

**PENNANTPARK INVESTMENT CORPORATION
(THE “CORPORATION”)**

CORPORATE GOVERNANCE GUIDELINES

The Board has adopted these guidelines to reflect the Corporation’s commitment to good corporate governance, and to comply with the federal securities laws, the Listed Company Manual of the New York Stock Exchange (the “NYSE LCM”) and other legal requirements. In furtherance of these goals the Board has also adopted a Code of Conduct and written Charters for each of its Nominating and Corporate Governance Committee and Audit Committee. The Nominating and Corporate Governance Committee will periodically review these guidelines and propose modification to the Board for consideration as appropriate.

DIRECTOR RESPONSIBILITIES

Basic Responsibilities

The responsibility of the Board of Directors is to direct the management of the business and affairs of the Corporation in the best interests of the Corporation. In addition to overseeing management and exercising their business judgment to act in what they reasonably believe to be in the best interests of the Corporation, it is the Directors’ responsibility to regularly evaluate the strategic direction of the Corporation, management policies and the effectiveness with which management implements its policies. The Board of Directors is also responsible for overseeing plans of management succession that include, among other things, an assessment of the experience, performance and skills of possible successors to the Chairman and CEO and policies regarding succession in the event of an emergency or the retirement of the Chairman or CEO.

Board and Committee Meetings

Directors are expected to prepare for and use reasonable efforts to participate in all Board meetings and meetings of committees on which they serve. The Board and each committee will meet as frequently as necessary to properly discharge their responsibilities, provided that the full Board will meet at least four times per year.

The Chairman of the Board will prepare the agenda for each Board meeting. While the agenda will initially be set by the Chairman of the Board, each Director is free to suggest the inclusion of items on the agenda.

Information and data that are important to the Board’s understanding of the business to be conducted at a Board or committee meeting should, to the extent practical, be distributed in writing to the Directors sufficiently in advance of the meeting to permit meaningful review, and Directors are expected to review in detail the provided materials in advance of each meeting. Directors should not hesitate to ask questions, raise concerns or request more time or information. Upon request, the corporation’s executive officers will make appropriate personnel available to answer any questions a Director may have about any aspect of the Corporation’s business.

Meetings of Independent Directors

The Independent Directors will meet without interested Directors at regularly scheduled executive sessions at least four times a year and at such other times as they deem appropriate. “Independent Directors” are Directors who (i) are not “interested persons” (as defined in the Investment

Company Act of 1940, as amended (the “1940 Act”) of the Corporation; and (ii) are “independent directors” (as defined in Section 303A.02 of the NYSE LCM.

The Independent Directors will designate a Director from among their number to preside at all executive sessions of the Independent Directors.

Board Interaction with Institutional Investors, Research Analysts and Media

As a general rule, management will speak on behalf of the Corporation. Comments and other statements from the entire Board, if appropriate, will generally be made by the Chairman of the Board and Chief Executive Officer. It is suggested that, in normal circumstances, each Director will refer all inquiries from third parties to management.

COMPOSITION AND SELECTION OF THE BOARD

Size and Composition of the Board

The current size of the Board is five, which the Board believes is appropriate. The Board will assess its size from time to time to determine whether its size continues to be appropriate.

Board Membership Criteria

The Board will have a majority of Directors who are Independent Directors. The Board will monitor its compliance with the 1940 Act and the NYSE LCM requirements for Director independence on an ongoing basis. Each Independent Director is expected to notify the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee, as soon as reasonably practicable, in the event that his or her personal circumstances change in a manner that may affect the Board’s evaluation of such Director’s independence.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the composition of the Board as a whole, and whether the Corporation is being well served by the Directors taking into account the Director’s independence, age, skills, experience and availability for service to the Corporation.

The Nominating and Corporate Governance Committee will recommend Director nominees to the Board in accordance with the policies and principles in its Charter.

Membership on Other Boards

Directors must inform the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public Corporation board.

Term Limits and Mandatory Retirement

The Board has not established any term limits to an individual’s membership on the Board. As an alternative to term limits, the Nominating and Corporate Governance Committee will, as part of its annual assessment of the composition of the Board, review a Director’s continuation on the Board.

BOARD COMMITTEES

Composition and Responsibilities

The Board will have at all times an Audit Committee, a Nominating and Corporate Governance Committee, and any other committees the Board deems appropriate. All of the members of the Audit Committee and the Nominating and Corporate Governance Committee will be Independent Directors.¹ The members of the Nominating and Corporate Governance Committee and the Audit Committee will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee based on each committee's member qualification standards. Consideration should be given to the desires, skills and characteristics of individual Directors. The Chairman of each committee will be appointed by that committee.

Charters

The Board and each committee will adopt Charters setting forth the purposes, goals and responsibilities of such committee, as well as qualifications for committee membership and committee reporting to the Board.

DIRECTOR ACCESS TO OFFICERS, EMPLOYEES AND INDEPENDENT ADVISORS

Access to Management and Employees

Directors have full and unrestricted access to officers and employees of the Corporation.

Access to Independent Advisors

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Corporation in advance. The Corporation will provide sufficient funding to the Board and to each committee, as determined by the Board and each of its committees, to exercise their functions and provide compensation for the services of their advisors and, in the case of the Audit Committee, independent accountants.

Internal Reporting

The Audit Committee will encourage submission, and establish procedures for the confidential treatment by the appropriate officers, under the supervision of the Audit Committee, of complaints and concerns by officers and employees regarding accounting and auditing matters and of reports regarding alleged violations of the Code of Conduct or other Corporation policies or law.

The senior executives of the Corporation are encouraged to initiate direct contact with the Chairman of the Audit Committee if they believe that there is a matter that should be brought to the attention of the Board.

¹ Members of the Audit Committee must also satisfy the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, or any successor provision.

DIRECTOR ORIENTATION AND CONTINUING EDUCATION

All new Directors must be provided with these Corporate Governance Guidelines and will participate in the Corporation's orientation initiatives as soon as practicable after the annual meeting at which new Directors are elected. The initiatives will include presentations by senior management and outside advisors as appropriate to familiarize new Directors with the Corporation's business, its strategic plans, its significant financial, accounting and risk management issues and its compliance programs as well as their fiduciary duties and responsibilities as Directors. All other Directors are also invited to attend any orientation initiatives.

The Nominating and Corporate Governance Committee and members of senior management of the Corporation as well as appropriate outside advisors will periodically report to the Board on any significant developments in the law and practice of corporate governance and other matters relating to the duties and responsibilities of Directors in general.

DIRECTOR COMPENSATION

The Board will annually review and approve the form and amount of Director compensation in accordance with the corporate policies and principles relevant to Director compensation. The Board will consider that Directors' independence may be jeopardized if Director compensation and perquisites exceed customary levels or if the Corporation enters into consulting contracts with (or provides other indirect forms of compensation to) a Director or an organization with which the Director is affiliated.

ANNUAL PERFORMANCE EVALUATION

The Nominating and Corporate Governance Committee, on behalf of the Board, will conduct an annual evaluation of the Board and of each committee to determine whether each of them is functioning effectively, and will submit a report to the full Board at the end of the review. The review will be discussed with the full Board following the end of each fiscal year.

The assessment will focus on the contribution to the Corporation by the Board and each committee, and will specifically focus on areas in which the Nominating and Corporate Governance Committee believes a better contribution could be made. The Nominating and Corporate Governance Committee will establish the criteria to be used in such evaluations.

DIRECTOR INSURANCE, INDEMNIFICATION AND EXCULPATION

The Corporation intends to, and the Directors will be entitled to have the Corporation, purchase reasonable Directors' and officers' liability insurance on behalf of the Directors to the extent reasonably available. In addition, the Directors will receive the benefits of indemnification provided by the Corporation's charter and By-laws, as well as the provisions regarding limitation of liability contained in the Corporation's charter.