastrophe, an industrial accident, a terrorist attack or war, events unanticipated in MCG's disaster recovery systems, or a support failure from external providers, could have an adverse effect on MCG's ability to conduct business and on its results of operations and financial condition, particularly if those events affect its computer-based data processing, transmission, storage, and retrieval systems or destroy data. If a significant number of MCG's managers were unavailable in the event of a disaster, its ability to effectively conduct its business could be severely compromised.

MCG depends heavily upon computer systems to perform necessary business functions. Despite its implementation of a variety of security measures, MCG's computer systems could be subject to cyber-attacks and unauthorized access,

such as physical and electronic break-ins or unauthorized tampering. Like other companies, MCG may experience threats to its data and systems, including malware and computer virus attacks, unauthorized access, system failures and disruptions. If one or more of these events occurs, it could potentially

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jeopardize the confidential, proprietary and other information processed and stored in, and transmitted through, its computer systems and networks, or otherwise cause interruptions or malfunctions in MCG's operations, which could result in damage to its reputation, financial losses, litigation, increased costs, regulatory penalties and/or customer dissatisfaction or loss.

***MCG's ability to utilize its net operating loss carryforwards and certain other tax attributes may be limited.***

For the tax years ended December 31, 2014, 2013, 2012 and 2011, MCG has total net capital losses of \$174.5 million which have no expiration and will be carried forward indefinitely to offset future net capital gains. Capital loss carryforwards from tax years 2009 of \$54.2 million and 2010 of \$5.2 million will expire December 31, 2017 and December 31, 2018, respectively, unless utilized to offset future net capital gains prior to those expiration dates to the extent permitted by federal tax law. Pursuant to Section 382 of the Code, if an ownership change (generally defined as a greater than 50% change by value in its stock ownership within a three-year period) occurs or has occurred, MCG's ability to use its pre-change net capital loss carryforwards and certain other pre-change tax attributes to offset its post-change income may be limited. Similar rules and limitations may apply for state tax purposes as well.



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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement and prospectus contains statements that constitute forward-looking statements, which relate to PFLT, MCG or, following the Merger, Sub Two, regarding future events or the future performance or future financial condition of PFLT, MCG or, following the Merger, Sub Two. These forward-looking statements are not historical facts, but rather are based on current expectations, estimates and projections about PFLT, MCG or, following the Merger, Sub Two, their industry and their respective beliefs and assumptions. The forward-looking statements contained in this joint proxy statement and prospectus involve risks and uncertainties. Actual results may differ materially from those in the forward-looking statements as a result of a number of factors, including:

the ability of the parties to consummate the transaction described in this joint proxy statement and prospectus on the expected timeline (or at all);

the failure of PFLT or MCG stockholders to approve the proposed Merger;

the ability to realize the anticipated benefits of the transaction;

the effects of disruption on the companies' business from the proposed Merger;

the effect that the announcement or consummation of the Merger may have on the trading price of the common stock of PFLT or MCG;

the combined company's plans, expectations, objectives and intentions;

the proposal made by HC2 Holdings, Inc. ( "HC2" );

any decision by MCG to pursue continued operations;

a liquidation or an alternative transaction upon the termination of any merger agreement;

changes in MCG's NAV in the future;

fees and expenses incurred by MCG in connection with a liquidation;

the value of MCG's assets in a liquidation;

the timeline to complete a liquidation of MCG;

any changes to MCG's listing, registration, management or board of directors in a liquidation, or any other alternative proposed transactions;

any potential termination of the Merger Agreement and the actions of MCG stockholders with respect to any proposed transactions;

other factors described from time to time in the companies' filings with the SEC;

PFLT's future operating results;

PFLT's business prospects and the prospects of its prospective portfolio companies;

the dependence of PFLT's future success on the general economy and its impact on the industries in which PFLT invests;

the impact of a protracted decline in the liquidity of credit markets on PFLT's business;

the impact of investments that PFLT expects to make;

the impact of fluctuations in interest rates on PFLT's business and its portfolio companies;

PFLT's contractual arrangements and relationships with third parties;

the valuation of PFLT's investments in portfolio companies, particularly those having no liquid trading market;

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the ability of PFLT's prospective portfolio companies to achieve their objectives;

PFLT's expected financings and investments;

the adequacy of PFLT's cash resources and working capital;

the timing of cash flows, if any, from the operations of PFLT's prospective portfolio companies;

the impact of price and volume fluctuations in the stock markets;

the ability of the PFLT Investment Adviser to locate suitable investments for PFLT and to monitor and administer PFLT's investments;

the impact of future legislation and regulation on PFLT's business and its portfolio companies; and

the impact of European sovereign debt issues.

PFLT and MCG use words such as anticipates, believes, expects, intends, seeks, plans, estimates and similar expressions to identify forward-looking statements. You should not place undue influence on the forward looking statements, as PFLT and MCG's actual results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this joint proxy statement and prospectus.

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

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

You should understand that, under Section 27A(b)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E(b)(2)(B) of the Exchange Act, the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 do not apply to forward-looking statements made in connection with any offering of securities

pursuant to this joint proxy statement and prospectus or in periodic reports PFLT and MCG file under the Exchange Act.

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**THE SPECIAL MEETING OF PFLT**

**Date, Time and Place of the PFLT Special Meeting**

The PFLT special meeting will take place on August 14, 2015 at 10:00 a.m., Eastern Time, at the offices of Dechert LLP, 1095 Avenue of the Americas, New York, NY 10036.

**Purpose of the PFLT Special Meeting**

PFLT stockholders are being asked to consider and vote on the following matters at the PFLT special meeting:

a proposal to approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement; and

a proposal to approve the adjournment of the PFLT special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.

See The Merger and Description of the Merger Agreement.

**PFLT's board of directors, including its independent directors, unanimously recommends that stockholders vote FOR approval of the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement and FOR approval of the proposal to adjourn the PFLT special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the PFLT special meeting to approve the foregoing proposal.**

**Record Date**

The record date for determination of stockholders entitled to vote at the PFLT special meeting is the close of business on July 13, 2015. On the record date, there are anticipated to be approximately 14,898,056 shares of PFLT Common Stock outstanding and entitled to vote and approximately [five] holders of record.

**Quorum**

A quorum is required to be present in order to conduct business at the PFLT special meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of PFLT Common Stock outstanding on the record date shall constitute a quorum for the purposes of the PFLT special meeting. Proxies properly executed and marked with a positive vote, a negative vote or an abstention will be considered present at the PFLT special meeting for purposes of determining whether a quorum is present for the transaction of all business at the PFLT special meeting. However, abstentions are not counted as votes cast on the matter.

**Vote Required**

Each share of PFLT Common Stock has one vote.

***Proposal to Issue Shares***

Assuming a quorum is present, the vote of at least a majority of the votes cast by holders of PFLT Common Stock at the special meeting is required to approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement. **Under the terms of the Merger Agreement, shares of PFLT Common Stock will be issued in the Merger at a price per share greater than or equal to then-current net asset value per share.** It is expected that brokers and other nominees will not have discretionary authority to vote on the proposal to issue shares. Broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal.

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### ***Adjournment Proposal***

The affirmative vote of at least a majority of the votes cast by holders of the shares of PFLT Common Stock at a meeting at which a quorum is present is required to approve the adjournment proposal. Stockholders present in person or represented by proxy at the PFLT special meeting who abstain will have no effect on the vote on the adjournment proposal. It is expected that brokers and other nominees will not have discretionary authority to vote on the proposal to adjourn the PFLT special meeting. Broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal.

### **Voting of Management**

At the close of business on June 12, 2015, PFLT's officers and directors owned and were entitled to vote 237,759 shares of PFLT Common Stock, representing 1.6% of PFLT's outstanding shares of PFLT Common Stock on that date. None of PFLT's officers or directors has entered into any voting agreements relating to the Merger.

### **Voting of Proxies**

PFLT encourages you to vote your shares, either by voting in person at the PFLT special meeting or by authorizing a 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 recommendation of PFLT's board of directors. If any other business is brought before the PFLT special meeting, your shares will be voted by the appropriate proxy's discretion unless you specifically state otherwise on your proxy.

You will be eligible to authorize a proxy electronically via the Internet, by telephone or by mail.

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

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

### **Revocability of Proxies**

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 PFLT special meeting, by attending the PFLT special meeting and voting in person or by a notice, provided in writing and signed by the PFLT stockholder, delivered to the Secretary of PFLT on any business day before the date of the PFLT special meeting.

You may revoke a proxy at any time before it is exercised by notifying the Secretary of PFLT in writing, by submitting a properly executed, later-dated proxy or by voting in person at the PFLT special meeting. Any PFLT stockholder entitled to vote at the PFLT special meeting may attend the PFLT special 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.



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### **Solicitation of Proxies**

The accompanying proxy is solicited by and on behalf of PFLT's board of directors. The costs and expenses of any regulatory filing, including the registration statement (of which this joint proxy statement and prospectus forms a part) will be paid by PFLT and all fees paid to prepare and mail this joint proxy statement and prospectus and the registration statement (of which this joint proxy statement and prospectus forms a part), and to conduct the special meetings of PFLT and MCG will be borne equally by PFLT and MCG. Proxies may be solicited on PFLT's behalf by its directors, officers or employees in person or by telephone, electronic transmission and/or facsimile transmission.

PFLT has also retained AST Fund Solutions to assist in the solicitation of proxies from brokers, nominees, institutions and individuals. PFLT will pay AST Fund Solutions a fee of \$50,000, plus reasonable expenses, for these services. PFLT will mail a copy of this joint proxy statement and prospectus, including the Notice of Special Meeting and the proxy card included with these materials, to each holder of record of PFLT Common Stock on the record date.

### **Dissenters' Rights**

PFLT stockholders do not have the right to exercise dissenters' rights with respect to any matter to be voted upon at the PFLT special meeting.

### **Principal Accountants of PFLT**

PFLT expects that a representative of McGladrey LLP will be present at the PFLT special meeting, will have an opportunity to make a statement if he or she so chooses and will be available to answer questions.

### **Stockholders Who Hold Their Shares in a Brokerage Account**

If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. The proposal to approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement and the proposal to approve the adjournment of the PFLT special meeting are both non-routine matters for PFLT. As a result, if you hold shares of PFLT Common Stock in street name through a broker, your broker will not be permitted to exercise voting discretion with respect to your shares of PFLT Common Stock for such proposals. For this reason, it is imperative that stockholders of PFLT vote or provide instructions to their brokers as to how to vote with respect to the proposal to approve the issuance of the shares of PFLT Common Stock to be issued pursuant to the Merger Agreement and the proposal to approve the adjournment of the PFLT special meeting.

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**THE SPECIAL MEETING OF MCG**

**Date, Time and Place of the MCG Special Meeting**

The MCG special meeting will take place on August 14, 2015, at 10:00 a.m. Eastern Time, at Hyatt Arlington, 1325 Wilson Boulevard, Arlington, Virginia 22209.

**Purpose of the MCG Special Meeting**

MCG stockholders are being asked to consider and vote on the following matters at the MCG special meeting:

a proposal to approve the Merger and the Merger Agreement among PFLT, MCG, Sub One, Sub Two and the PFLT Investment Adviser as such agreement may be amended from time to time; and

a proposal to approve the adjournment of the MCG special meeting, if necessary or appropriate, to solicit additional proxies, if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.

See The Merger and Description of the Merger Agreement.

**MCG's board of directors unanimously recommends that stockholders vote FOR approval of the Merger and the Merger Agreement and FOR approval of the proposal to adjourn the MCG special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the MCG special meeting to approve the foregoing proposal.**

**Record Date**

Only holders of record of MCG Common Stock at the close of business on July 13, 2015, the record date, are entitled to notice of and to vote at the MCG special meeting. On the record date, it is anticipated that approximately 37,074,117 shares of MCG Common Stock will be issued and outstanding and entitled to vote and held by approximately [90] holders of record.

**Quorum and Adjournments**

The presence in person or representation by proxy of the holders of a majority of the shares of MCG Common Stock issued and outstanding and entitled to vote at the special meeting is necessary to establish a quorum for the transaction of business. If a quorum is not present, the special meeting will be adjourned until a quorum is obtained. Abstentions are included in the shares present at the special meeting for purposes of determining whether a quorum is present but are not counted for purposes of determining whether a proposal has been approved and thus, has the effect of a vote AGAINST the Merger and the Merger Agreement.

**Vote Required**

Holders of record of MCG Common Stock on the record date are entitled to one vote per share.

***Merger Proposal***

The affirmative vote of the holders of a majority of the outstanding MCG Common Stock entitled to vote on the matter is required to approve the Merger and the Merger Agreement. Stockholders who abstain, fail to return their proxies or do not otherwise vote effectively will be voting **AGAINST** the Merger and the Merger Agreement. Brokers who hold shares of stock in street name cannot vote those shares if the brokers are not provided with voting instructions in accordance with their procedures and therefore would be counted as a vote **AGAINST** the Merger and the Merger Agreement.

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### ***Adjournment Proposal***

The affirmative vote of a majority of the votes cast on the matter by the holders of shares of MCG Common Stock present in person or represented by proxy at the MCG special meeting is required to approve the adjournment proposal. Stockholders present in person or represented by proxy at the MCG special meeting who abstain will have no effect on the vote on the adjournment proposal. It is expected that brokers and other nominees will not have discretionary authority to vote on the proposal to adjourn the MCG special meeting. However, broker shares for which written authority to vote has not been obtained will not be treated as votes cast on the matter and will have no effect on the vote on such proposal.

### **Voting of Management**

At the close of business on June 12, 2015, MCG's executive officers and directors owned and were entitled to vote 1,072,471 shares of MCG Common Stock, representing 2.9% of the outstanding shares of MCG Common Stock on that date. None of MCG's executive officers or directors has entered into any voting agreement relating to the Merger; however, each of MCG's executive officers and directors has indicated that he intends to vote his shares of common stock in favor of the approval of the Merger and the Merger Agreement as long as the Merger Agreement is in effect.

### **Voting of Proxies**

All shares represented by properly executed proxies received in time for the MCG special meeting will be voted in the manner specified by the stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the approval of each matter to be voted on at MCG special meeting, including approval of the proposed Merger and the Merger Agreement. Stockholders may also call MCG's proxy solicitor at (800) 322-2885 for assistance voting their shares.

Under Delaware law and MCG's amended and restated bylaws, only the matters stated in the Notice of Special Meeting will be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

### **Revocability of Proxies**

Voting by telephone, over the Internet or execution of a proxy will not in any way affect a stockholder's right to attend the MCG special meeting and vote in person. A proxy may be revoked before it is used to cast a vote. To revoke a proxy, a stockholder must:

file with MCG's corporate secretary, at or before the taking of the vote, a written notice of revocation bearing a later date than the proxy;

duly execute a later dated proxy relating to the same shares and deliver it to MCG's corporate secretary before the taking of the vote; or

attend the MCG special meeting and vote in person.

Attendance at the MCG special meeting, if a stockholder does not vote at the MCG special meeting, will not be sufficient to revoke a proxy.

Any written notice of revocation or subsequent proxy should be sent to MCG at the following address: MCG Capital Corporation, 1001 19th Street North, 10th Floor, Arlington, Virginia 22209, Attention: Tod K. Reichert, Corporate Secretary. The shares represented by all properly executed proxies received in time for the MCG special meeting will be voted as specified in those proxies.

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### **Solicitation of Proxies**

The accompanying proxy is solicited by and on behalf of MCG's board of directors. The costs and expenses of any regulatory filing, including the registration statement (of which this joint proxy statement and prospectus forms a part) will be paid by PFLT and all fees paid to prepare and mail this joint proxy statement and prospectus and the registration statement (of which this joint proxy statement and prospectus forms a part), and to conduct the special meetings of PFLT and MCG will be borne equally by PFLT and MCG. Proxies may be solicited on MCG's behalf by its directors, officers or employees in person or by telephone, electronic transmission and/or facsimile transmission.

MCG has also retained MacKenzie Partners, Inc., or MacKenzie Partners, to assist in the solicitation of proxies from brokers, nominees, institutions and individuals. MCG will pay MacKenzie Partners a fee of \$25,000, plus reasonable expenses, for these services.

### **Dissenters' Rights**

Under Delaware law, MCG stockholders have the right to dissent from the Merger and have the appraised fair value of their shares of MCG Common Stock paid to them in cash. The appraised fair value may be more or less than the value of the shares of PFLT stock and cash paid in the Merger.

Persons having beneficial interests in MCG Common Stock held of record in the name of another person, such as a broker or bank, must act promptly to cause the record holder to take such action required under Delaware law to exercise your dissenter's rights.

In order to dissent, you must carefully follow the requirements of the Delaware General Corporation Law, including delivering to PFLT the required written demand for appraisal of your shares prior to the date of the MCG special meeting.

If you intend to exercise dissenters' rights, you should read the statutes carefully and consult with your own legal counsel. You should also remember that if you return a signed proxy card but fail to provide instructions as to how your shares of MCG Common Stock are to be voted, you will be considered to have voted in favor of the Merger Agreement and you will not be able to assert dissenters' rights. If the Merger Agreement is approved by the stockholders of MCG, holders of MCG Common Stock who deliver to PFLT a written demand for appraisal prior to the date of the MCG special meeting and, following notice of the Merger, properly file a petition with the Delaware Court of Chancery demanding determination of the value of their shares of MCG Common Stock will be entitled to receive the appraised fair value of their shares in cash under the Delaware General Corporation Law.

The text of the provisions of the DGCL pertaining to dissenters' rights is attached to this joint proxy statement and prospectus as *Annex D*.

### **Principal Accountants of MCG**

MCG expects that a representative of Ernst & Young LLP will be present at the MCG special meeting, will have an opportunity to make a statement if he or she so chooses and will be available to answer questions.

### **Stockholders Who Hold Their Shares in a Brokerage Account**

If you are a beneficial owner whose shares are held of record by a broker, you must instruct the broker how to vote your shares. With respect to the proposal to approve the Merger and the Merger Agreement, if you do not provide

your broker with instructions or attend the MCG special meeting, it will have the same effect as a vote AGAINST approval of the Merger and the Merger Agreement. For this reason, you should provide your broker

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with instructions on how to vote your shares or arrange to attend the MCG special meeting and vote your shares in person. Stockholders are urged to vote by telephone or the Internet if their broker has provided them with the opportunity to do so. See your voting instruction form for details. If your broker holds your shares and you attend the MCG special meeting in person, please bring a letter from your broker identifying you as the beneficial owner of the shares and authorizing you to vote your shares at the MCG special meeting.

Stockholders will also be asked to consider a proposal to adjourn or postpone the MCG special meeting for the solicitation of additional votes, if necessary. Any such adjournment will only be permitted if approved by a majority of the votes cast on the matter by the holders of shares present in person or by proxy at the MCG special meeting, whether or not a quorum exists. Abstentions and broker non-votes will have no effect on the adjournment vote.



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**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Merger Agreement provides that the holders of MCG Common Stock will be entitled to receive \$4.521 in PFLT Common Stock as well as \$0.226 in cash consideration (subject to upward adjustment based on the market price of PFLT Common Stock and payable by the PFLT Investment Adviser) for each share of MCG Common Stock held by them immediately prior to the effective time (including shares of restricted stock which will vest upon the effective time). Based on the closing price of PFLT Common Stock on June 12, 2015 of \$14.08, holders of MCG Common Stock would have been entitled to receive an additional \$0.070 in cash consideration from PFLT Investment Adviser based on the adjustment mechanism for each share of MCG Common Stock held immediately prior to the Initial Merger. The historical information that has been included in the unaudited pro forma condensed consolidated financial information has been derived from and should be read in conjunction with the historical consolidated financial statements and the related notes of both PFLT and MCG, which are included elsewhere in this document. See Index to Financial Statements.

The following unaudited pro forma condensed consolidated financial information and explanatory notes illustrate the effect of the Merger on PFLT's financial position and results of operations based upon the companies' respective historical financial positions and results of operations under the asset acquisition method of accounting with PFLT treated as the acquirer.

Generally, under asset acquisition accounting, acquiring assets in groups not only requires ascertaining the cost of the asset (or net assets), but also allocating that cost to the individual assets (or individual assets and liabilities) that make up the group. The cost of the group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair values of net identifiable assets acquired other than non-qualifying assets (for example cash) and does not give rise to goodwill. PFLT believes that the acquisition of MCG should be accounted for as an asset acquisition based on the nature of its preacquisition operations, asset or capital allocation and other factors outlined in ASC 805-50 *Business Combinations Related Issues*. The unaudited pro forma condensed consolidated financial information of PFLT and MCG reflects the Unaudited Pro Forma Condensed Consolidated Statements of Assets and Liabilities as of March 31, 2015 and the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended March 31, 2015. The Unaudited Pro Forma Condensed Consolidated Statements of Assets and Liabilities as of each of March 31, 2015 assumes the Merger took place on March 31, 2015. The Unaudited Pro Forma Condensed Consolidated Statement of Operations for the six months ended March 31, 2015 assumes the Merger took place on October 1, 2014. The Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended September 30, 2014 assumes the Merger took place on October 1, 2013.

*The unaudited pro forma condensed consolidated financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had the Merger been completed at the beginning of the applicable period presented, nor the impact of expense efficiencies, asset dispositions, share repurchases and other factors. In addition, as explained in more detail in the accompanying notes to the unaudited pro forma condensed consolidated financial information, the allocation of the pro forma purchase price reflected in the unaudited pro forma condensed consolidated financial information involves estimates, is subject to adjustment and may vary significantly from the actual purchase price allocation that will be recorded upon completion of the Merger.*

Table of Contents**PennantPark Floating Rate Capital Ltd. and Subsidiaries****Pro Forma Condensed Consolidated Statements of Assets and Liabilities**

As of March 31, 2015

Unaudited

(in thousands, except per share data)

	Actual PFLT	As-Adjusted MCG	Pro Forma Adjustments	Pro Forma PFLT Combined
<b>Assets:</b>				
Investments at fair value	\$ 335,525	\$ 50,134	\$	\$ 385,659
Cash and cash equivalents	9,836	107,674(A)	(2,400)(B)	115,110
Other assets	9,013	14,771		23,784
<b>Total assets</b>	<b>\$ 354,374</b>	<b>\$ 172,579</b>	<b>\$ (2,400)</b>	<b>\$ 524,553</b>
<b>Liabilities:</b>				
Credit Facility	\$ 117,593	\$	\$	\$ 117,593
Payable for investments purchased	19,540			19,540
Other liabilities	4,270	4,780		9,050
<b>Total liabilities</b>	<b>141,403</b>	<b>4,780</b>		<b>146,183</b>
Net assets	212,971	167,799	(2,400)(B)	378,370
<b>Total liabilities and net assets</b>	<b>\$ 354,374</b>	<b>\$ 172,579</b>	<b>\$ (2,400)</b>	<b>\$ 524,553</b>
<b>Total shares outstanding</b>	<b>14,898</b>	<b>36,934(A)</b>	<b>11,679 (C)</b>	<b>26,577</b>
Net asset value per share	\$ 14.30	4.54	(0.21)	\$ 14.24

**PRELIMINARY PRO FORMA ADJUSTMENTS**

The preliminary pro forma asset acquisition method of accounting is shown in the unaudited pro forma condensed consolidated financial information is as follows:

- A. To reflect MCG's March 31, 2015 balance sheet, updated for material estimated changes subsequent to March 31, 2015:

	<b>Actual MCG March 31, 2015</b>	<b>Pro Forma Adjustments <sup>(1)</sup></b>	<b>As-Adjusted MCG March 31, 2015 <sup>(2)</sup></b>
Investments, at fair value	\$ 50,134	\$	\$ 50,134
Cash and cash equivalents	116,013	(8,339)	107,674
Other assets	14,771		14,771
<b>Total assets</b>	<b>\$ 180,918</b>	<b>\$ (8,339)</b>	<b>\$ 172,579</b>
<b>Debt</b>	<b>\$</b>	<b>\$</b>	
Other liabilities	4,780		4,780
<b>Total liabilities</b>	<b>4,780</b>		<b>4,780</b>
Net assets	176,138	(8,339)	167,799
<b>Total liabilities and net assets</b>	<b>\$ 180,918</b>	<b>\$ (8,339)</b>	<b>\$ 172,579</b>
Shares outstanding	37,074	(140)	36,934

(1) Primarily the result of acquisition costs incurred by MCG of \$8,339, consisting of \$2,000 for legal, \$2,000 for advisory, \$3,389 for severance and \$950 for other transaction related costs.

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- (2) To reflect the acquisition of MCG by the issuance of approximately 11,679 shares of PFLT Common Stock. Below reflects the allocation of the purchase price on the basis of MCG's current estimate of the relative fair value of assets to be acquired and liabilities to be assumed:

Components of purchase price:

	<b>As-Adjusted MCG March 31, 2015</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma</b>
Common stock issued	\$ 164,440	\$	\$ 164,440
Assets acquired:			
Investments <sup>(a)</sup>	\$ 50,134	\$	\$ 50,134
Cash and cash equivalents	107,674		107,674
Other assets	14,771		14,771
Total assets acquired	172,579		172,579
Other liabilities assumed	(4,780)		(4,780)
Net assets acquired	167,799		167,799
Excess of fair value over purchase price	(3,359)		(3,359)
Total Purchase Price	\$ 164,440	\$	\$ 164,440

- (a) Determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process. See Management's Discussion and Analysis of Financial Condition and Results of MCG Results of Operations. See Management's Discussion and Analysis of Financial Condition and Results of PFLT Results of Operations.

B. The cash and cash equivalents of the pro forma combined company were decreased primarily for acquisition costs incurred by PFLT of \$2,400, consisting of \$300 for legal, \$1,000 for advisory and \$1,100 for other transaction related costs.

C. Total shares outstanding as of March 31, 2015 have been adjusted to reflect the following:

PFLT shares outstanding as of March 31, 2015	14,898
Estimated shares issued in connection with the Merger reflected as outstanding for the periods presented (issued at PFLT common stock price on June 12, 2015 of \$14.08 per share)	11,679
PFLT adjusted shares outstanding as of March 31, 2015	26,577

Weighted average shares for the six months ended March 31, 2015 and the year ended September 30, 2014 have been adjusted to reflect the following:

	<b>For the Six Months Ended March 31, 2015</b>	<b>For the Year Ended September 30, 2014</b>
PFLT weighted average shares outstanding	14,898	14,898
Estimated shares issued in connection with the Merger reflected as outstanding for the periods presented (issued at PFLT common stock price on June 12, 2015 of \$14.08 per share)	11,679	11,679
<b>PFLT adjusted weighted average shares outstanding</b>	<b>26,577</b>	<b>26,577</b>

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**PennantPark Floating Rate Capital Ltd. and Subsidiaries**  
**Pro Forma Condensed Consolidated Statement of Operations**  
**For the Six Months Ended March 31, 2015**  
**Unaudited**  
**(in thousands, except per share data)**

	PFLT	MCG	Pro Forma Adjustments*	Pro Forma PFLT Combined
<b>Performance Data:</b>				
Interest	\$ 14,516	\$ 3,945	\$	\$ 18,461
Other income	944	287		1,231
Total investment income	15,460	4,232		19,692
Base management fees	1,734		392 (A)	2,126
Performance-based incentive fee	1,032		(B)	1,032
Interest and expenses on the Credit Facility	1,662			1,662
Salaries, benefits and stock awards		2,193	(2,193)(C)	
Other expenses	1,107	3,034		4,141
Total expenses	5,535	5,227	(1,801)	8,961
Net investment income	9,925	(995)	1,801	10,731
Net realized and unrealized (losses) gains from investments and Credit Facility	(3,362)	4,370		1,008
Net increase in net assets resulting from operations	\$ 6,563	\$ 3,375	\$ 1,801	\$ 11,739
Net increase in net assets resulting from operations per common share	\$ 0.44	\$ 0.08	\$ 0.15	\$ 0.44
Net investment income per common share	\$ 0.67	\$ (0.02)	\$ 0.15	\$ 0.40

\* Any actual costs incurred related to the Merger, primarily various transaction costs, also were excluded.

**PRELIMINARY PRO FORMA ADJUSTMENTS**

The preliminary pro forma asset acquisition method of accounting is shown in the unaudited pro forma condensed consolidated financial information is as follows:

A. The management fees were computed based on 1.00% of average adjusted gross assets, other than cash and cash equivalents, but including assets purchased with borrowed funds, also known as leverage, consistent with PFLT's Investment Management Agreement.

B. The performance-based incentive fees were computed based on PFLT's Investment Management Agreement. PFLT has assumed no incentive fees would be payable on capital gains.

C. Adjustments to salaries, benefits and stock awards were made to reflect compensation costs for MCG's employees that would have been covered by the base management fees paid to the PFLT Investment Adviser and therefore not incurred by PFLT. Additionally, all stock award costs were excluded as such costs would not exist as there is no stock award plan maintained by PFLT.

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**PennantPark Floating Rate Capital Ltd. and Subsidiaries**  
**Pro Forma Condensed Consolidated Statement of Operations**  
**For the Year Ended September 30, 2014**  
**Unaudited**  
**(in thousands, except per share data)**

	PFLT	MCG	Pro Forma Adjustments*	Pro Forma PFLT Combined
<b>Performance Data:</b>				
Interest	\$ 29,256	\$ 34,179	\$	\$ 63,435
Other income	1,101	1,535		2,636
Total investment income	30,357	35,714		66,071
Base management fee	3,703		2,891(A)	6,594
Performance-based incentive fee	3,464		154(B)	3,618
Interest and expenses on the Credit Facility	3,471	9,423		12,894
Salaries, benefits and stock awards		6,861	(6,861)(C)	
Other expenses	3,083	9,066		12,149
Total expenses	13,721	25,350	(3,816)	35,255
Net investment income	16,636	10,364	3,816	30,816
Net realized gains (losses)	2,873	(65,553)		(62,680)
Net change in unrealized appreciation (depreciation) on investments and Credit Facility	1,005	13,831		14,836
Net realized and unrealized gains (losses) from investments and Credit Facility	3,878	(51,722)		(47,844)
Net increase (decrease) in net assets resulting from operations	\$ 20,514	\$ (41,358)	\$ 3,816	\$ (17,028)
Net increase (decrease) in net assets resulting from operations per common share	\$ 1.38	\$ (0.66)**	\$ 0.33	\$ (0.64)
Net investment income per common share	\$ 1.12	\$ 0.16	\$ 0.33	\$ 1.16

\* Any actual costs incurred related to the Merger, primarily various transaction costs, also were excluded.



\*\* For the year ended September 30, 2014, MCG excluded 712 weighted-average shares of restricted stock from the calculation of diluted loss per share because the inclusion of these shares would have had an anti-dilutive impact on the calculation of loss per share.

#### **PRELIMINARY PRO FORMA ADJUSTMENTS**

The preliminary pro forma asset acquisition method of accounting is shown in the unaudited pro forma condensed consolidated financial information is as follows:

A. The management fees were computed based on 1.00% of average adjusted gross assets, other than cash and cash equivalents, but including assets purchased with borrowed funds, also known as leverage, consistent with PFLT's Investment Management Agreement.

B. The performance-based incentive fees were computed based on PFLT's Investment Management Agreement. PFLT has assumed no incentive fees would be payable on capital gains.

C. Adjustments to salaries, benefits and stock awards were made to reflect compensation costs for MCG's employees that would have been covered by the base management fees paid to the PFLT Investment Adviser and therefore not incurred by PFLT. Additionally, all stock award costs were excluded as such costs would not exist as there is no stock award plan maintained by PFLT.

SEE NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY****PRO FORMA CONSOLIDATED SCHEDULE OF INVESTMENTS****MARCH 31, 2015****(Unaudited)****(dollar amounts in thousands)**

<b>Name</b>	<b>Maturity</b>	<b>Industry</b>	<b>Current Coupon</b>	<b>Basis Point Spread Above Index <sup>(1)</sup></b>	<b>MCG Cost</b>	<b>MCG Fair Value <sup>(2)</sup></b>	<b>PFLT Cost</b>	<b>PFLT Fair Value <sup>(2)</sup></b>	<b>Pro Forma Pro Cost Fair</b>
<b>Investments in Non-Controlled, Non-Affiliated Portfolio</b>									
<b>Investments 99.2%<sup>(3), (4)</sup></b>									
<b>Secured</b>									
9%									
versified	04/02/2018	Retail	11.94%	L+1,175 <sup>(9)</sup>	\$	\$	\$ 8,796	\$ 9,000	\$ 8,796
s, Inc.									
versified	04/02/2018	Retail							
, Inc. <sup>(10)</sup>									
versified	04/02/2018	Retail							
, Inc.									
r) <sup>(10)</sup>									
A Holdings,	02/28/2019	Hotel, Gaming and Leisure	7.00%	L+575			7,273	7,279	7,273
olutions, Inc.	07/16/2018	High Tech Industries	6.25%	L+500			3,885	3,896	3,885
ing I, LLC	12/21/2020	Hotel, Gaming and Leisure	9.25%	L+825			1,346	1,374	1,346
tomotive	10/12/2020	Automotive	6.00%	L+500			3,953	3,950	3,953
nc.									
Learning,	07/31/2019	Media: Broadcasting and Subscription	6.00%	L+500			3,941	3,960	3,941
ental	10/06/2016	Consumer Services	7.00%	L+550			2,890	2,902	2,890
ment, Inc.									
idstream	11/15/2018	Energy: Oil and Gas	7.50%	L+650			6,970	6,773	6,970
LLC									
d Body	06/29/2020	Automotive	6.50%	L+550			4,871	4,925	4,871
y									
r AMF, Corp.	09/17/2021	Retail	7.25%	L+625			7,847	7,900	7,847
Centers,	09/30/2019	Business Services	9.50%	L+750	14,182	14,182			14,182
orrower,	07/02/2020	Hotel, Gaming and Leisure	8.25%	L+700			4,962	4,800	4,962
g Charlie	12/24/2019	Retail	9.00%	L+800			4,400	4,477	4,400

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Soup for the Publishing, LLC	01/08/2019	Media: Advertising, Printing and Publishing	7.25%	L+600			4,908	4,950	4,908
Circle, LLC	06/25/2020	Media: Advertising, Printing and Publishing	5.50%	L+450			5,233	5,240	5,233
nc.	12/21/2020	High Tech Industries	7.50%	L+650			4,873	4,869	4,873
Health Services s, Inc.	02/07/2022	Healthcare and Pharmaceuticals	6.50%	L+550			1,981	2,004	1,981
Business Inc.	03/19/2018	Business Services	7.25%	L+575			3,205	3,237	3,205
Global s, Inc.	12/09/2020	Business Services	5.50%	L+450			4,953	4,925	4,953
m, Inc. <sup>(8)</sup>	05/17/2018	Media: Broadcasting and Subscription	6.75%	P+350			910	631	910
hTechnology,	05/02/2018	Healthcare and Pharmaceuticals	6.00%	L+475			2,850	2,852	2,850
logic s, Inc.	05/31/2019	High Tech Industries	6.25%	L+525			3,919	3,920	3,919
levision <sup>(8)</sup>	12/31/2016	Media: Broadcasting and Subscription	4.30%	L+400 <sup>(9)</sup>	7,877	9,226			7,877
Broadcasting ion	05/23/2018	Media: Broadcasting and Subscription	6.75%	L+550			785	783	785
y Health,	11/04/2020	High Tech Industries	6.00%	L+500			6,856	6,912	6,856
Systems s, Inc.	06/28/2019	High Tech Industries	5.50%	L+450			4,902	4,876	4,902
er Sleep s, LLC	10/21/2020	Consumer Goods: Non-Durable	9.00%	L+800			1,183	1,200	1,183
Corporation	12/13/2019	High Tech Industries	6.00%	L+475			2,834	2,814	2,834
Defense ologies, Inc.	08/05/2019	Aerospace and Defense	6.50%	L+550			6,765	6,825	6,765
ergy, Inc.	04/30/2020	Consumer Goods: Durable	6.50%	L+550			4,950	4,950	4,950
U.S. ion <sup>(11)</sup>	11/04/2020	Construction and Building	7.25%	L+625			6,867	7,000	6,867
dings, Inc. <sup>(5)</sup>	03/30/2017	Automotive	11.50%				1,982	2,100	1,982
er Limited ara, Inc. <sup>(6), (11)</sup>	05/01/2019	Business Services	7.25%	L+600			11,584	10,530	11,584
Web, LLC, an A	03/28/2019	Media: Advertising, Printing and Publishing	5.50%	L+450			5,345	5,412	5,345
Web, LLC, an B	03/28/2019	Media: Advertising, Printing and Publishing	12.00%	L+1,100			4,443	4,500	4,443
Hewitt Tax nc.	10/16/2017	Consumer Services	10.00%	L+850			4,624	4,659	4,624
Solutions L.P. <sup>(8)</sup>	08/19/2019	Chemicals, Plastics and Rubber	11.00%	L+1,000			5,946	5,807	5,946
Solutions, Inc.	11/13/2020	High Tech Industries	5.50%	L+450			1,968	1,966	1,968
Holdings	11/30/2018	Healthcare and Pharmaceuticals	6.50%	L+525			5,831	5,821	5,831
Schools s, LLC	06/25/2019	Consumer Services	7.00%	L+575			2,474	2,480	2,474

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ident p, Inc.	07/31/2019	Healthcare and Pharmaceuticals	6.50%	L+525			8,902	8,721	8,902
ogic Holdings	12/31/2017	Healthcare and Pharmaceuticals	8.50%	L+650	17,500	17,500			17,500
cept Finance	06/28/2019	Consumer Goods: Non-Durable	6.00%	L+475			7,621	7,620	7,621
Dental Inc.	11/01/2018	Consumer Services	6.00%	L+500			8,161	7,518	8,161
Home Brands LLC	12/17/2018	Consumer Goods: Durable	7.75%	L+650			4,899	4,913	4,899
Now Group,	03/18/2021	High Tech Industries	5.50%	L+450			6,965	7,000	6,965
aw US Corp.	06/18/2019	Consumer Goods: Durable	9.00%	L+750			3,598	3,587	3,598

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**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**  
**PRO FORMA CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**MARCH 31, 2015**

**(Unaudited)**

**(dollar amounts in thousands)**

				Basis Point Spread							Pro Forma	
Item	Maturity	Industry	Current Coupon	Above Index <sup>(1)</sup>	MCG Cost	MCG Fair Value <sup>(2)</sup>	PFLT Cost	PFLT Fair Value <sup>(2)</sup>	Cost	Fair Value <sup>(2)</sup>	Cost	Fair Value <sup>(2)</sup>
Law US Corp.	06/18/2019	Consumer Goods: Durable	9.00%	L+750	\$	\$	\$	47	\$	47	\$	47
Law US Corp. (10)	06/18/2019	Consumer Goods: Durable										
ers, LLC	08/14/2019	Hotel, Gaming and Leisure	8.25%	L+725			11,848	11,941			11,848	
ense Inc.	04/21/2017	Aerospace and Defense	9.00%	L+750			6,361	5,721			6,361	
es	08/09/2021	Consumer Services	5.75%	L+475			1,189	1,192			1,189	
Services (1)												
s on (US),	08/22/2018	Healthcare and Pharmaceuticals	7.25%	L+575			6,434	6,392			6,434	
mping al, LLC	12/16/2020	Business Services	6.00%	L+500			4,952	4,963			4,952	
ce Holding,	10/18/2019	High Tech Industries	5.25%	L+425			5,902	5,881			5,902	
rporation	07/09/2021	Construction and Building	5.75%	L+475			4,929	4,577			4,929	
Inc.	12/27/2017	Healthcare and Pharmaceuticals	7.00%	L+575			4,783	4,795			4,783	
oes, LLC	11/02/2020	Consumer Goods: Non-Durable	6.50%	L+550			1,810	1,845			1,810	
lobal Inc. (8)	01/14/2019	Telecommunications	9.50%	L+850			473	473			473	

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				(PIK 1.00%)			
Global Inc. (8)	01/14/2019	Telecommunications	8.50%	L+750	542	570	542
Global Inc. (8)	01/14/2019	Telecommunications					
Shane,	02/07/2022	Automotive	6.75%	L+575	5,809	5,969	5,809
Biologic on (8)	12/22/2016	Business Services	7.26%	L+550	2,902	2,343	2,902
ands,	08/30/2018	Consumer Goods: Non-Durable	7.55%	L+625	2,897	2,796	2,897
aims LLC	10/30/2020	Banking, Finance, Insurance and Real Estate	9.00%	L+800	3,557	3,591	3,557
	06/04/2018	Media: Advertising, Printing and Publishing	8.00%	L+675	2,551	2,629	2,551
<b>First Lien Secured Debt</b>					39,559	40,908	280,437
<b>Second Lien Secured Debt</b>							
<b>3.9%</b>							
Company	09/01/2017	Metals and Mining	11.50%		1,000	923	1,000
Casino LC (8)	10/02/2019	Hotel, Gaming and Leisure	10.00%	L+875	1,677	1,382	1,677
Beverage LC (5), (8)	08/01/2018	Beverage, Food and Tobacco	10.63%		3,500	3,430	3,500
erger	09/30/2020	Wholesale	11.00%	L+1,000	10,386	11,000	10,386
etics Inc. (8)	07/31/2019	Consumer Goods: Durable	11.00%	L+1,000	3,932	3,988	3,932
Line,	12/20/2016	Consumer Services	10.50%	L+875	9,176	9,181	9,176
n, LLC	07/07/2021	Business Services	11.75%	L+1,050	10,897	11,000	10,897
edia, Inc.	10/02/2020	Media: Diversified and Production	9.00%	L+775	5,533	5,614	5,533
oilsands (8), (11)	08/01/2017	Energy: Oil and Gas	10.00%		2,670	2,531	2,670
<b>Third Lien Secured Debt</b>					48,771	49,049	48,771
<b>Unsecured Debt/Corporate Notes 3.9%(8)</b>							
Group Inc.	09/14/2018	Consumer Goods: Durable	14.50%		3,989	2,901	3,989
				(PIK 14.50%)			

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ts LLC	08/15/2018	Consumer Goods: Durable	13.50%			1,734	1,057	1,734
onnet, Inc.	10/26/2018	High Tech Industries	13.00%			1,979	2,014	1,979
			(PIK 1.75%)					
r Mental nter, Inc.	10/12/2017	Healthcare and Pharmaceuticals	14.50%	8,991	8,991			8,991
			(PIK 2.50%)					
lobal Inc.	07/15/2019	Telecommunications	15.00%			122	122	122
			(PIK 15.00%)					

<b>ordinated porate Notes</b>				8,991	8,991	7,824	6,094	16,815
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**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**  
**PRO FORMA CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**MARCH 31, 2015**

**(Unaudited)**

**(dollar amounts in thousands)**

Issuer Name	Maturity	Industry	Basis Point Spread		MCG Cost	MCG Fair Value <sup>(2)</sup>	PFLT Cost	PFLT Fair Value <sup>(2)</sup>	Pro Forma Cost	Pro Forma Fair Value			
			Current Coupon	Above Index <sup>(1)</sup>									
<b>Preferred Equity 0.3%<sup>(7), (8)</sup></b>													
... Cosmetics, Inc.													
A. Cosmetics Holdings, Inc.)		Consumer Goods: Durable	8.00%	\$	\$	\$	400	\$	439	\$	400	\$	439
...Tek Global Services, Inc.		Telecommunications	13.50%				670		791		670		791
<b>Total Preferred Equity</b>							1,070	1,230	1,070	1,230			
<b>Common Equity/Warrants 0.5%<sup>(7), (8)</sup></b>													
...Z Wireless Holdings, Inc.		Retail					119		575		119		575
...Finion Group Holdings, Inc., Series A (warrants)	12/12/2023	Consumer Goods: Durable					1,187		541		1,187		541
...Finion Group Holdings, Inc., Series B (warrants)	12/12/2023	Consumer Goods: Durable							23				23
... Cosmetics, Inc.		Consumer Goods: Durable							17				17
A. Cosmetics													



Buildings, Inc.)							
Prior	11/27/2023	Banking, Finance,		28	145	28	14
stitutional, Inc.		Insurance and Real					
(warrants)		Estate					
ITek Global		Telecommunications					
Services, Inc.							
stcom		Media: Advertising,		57	268	57	26
ent		Printing and					
Buildings, Inc.		Publishing					
<b>Total Common Equity/Warrants</b>				<b>1,391</b>	<b>1,569</b>	<b>1,391</b>	<b>1,56</b>
<b>Total Investments in Non-Controlled, Non-Affiliated Portfolio Companies</b>				<b>48,550</b>	<b>49,899</b>	<b>339,493</b>	<b>335,525</b>
<b>Investments in Controlled, Affiliated Portfolio Companies<sup>(8)</sup></b>							
<b>Common Equity/Warrants 0.0%<sup>(7)(8)</sup></b>							
oadview		Telecommunications		159,579	235	159,579	23
etworks							
Buildings, Inc.							
oadview	11/13/2020	Telecommunications					
etworks							
Buildings, Inc.,							
Series A							
(warrants)							
oadview	11/13/2020	Telecommunications					
etworks							
Buildings, Inc.,							
Series B							
(warrants)							
<b>Total Investments in Controlled, Affiliated Portfolio Companies</b>				<b>159,579</b>	<b>235</b>	<b>159,579</b>	<b>23</b>
<b>Total Investments</b>				<b>208,129</b>	<b>50,134</b>	<b>339,493</b>	<b>335,525</b>
<b>Cash and Cash Equivalents 32.3%</b>							
BlackRock Liquidity Funds, Temp Cash and Temp Fund,							
Institutional Shares					9,836	9,836	9,836
Cash and Cash Equivalents <sup>(12)</sup>				107,674	107,674	107,674	107,67
<b>Total Cash and Cash Equivalents</b>				<b>107,674</b>	<b>107,674</b>	<b>9,836</b>	<b>9,836</b>
<b>Total Investments and Cash Equivalents 131.5%</b>				<b>\$ 315,803</b>	<b>\$ 157,808</b>	<b>\$ 349,329</b>	<b>\$ 345,361</b>
<b>Assets in Excess of Other Liabilities (Liabilities in Excess of Other Assets) (31.5)%</b>					9,991	(132,390)	(122,39
<b>Total Assets 100.0%</b>					<b>\$ 167,799</b>	<b>\$ 212,971</b>	<b>\$ 380,77</b>
<b>Pro Forma Adjustments</b>							
:							

Transaction costs

(2,40

<b>Totals</b>	\$ 315,803	\$ 167,799	\$ 349,329	\$ 212,971	\$ 665,132	\$ 378,37
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SEE NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**PENNANTPARK FLOATING RATE CAPITAL LTD. AND SUBSIDIARY**  
**PRO FORMA CONSOLIDATED SCHEDULE OF INVESTMENTS (Continued)**

**MARCH 31, 2015**

**(Unaudited)**

- (1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable London Interbank Offered Rate, or LIBOR or L, or Prime rate, or P. All securities are subject to a LIBOR or Prime rate floor where a spread is provided, unless noted. The spread provided includes PIK interest and other fee rates, if any.
- (2) Valued based on PFLT's accounting policy (see Note 1).
- (3) The provisions of the 1940 Act classify investments based on the level of control that PFLT maintains in a particular portfolio company. As defined in the 1940 Act, a company is deemed as non-controlled when PFLT owns less than 25% of a portfolio company's voting securities and controlled when PFLT owns 25% or more of a portfolio company's voting securities.
- (4) The provisions of the 1940 Act classify investments further based on the level of ownership that PFLT maintains in a particular portfolio company. As defined in the 1940 Act, a company is deemed as non-affiliated when PFLT owns less than 5% of a portfolio company's voting securities and affiliated when PFLT owns 5% or more of a portfolio company's voting securities.
- (5) Security is exempt from registration under Rule 144A promulgated under the Securities Act. The security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- (6) Non-U.S. company or principal place of business outside the United States.
- (7) Non-income producing securities.
- (8) The securities are not pledged as collateral under the Credit Facility. All other securities are pledged as collateral under the Credit Facility and held through Funding I.
- (9) Coupon is not subject to a LIBOR or Prime rate floor.
- (10) Represents the purchase of a security with delayed settlement or a revolving line of credit that is currently an unfunded investment. This security does not earn a basis point spread above an index while it is unfunded.
- (11) The investment is treated as a non-qualifying asset under Section 55(a) of the 1940 Act. Under the 1940 Act, PFLT may not acquire any non-qualifying asset unless, at the time the acquisition is made, qualifying assets represent at least 70% of PFLT's total assets.
- (12) Cash and cash equivalents have been adjusted for transaction costs in connection with the Merger for MCG.
- (13) Upon consummation of the Merger and in accordance with ASC-50, Business Combinations Related Issues, PFLT will account for the Merger under asset acquisition accounting, which when acquiring assets in groups not only requires ascertaining the cost of the asset (or net assets), but also allocating that cost to the individual assets (or individual assets and liabilities) that make up the group. The cost of the group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair values of net identifiable assets acquired other than non-qualifying assets (for example cash) and does not give rise to goodwill. As a result, such adjustment has been reflected in a single line item entitled Pro forma Adjustment. However, a final determination of the fair value of MCG's investments will be made after the Merger is completed and, as a result, the actual amount of this adjustment may vary from the preliminary amount set forth herein. Thus, the information set forth in the columns reflect historical amounts, and have not been individually adjusted

to reflect the any adjustment unless otherwise noted.

SEE NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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**PennantPark Floating Rate Capital Ltd. and Subsidiaries**

**Notes to Pro Forma Condensed Consolidated Financial Statements**

**Unaudited**

**(In thousands, except per share data unless otherwise stated)**

**1. BASIS OF PRO FORMA PRESENTATION**

The unaudited pro forma condensed consolidated financial information related to the Merger is included as of and for the six months ended March 31, 2015 and for the year ended September 30, 2014. On April 28, 2015, PFLT and MCG entered into a Merger Agreement. For the purposes of the Pro Forma Condensed Consolidated Financial Statements, the value of PFLT's stock price used to determine PFLT's purchase price is approximately \$164,440, which is based upon a price of \$14.08 per share (last closing price as of June 12, 2015) of PFLT Common Stock. The pro forma adjustments included herein reflect the conversion of MCG Common Stock into PFLT Common Stock using an exchange ratio of 0.3162 per share of PFLT Common Stock for each of the 36,934 estimated shares of MCG Common Stock outstanding as of March 31, 2015 after all MCG stock awards are exercised.

The Merger will be accounted for as an asset acquisition of MCG by PFLT in accordance with the asset acquisition method of accounting as detailed in ASC 805-50, *Business Combinations - Related Issues*. Generally, under asset acquisition accounting, acquiring assets in groups not only requires ascertaining the cost of the asset (or net assets), but also allocating that cost to the individual assets (or individual assets and liabilities) that make up the group. The cost of the group of assets acquired in an asset acquisition is allocated to the individual assets acquired or liabilities assumed based on their relative fair values of net identifiable assets acquired other than non-qualifying assets (for example cash) and does not give rise to goodwill. Due to the inherent uncertainty of determining the fair value of investments that do not have readily available market value, the NAV of MCG at closing may be different than the preliminary amounts indicated herein and those differences may be material.

As permitted under Regulation S-X and as explained by ASC 946-810-45, PFLT will generally not consolidate its investment in a company other than an investment company subsidiary or a controlled operating company whose business consists of providing services to PFLT. Accordingly, PFLT has consolidated the results of all subsidiaries in its Consolidated Financial Statements and the Unaudited Pro Forma Condensed Consolidated Financial Statements and have eliminated all intercompany balances and transactions.

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

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

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

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A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Generally, most of PFLT's investments and the Credit Facility are classified as Level 3. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the price used in an actual transaction may be different than PFLT's valuation and those differences may be material. A review of fair value hierarchy classifications is conducted on a quarterly basis. The inputs into the determination of fair value may require signif