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As filed with the Securities and Exchange Commission on March 5, 2007

Registration No. 333-140092

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-2

☒ **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**
☒ **PRE-EFFECTIVE AMENDMENT NO. 1**
☐ **POST-EFFECTIVE AMENDMENT NO.**
☐ **REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**

PENNANT INVESTMENT CORPORATION

(Exact Name of Registrant as Specified in Charter)

445 Park Avenue, 9th Floor
New York, New York 10022
(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (212) 307-3280

Arthur H. Penn
Pennant Investment Corporation
445 Park Avenue, 9th Floor
New York, New York 10022
(212) 307-3280
(Name And Address of Agent for Service)

Copies of information to:

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Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement. If any securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933, other than securities offered in connection with a dividend reinvestment plan, check the following box. ☐

It is proposed that this filing will become effective (check appropriate box):

☐ when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee(3)
Common Stock, $0.001 par value per share	$ 460,000,000	$ 49,220

(1) Includes the underwriters' over-allotment option.
(2) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee.
(3) 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 this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.

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Subject to completion

Preliminary Prospectus , 2007

26,666,666 Shares

Pennant Investment Corporation

Pennant Investment Corporation is a newly organized, externally managed, closed-end, non-diversified management investment company that intends to file an election to be treated as a business development company under the Investment Company Act of 1940. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We intend to invest primarily in middle-market companies in the form of mezzanine loans, senior secured loans and equity securities.

We will be managed by Pennant Investment Advisers, LLC. Pennant Investment Administration, LLC will provide the administrative services necessary for us to operate.

Because we are newly organized, our shares have no history of public trading. We currently expect that the initial offering price per share of our common stock will be $15.00. We have applied to have our common stock approved for quotation on The Nasdaq Global Market under the symbol “PNNT”.

Investing in our common stock involves a high degree of risk. Before buying any shares, you should read the discussion of the material risks of investing in our common stock, including the risk of leverage, in “ Risk factors” beginning on page 12 of the prospectus.

This prospectus contains important information you should know before investing in our common stock. Please read it before you invest and keep it for future reference. Upon completion of this offering, we will file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission, or SEC. Currently, we do not have a website. As soon as practicable following the closing of this offering, we intend to establish a website and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. In the interim, you may obtain such information by contacting us in writing at: 445 Park Avenue, 9th Floor, New York, New York 10022, Attn: Chief Financial Officer, or by telephone at (212) 307-3280. The SEC also maintains a website at *http://www.sec.gov* that contains this information.

Shares of closed-end investment companies frequently tend to trade at a discount to their net asset value. If our shares trade at a discount to our net asset value, it may increase the risk of loss for purchasers in this offering. Assuming an initial public offering price of $15.00 per share, purchasers in this offering will experience immediate dilution of approximately $ per share. See “Dilution” for more information.

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

	Per share	Total
Public offering price	$ 15.00	$399,999,990.00
Sales load (underwriting discounts and commissions)	$	$
Proceeds, before expenses, to us(1)	$	$

(1) We estimate that we will incur approximately $400,000 in expenses in connection with this offering.

The underwriters will reserve up to shares for sale, directly or indirectly, to our directors and officers and the partners of Pennant Investment Advisers, LLC at the public offering price less the sales load. In addition, the underwriters may purchase up to an additional 4,000,000 shares of our common stock at the public offering price, less the sales load, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total sales load will be $, and total proceeds, before expenses, to us will be $.

The underwriters are offering the common stock as set forth in “Underwriting.” Delivery of the shares will be made on or about , 2007.

Bear, Stearns & Co. Inc. | **Banc of America Securities LLC** | **UBS Investment Bank** | **SunTrust Robinson Humphrey**

Keefe, Bruyette & Woods | **Friedman Billings Ramsey** | **Jefferies & Company, Inc.** | **Robert W. Baird**

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information, or information different from that contained in this prospectus. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of shares of our common stock.

Through and including , 2007 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under "Risk Factors" and the other information included in this prospectus. Except where the context suggests otherwise, the terms "we," "us," "our" and "Pennant" refer to Pennant Investment Corporation; "Pennant Investment Advisers" or the "investment adviser" refers to Pennant Investment Advisers, LLC, and "Pennant Administration" or the "administrator" refers to Pennant Investment Administration, LLC.

Pennant Investment Corporation

Pennant Investment Corporation is a newly organized, externally managed, closed-end, non-diversified management investment company that intends to file an election to be treated as a business development company under the Investment Company Act of 1940, as amended, or the "1940 Act." In addition, for tax purposes we intend to elect to be treated as a regulated investment company, or RIC, under Subchapter M of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code." Pennant's investment objective is to generate both current income and capital appreciation through debt and equity investments. From time to time, we may also invest in public companies that are thinly traded.

We anticipate that our portfolio will consist primarily of investments in subordinated loans, referred to as mezzanine loans, and senior secured loans made to private U.S. middle-market companies. We expect that the companies in which we invest will typically be highly leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in most cases, will not be rated by national rating agencies. In addition, we expect the debt securities of such companies to range in maturity from three to ten years. In this prospectus, we use the term "middle-market" to refer to companies with annual revenues between $50 million and $1 billion.

We will also invest in equity securities, such as preferred stock, common stock, warrants or options received in connection with our debt investments or through direct investments. We expect that our investments in mezzanine loans, senior secured loans and other investments will range between $15 million and $50 million each, although this investment size will vary proportionately with the size of our capital base. However, we expect that our initial portfolio upon consummation of this offering will consist primarily of senior secured loans of between $3 and $10 million each.

As of February 28, 2007, we had invested approximately $109 million in senior secured loans. As of that date, our portfolio consisted of investments with an average principal amount of $4.2 million, a weighted average yield of 7.95% and a weighted average maturity of 6.65 years. Immediately prior to the consummation of this offering, we expect that our portfolio will consist primarily of senior secured loans having an aggregate principal amount of approximately $175 to 200 million. See "Portfolio Companies." Over time, however, we expect that our portfolio will include a combination of senior and mezzanine loans and, to a lesser extent, equity securities. See "Discussion of Expected Operating Plans—Credit Facility" and "Business—Investments."

As of February 6, 2007, we, through Pennant SPV Company, LLC, our wholly owned subsidiary, entered into a credit facility, or the Credit Facility with Bear Stearns Investment Products Inc., or the Lender. The Credit Facility provides for available borrowings of up to an aggregate principal amount of $200 million, subject to specified borrowing conditions. We intend to use a portion of the net proceeds of this offering to repay the outstanding principal of, and accrued and unpaid interest on, the Credit Facility as well as to pay the reasonable transaction costs incurred by us and the Lender in establishing the Credit Facility. We have used borrowings under the Credit Facility to purchase the senior secured loans that constitute our current portfolio.

While our primary focus will be to generate current income and capital appreciation through debt and equity investments in thinly traded or private U.S. companies, we may invest up to 30% of the portfolio in opportunistic investments. These investments may include investments in high-yield bonds, distressed debt, private equity or

securities of public companies that are not thinly traded and securities of companies located outside of the United States. We expect that these public companies generally will have debt securities that are non-investment grade.

About Pennant Investment Advisers

We will seek to capitalize on the investing experience and contacts of Arthur H. Penn, the Founder of Pennant and the Founder of our investment adviser, Pennant Investment Advisers, LLC. Mr. Penn has over 20 years of experience in the mezzanine lending, leveraged finance, distressed debt and private equity businesses. He has been involved in originating, structuring, negotiating, consummating, managing and monitoring investments in each of these businesses. Mr. Penn is a Co-founder and former Managing Partner of Apollo Investment Management, L.P., or Apollo Investment Management, which is the investment adviser of Apollo Investment Corporation, or Apollo Investment, a publicly traded business development company. Mr. Penn served as the Chief Operating Officer and a member of the investment committee of Apollo Investment from its inception in April 2004 through February 2006 and was President and Chief Operating Officer from February 2006 through November 30, 2006.

During the period in which Mr. Penn was the Chief Operating Officer, Apollo Investment raised approximately $930 million of gross proceeds in an initial public offering in April 2004 and raised an additional $308 million in a follow-on offering of public equity in March 2006. Mr. Penn supervised the negotiation and execution of a senior secured credit facility with a syndicate of banks which, as amended, provides for borrowings up to $2.0 billion. During Mr. Penn's tenure with Apollo Investment, it invested approximately $2.8 billion in 73 companies in partnership with 54 different financial sponsors. Stockholders who invested in Apollo Investment's initial public offering and reinvested all dividends realized a total return in excess of 76 percent for the period from April 2004 through November 30, 2006. However, there can be no assurance that we will be able to achieve similar investment returns.

Over his 20-year career in the financial services industry, Mr. Penn has developed a network of financial sponsor relationships as well as relationships with management teams, investment bankers, attorneys and accountants that we believe will provide us with access to substantial investment opportunities.

Aviv Efrat serves as our Chief Financial Officer and Treasurer. Mr. Efrat, who is also a Managing Director of Pennant Administration, has extensive experience in finance and administration of registered investment companies, having served for a decade as a Director at BlackRock, LLC, a leading investment firm. Our investment adviser also has three experienced investment professionals who are Partners of our investment adviser in addition to Mr. Penn. These investment professionals, Geoffrey Chang, Salvatore Giannetti III and Whit Williams, have a combined 44 years of experience in the mezzanine, private equity and leveraged finance businesses. We and our investment adviser expect to hire additional investment professionals to assist with our ongoing management and in investing the proceeds of this offering. Specifically, we intend to hire a chief compliance officer promptly after completion of this offering. Our investment adviser intends to hire a total of seven to ten investment professionals with skills applicable to our business plan within the first 12 months after completion of this offering. We expect such investment professionals to have experience in middle market investing, leveraged and mezzanine finance and the capital markets.

MARKET OPPORTUNITY

Pennant intends to invest primarily in mezzanine loans, senior secured loans and equity securities of U.S. middle-market companies. We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, create an attractive investment environment for Pennant.

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

- Ÿ **We believe there is a large pool of un-invested private equity capital likely to seek mezzanine capital to support private investments.** We expect that private equity firms will be active investors in middle-market companies and that these private equity funds will seek to leverage their investments by combining capital with mezzanine loans and/or senior secured loans from other sources. We expect such activity to be funded by the record amounts of private equity capital that have been raised in recent years.
- Ÿ **We believe that opportunities to invest mezzanine and other debt capital will remain strong**. We expect that the volume of domestic "public-to-private" transactions as well as the number of companies selecting a "sale" alternative versus raising capital in the public equity markets as a means of increasing liquidity will remain large. Additionally, the cost and effort associated with being a public company in the United States have become more onerous, causing many management teams to consider alternative liquidity strategies.

COMPETITIVE ADVANTAGES

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

Management expertise

Mr. Penn will have principal management responsibility for Pennant Investment Advisers as its managing partner. Mr. Penn has more than 20 years of experience in mezzanine lending, leveraged finance, private equity and distressed debt investing. Through his tenure at Apollo Investment Management, he also has direct experience in successfully capitalizing, staffing and managing a publicly traded business development company. Mr. Efrat serves as our Chief Financial Officer and Treasurer and is also a Managing Director of Pennant Administration. He has extensive experience in finance and administration of registered investment companies, having served for a decade as a Director at BlackRock, LLC, a leading investment firm. Our investment adviser also has three experienced investment professionals who are Partners of the Investment Adviser in addition to Mr. Penn. These investment professionals, Messrs. Chang, Giannetti and Williams, have a combined 44 years of experience in the mezzanine, private equity and leveraged finance businesses. Mr. Chang was previously a Founding Member and Principal of Audax Mezzanine from 2000 through 2007. Mr. Giannetti previously served as a Partner in the private equity firm of Wilton Ivy Partners from 2004 through 2007. Mr. Williams was most recently a Managing Director at UBS Investment Bank in its Leveraged Finance and Financial Sponsor Group.

We believe that this experience, together with the expertise of the investment professionals of our investment adviser in raising capital, investing in debt and equity securities and managing investments in companies, will afford Pennant a competitive advantage in identifying and investing in middle-market companies. We and our investment adviser intend to hire additional investment professionals with skills applicable to our business plan, including experience in middle market investing, leveraged and mezzanine finance and capital markets.

Mr. Penn, our other officers and directors and the partners of our investment adviser have committed to invest, directly and indirectly, an aggregate of approximately $ million in shares of Pennant as part of this offering.

Disciplined investment approach with strong value orientation

We intend to employ a disciplined approach in selecting investments that meet our value-oriented investment criteria. Consistent with the investment strategy employed by Mr. Penn at Apollo Investment Management, our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk.

We believe it is critical to conduct extensive due diligence on investment targets. In evaluating new investments we, through our investment adviser, intend to conduct a rigorous due diligence process.

Focusing on investments that can generate positive risk-adjusted returns

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

Ability to source and evaluate transactions through our investment adviser's research capability and established network

Mr. Penn and the management team of our investment adviser have long-term relationships with management consultants and management teams that we believe will enable us effectively to evaluate investment opportunities in numerous industries, as well as substantial information concerning those industries. We believe the expertise of our investment advisers' management team will enable Pennant Investment Advisers to identify, assess and structure investments successfully across all levels of a company's capital structure and to manage potential risk and return at all stages of the economic cycle.

We intend to identify potential investments both through active origination and through dialogue with numerous management teams, members of the financial community and corporate partners with whom Mr. Penn and the other investment professionals of our investment adviser have long-term relationships.

Flexible transaction structuring

We expect that the in-depth coverage and experience of Mr. Penn, as well as that of the other investment professionals of our investment adviser, will enable us to invest throughout various stages of the economic cycle and will provide our investment adviser with access to ongoing market insights in addition to a significant investment sourcing engine. We believe Pennant Investment Advisers will be able to identify attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated objective, even during turbulent periods in the capital markets.

Longer investment horizon with attractive publicly traded model

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

OPERATING AND REGULATORY STRUCTURE

Our investment activities will be managed by Pennant Investment Advisers and supervised by our board of directors, a majority of whom are independent of our investment adviser and Pennant. Pennant Investment Advisers is a newly formed investment adviser that intends to register under the Investment Advisers Act of 1940, or the "Advisers Act." Under our investment management agreement with Pennant Investment Advisers, which we refer to as the "Investment Management Agreement," we have agreed to pay Pennant Investment Advisers an annual base management fee based on our gross assets as well as an incentive fee based on our investment performance. We intend to execute the Investment Management Agreement at the time we elect to be treated as a business development company, which we expect to occur shortly before consummation of this offering. Prior to making this election, our relationship with the investment adviser is governed by an interim investment management agreement, which we refer to as the "Interim Investment Management Agreement." See "Management—Investment Management Agreement."

We have also entered into an administrative agreement, which we refer to as the "Administration Agreement," with Pennant Administration. Under the Administration Agreement, we have agreed to reimburse Pennant Administration for our allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our chief compliance officer, chief financial officer and their respective staffs. See "Management — Administration Agreement."

As a business development company, we will be required to comply with certain regulatory requirements. For example, we note that any affiliated investment vehicle formed in the future and managed by our investment adviser may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. If our investment adviser undertakes to manage a new fund in the future, we will not invest in any portfolio company in which that fund has a pre-existing investment, although we may co-invest with such affiliate on a concurrent basis, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures.

As of February 6, 2007, we, through a wholly owned subsidiary, Pennant SPV Company, LLC, entered into the Credit Facility to fund portfolio investments prior to consummation of this offering. We may also borrow funds to make investments subsequent to this offering to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities or if our board of directors determines that leveraging our portfolio would be in the best interest of Pennant and our stockholders. We have not decided the extent to which we will finance portfolio investments using debt. After we repay the Credit Facility, we do not intend to borrow money to fund our investments until such time as we have invested substantially all of the proceeds of the offering. See "Regulation." See "Material U.S. Federal Income Tax Considerations."

OUR CORPORATE INFORMATION

Our offices are located at 445 Park Avenue, 9th Floor, New York, New York 10022, telephone number (212) 307-3280.

THE OFFERING

Common stock offered by us	26,666,666 shares, excluding 4,000,000 shares of common stock issuable pursuant to the over-allotment option granted to the underwriters. The underwriters will reserve up to shares of common stock for sale, directly or indirectly, to our directors and officers.
Common stock to be outstanding after this offering	26,746,666 shares, excluding 4,000,000 shares of common stock issuable pursuant to the over-allotment option granted to the underwriters.
Use of proceeds	We plan to invest the net proceeds of this offering in portfolio companies in accordance with our investment objective and the strategies described in this prospectus. We also intend to use a portion of the net proceeds of this offering to repay the outstanding principal of, and accrued and unpaid interest on, the Credit Facility. As a result of this investment and other anticipated investments, we expect that our portfolio will initially consist primarily of senior secured loans because we anticipate that we will be able to invest in such loans more rapidly than we can invest in mezzanine loans and equity securities. We anticipate that a substantial portion of the net proceeds of this offering will be used within 12-18 months and all of the net proceeds will be used within two years, in accordance with our investment objective, depending on the availability of appropriate investment opportunities and market conditions. Pending such investments, we will invest the remaining net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment. See "Use of Proceeds."
Proposed Nasdaq Global Market symbol	"PNNT"
Trading at a discount	Shares of closed-end investment companies frequently trade at a discount to their net asset value.
Distributions	We intend to distribute quarterly distributions to our stockholders out of assets legally available for distribution. Our quarterly distributions, if any, will be determined by our board of directors.
Taxation	We intend to elect to be treated for federal income tax purposes as a RIC. As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as distributions. To obtain RIC status and the associated tax benefits, we must meet specified source-of-income and asset diversification requirements and distribute annually at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of

	assets legally available for distribution. For a short period (less than one month after the closing of this offering), we may not be a RIC and may be subject to corporate-level income tax. See "Distributions."
Leverage	We have borrowed funds to make investments under the Credit Facility prior to consummation of this offering, and we may borrow other funds subsequent to this offering. After we repay the Credit Facility, we do not intend to borrow money to fund our investments until such time as we have invested substantially all of the proceeds of this offering. The costs associated with our borrowings, including any increase in the investment advisory fee payable to our investment adviser, will be borne by our common stockholders.
Dividend reinvestment plan	We have adopted a dividend reinvestment plan for our stockholders. This will be an "opt out" dividend reinvestment plan. As a result, if we declare a dividend or other distribution, then stockholders' cash distributions will be reinvested automatically in additional shares of our common stock, unless our stockholders specifically "opt out" of the dividend reinvestment plan, so as to receive cash dividends or other distributions. Stockholders who receive distributions in the form of shares of common stock will be subject to the same federal, state and local tax consequences as stockholders who elect to receive their distributions in cash. See "Dividend Reinvestment Plan."
Investment advisory fees	We will pay Pennant Investment Advisers a fee for its services under the Investment Management Agreement consisting of two components—a base management fee and an incentive fee. The base management fee will be calculated at an annual rate of 2.00% of our gross assets. The incentive fee will consist of two parts. The first part will be calculated and payable quarterly in arrears based upon our "Pre-Incentive Fee Net Investment Income" for the immediately preceding quarter, and will be subject to a Hurdle (as defined under "Fees and Expenses") and a "catch-up" feature. The second part will be determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and management agreement, as of the termination date) and will equal our realized capital gains 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. See "Management—Investment Management Agreement."
Administration Agreement	We will reimburse Pennant Administration for the allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including furnishing us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities, as well as providing us with other administrative services. To the extent that our administrator outsources any of its functions, we will pay the fees associated with such functions on a direct basis without profit to the administrator. See "Management—Administration Agreement."

License arrangements	We have entered into a license agreement with Pennant Investment Advisers, which we refer to as the “License Agreement,” pursuant to which Pennant Investment Advisers has agreed to grant us a non-exclusive license to use the name “Pennant.” For a description of Pennant Investment Advisers, Pennant Administration and our contractual arrangements with these companies, see “Management—Investment Management Agreement,” “—Administration Agreement” and “—License Agreement.”
Anti-takeover provisions	Our board of directors is divided into three classes of directors serving staggered three-year terms. This structure is intended to increase the likelihood of continuity of management, which may be necessary for us to realize the full value of our investments. A staggered board of directors also may serve to deter hostile takeovers or proxy contests, as may certain other measures adopted by us. See “Description of Our Capital Stock.”
Risk factors	The value of our assets, as well as the market price of our shares, will fluctuate. You may lose all or part of your investment. Investing in Pennant involves other risks, including the following: Ÿ We are a new company with a limited operating history. Ÿ We are dependent upon Pennant Investment Advisers’ key personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our management team, our ability to achieve our investment objective could be significantly harmed. Ÿ We operate in a highly competitive market for investment opportunities. Ÿ We intend to elect to be treated as a RIC, and we will be subject to corporate-level income tax if we are unable to qualify as a RIC. Ÿ We are a non-diversified fund. Ÿ The lack of liquidity in our investments may adversely affect our business. Ÿ Investing in our shares may involve an above average degree of risk. Ÿ Since we intend to use debt to finance our investments prior to the completion of this offering and we may obtain additional debt financing subsequent to this offering, changes in interest rates may affect our cost of capital and net investment income. Ÿ We will need to raise additional capital to grow because we must distribute most of our income. Ÿ Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of our shares will not decline following the offering.

	(See “Risk Factors” beginning on page 12 for more information on these and other risks you should carefully consider before deciding to invest in shares of our common stock).
Available information	We have filed with the SEC a registration statement on Form N-2 under the Securities Act of 1933, as amended, or the “Securities Act,” which contains additional information about us and the shares of our common stock being offered by this prospectus. After completion of this offering, we will be required to file periodic reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. This information will be available at the SEC’s public reference room in Washington, D.C. and on the SEC’s website at *http://www.sec.gov*. In addition, as soon as practicable following the closing of this offering, we intend to establish a website and make all of our annual, quarterly and current reports, proxy statements and other information available, free of charge, on or through our website. In the interim, you may obtain such information by contacting us, in writing at: 445 Park Avenue, 9th Floor, New York, New York 10022, Attn: Chief Financial Officer, or by telephone at (212) 307-3280.

FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	%(1)
Offering expenses (as a percentage of offering price)	%(2)
Dividend reinvestment plan expenses	None (3)
Total stockholder transaction expenses (as a percentage of offering price)	%
Estimated annual expenses (as a percentage of net assets attributable to common stock):	
Management fees	2.00%(4)
Incentive fees payable under Investment Management Agreement (20% of realized capital gains and 20% of Pre-Incentive Fee Net Investment Income)	0.00%(5)
Interest payments on borrowed funds	None (6)
Other expenses	%(7)
Acquired Fund Fees and Expenses	None (8)
Total annual expenses (estimated)	%(4)(7)

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. In calculating the following expense amounts, we have assumed we would have no indebtedness and that our annual operating expenses remain at the levels set forth in the table above.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$	$	$	$

While the example assumes, as required by the SEC, a 5% annual return, our performance will vary and may result in a return greater or less than 5%. The incentive fee under the Investment Management Agreement, which, assuming a 5% annual return, would either not be payable or would have an insignificant impact on the expense amounts shown above, is not included in the example. This illustration assumes that we will not realize any capital gains (computed net of all realized capital losses and unrealized capital depreciation) in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and other distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock determined by dividing the total dollar amount of the distribution payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the distribution. See "Dividend Reinvestment Plan" for additional information regarding our dividend reinvestment plan.

This example should not be considered a representation of our future expenses, and actual expenses (including the cost of debt, if any, and other expenses) may be greater or less than those shown.

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

(2) Amount reflects estimated offering expenses of approximately $400,000.
(3) The expenses of the dividend reinvestment plan are included in "other expenses."
(4) Our management fee under the Investment Management Agreement is based on our gross assets. See "Management—Investment management agreement" and footnote 5 below.
(5) Based on our current business plan, we anticipate that a substantial portion of the net proceeds of this offering will be used within 12-18 months, and all of the net proceeds will be used within two years, in accordance with our investment objective. We expect that we will not have any capital gains and only an insignificant amount of interest income that will not exceed the quarterly Hurdle discussed below. As a result, we do not anticipate paying any incentive fees in the first year after the completion of this offering. Once fully invested, we expect the incentive fees we pay to increase to the extent we earn greater interest income through our investments in portfolio companies and, to a lesser extent, realize capital gains upon the sale of equity investments in our portfolio companies. The incentive fee consists of two parts:

The first part, which is payable quarterly in arrears, will equal 20% of the excess, if any, of our "Pre-Incentive Fee Net Investment Income" that exceeds a 1.75% quarterly (7.00% annualized) hurdle rate (the "Hurdle"), subject to a "catch-up" provision measured at the end of each calendar quarter. The first part of the incentive fee will be computed and paid on income that may include interest that is accrued but not yet received in cash. The operation of the first part of the incentive fee for each quarter is as follows:

- no incentive fee is payable to our investment adviser in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle of 1.75%.
- 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser. We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle but is less than 2.1875%) as the "catch-up." The "catch-up" is meant to provide our investment adviser with 20% of our Pre-Incentive Fee Net Investment Income, as if a Hurdle did not apply when our Pre-Incentive Fee Net Investment Income exceeds 2.1875% in any calendar quarter.
- 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser (once the Hurdle is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Investment Income thereafter is allocated to our investment adviser).

The second part of the incentive fee will equal 20% of our "Incentive Fee Capital Gains," if any, which will equal our realized capital gains 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. The second part of the incentive fee will be payable, in arrears, at the end of each calendar year (or upon termination of the investment advisory and management agreement, as of the termination date), commencing with the year ending December 31, 2007. For a more detailed discussion of the calculation of this fee, see "Management–Investment Management Agreement."

(6) We, through our wholly owned subsidiary, Pennant SPV Company, LLC, entered into the Credit Facility as of February 6, 2007 to fund portfolio investments prior to the consummation of this offering. We anticipate repaying all of the debt incurred under the Credit Facility and terminating it upon the closing of this offering. We may also borrow funds to make investments subsequent to this offering to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities or if our board of directors determines that leveraging our portfolio would be in the best interest of Pennant and our stockholders. We have not decided whether, and to what extent, we will finance portfolio investments using debt. After we repay the Credit Facility, we do not intend to borrow money to fund our investments until such time as we have invested substantially all of the proceeds of the offering. However, assuming we borrow for investment purposes an amount equal to 40% of our total assets (including such borrowed funds) and that the annual interest rate on the amount borrowed is 6.40%, our total annual expenses (estimated) would be as follows:

Management fees	• %
Incentive fees payable under investment advisory and management agreement (20% of realized capital gains and 20% of Pre-Incentive Fee Net Investment Income)	0.00%
Interest payments on borrowed funds	• %
Other expenses	• %
Total annual expenses (estimated)	• %

(7) Includes estimated organizational expenses of $400,000 (which are non-recurring) and our overhead expenses, including payments under the Administration Agreement, based on our projected allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement. See "Management—Administration Agreement."

(8) We have no current intention to invest in the securities or other investment instruments of investment companies, other than our wholly owned subsidiary, Pennant SPV Company, LLC. However, we are permitted to make such investments in limited circumstances under the 1940 Act. If we were to make such investments, we would incur fees and our shareholders would pay two levels of fees. As we have no current expectation of making any such investments, any estimate of the amount of such fees would be highly speculative. Our wholly owned subsidiary, Pennant SPV Company, LLC, which holds investments acquired prior to the closing of this offering is technically an investment company; however, this subsidiary will charge no additional fees.

RISK FACTORS

Before you invest in our shares, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our common stock. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND STRUCTURE

We are a new company with a limited operating history.

We were incorporated in January 2007. We are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially. Although we have used, and will continue to use, the proceeds of the Credit Facility to acquire portfolio investments prior to consummation of this offering, we anticipate that it will take us up to 12-18 months to invest a substantial portion of the net proceeds of this offering, and up to two years to invest all of the net proceeds in accordance with our investment objective. During this period, we will invest the net proceeds of this offering remaining after repayment of the Credit Facility in short-term investments, such as cash and cash equivalents. We expect will earn yields substantially lower than the interest income that we anticipate receiving in respect of investments in mezzanine loans, senior secured loans and equity securities. As a result, any distributions we make during this period may be substantially lower than the distributions that we expect to pay when our portfolio is fully invested.

We are dependent upon Pennant Investment Advisers' key personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our management team, our ability to achieve our investment objective could be significantly harmed.

We will depend on the diligence, skill and network of business contacts of the investment professionals of Pennant Investment Advisers. We will also depend, to a significant extent, on Pennant Investment Advisers' access to the investment information and deal flow generated by these investment professionals and any others that may be hired by our investment adviser. Mr. Penn and other management of Pennant Investment Advisers will evaluate, negotiate, structure, close and monitor our investments. Our future success will depend on the continued service of Mr. Penn and other management personnel of Pennant Investment Advisers. The departure of Mr. Penn or any other managers of Pennant Investment Advisers could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that Pennant Investment Advisers will remain our investment adviser.

We are dependent on the efforts of a limited management team.

At this time, our operations depend upon the efforts, knowledge and expertise of our management team and that of our investment adviser, including Messrs. Penn, Chang, Efrat, Giannetti and Williams. Following this offering, our investment adviser intends to expand its management team to a total of seven to ten investment professionals within the first 12 months after completion of this offering. We also expect to hire a chief compliance officer promptly after completion of this offering. However, it is our investment adviser's intention to maintain a relatively small management team. We anticipate that this team will operate without the financial and other resources and commitments typically associated with large institutional investment firms. We cannot assure you that the additional professionals our investment adviser may retain will have the expertise or experience of Mr. Penn and the other investment professionals of the investment adviser. We also cannot assure you that unforeseen business, medical, personal or other circumstances will not lead Mr. Penn or any of the other investment professionals hired by our investment adviser to terminate his or her employment with us. The loss of investment professionals of our investment adviser, if any, would be detrimental to our ability to achieve our business objectives and could have a material adverse affect on our financial condition and results of operations.

Our investment adviser and its management will have limited experience managing a business development company.

The 1940 Act imposes numerous constraints on the operations of business development companies. For example, business development companies are required to invest at least 70% of their total assets primarily in securities of private or thinly traded U.S. public companies, cash, cash equivalents, U.S. government securities and other high quality debt investments that mature in one year or less. These constraints may hinder our investment adviser's ability to take advantage of attractive investment opportunities and to achieve our investment objective. While Mr. Penn, our Chief Executive Officer and the Managing Partner of our investment adviser, has approximately two and one-half years of experience managing the investments of another business development company, such experience may not translate directly into his roles acting on our behalf. This is also true of the other investment professionals of our investment adviser. In addition, the investment philosophy and techniques used by Pennant Investment Advisers may differ from those other funds. Accordingly, we can offer no assurance that Pennant will replicate the historical performance of other investment companies with which Mr. Penn or our other investment professionals have been affiliated, and we caution you that our investment returns could be substantially lower than the returns achieved by such other companies.

Our investment adviser may not be able to achieve the same or similar returns to those achieved by its investment professionals while they were employed at prior jobs.

Although Mr. Penn has held senior positions at a number of investment firms and most recently, as the Chief Operating Officer and President of Apollo Investments, his track record and achievements are not necessarily indicative of future results that will be achieved by our investment adviser. In his role as Chief Operating Officer and President, Mr. Penn was the leader of an investment team and was not solely responsible for generating investment ideas. In addition, the investment committee of Apollo Investment arrived at investment decisions by consensus. Other than Mr. Penn, none of the investment committee professionals from Apollo Investment is employed by our investment adviser.

Our financial condition and results of operation will depend on our ability to manage future growth effectively.

Our ability to achieve our investment objective will depend on our ability to grow, which will depend, in turn, on Pennant Investment Advisers' ability to identify, invest in and monitor companies that meet our investment criteria.

Accomplishing this result on a cost-effective basis will be largely a function of Pennant Investment Advisers' structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The management team of Pennant Investment Advisers will have substantial responsibilities under the investment advisory and management agreement. In order to grow, we and Pennant Investment Advisers will need to hire, train, supervise and manage new employees. However, we can offer no assurance that any such employees will contribute effectively to the work of the investment adviser, and caution you that they may also be called upon to provide managerial assistance to our portfolio companies as the principals of our administrator. Such demands on their time may distract them or slow our rate of investment. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive market for investment opportunities.

A number of entities will compete with us to make the types of investments that we plan to make in middle-market companies. We will compete with public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in, including making investments in middle-

market companies. As a result of these new entrants, competition for investment opportunities at middle-market companies has intensified, and we expect the trend to continue. Many of our potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

Entrants in our industry compete on several factors, including price, flexibility in transaction structuring, customer service, reputation, market knowledge and speed in decision-making. We will not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors may make loans with interest rates that will be lower than the rates we offer. We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. However, if we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

We intend to elect to be treated as a RIC. Once we have elected RIC-status, we will not be subject to corporate-level income tax unless we are unable to qualify as a RIC or fail to satisfy distribution requirements.

To qualify as a RIC under the Code and obtain RIC tax benefits, we must meet certain income source, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis. To the extent we use debt financing in the future, we may be subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify for RIC tax benefits. If we are unable to obtain cash from other sources, we may fail to qualify for such benefits and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because we anticipate that most of our investments will be in the securities of relatively illiquid middle-market private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify for RIC tax benefits for any reason and remain or become subject to corporate income tax, the resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For federal income tax purposes, we will include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or contracted payment-in-kind, or "PIK," interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment assets, and increases in loan balances as a result of contracted PIK interest will be included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we will not receive in cash.

That part of the incentive fee payable by us that relates to our net investment income will be 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 certain cases we may recognize income before or without receiving cash representing such income. As a result, we may have difficulty meeting the tax requirement to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to obtain RIC tax benefits. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. If we are not able to obtain cash from other sources, we may fail to qualify for RIC tax benefits and thus be subject to corporate level income tax. See "Material U.S. Federal Income Tax Considerations—Taxation as a RIC."

Regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as "senior securities," up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we will be permitted as a business development company to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock, at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock, at a price below the current net asset value of the common stock. To do this, our board of directors must determine that such sale is in the best interests of Pennant and our stockholders, and our stockholders must approve Pennant's policy and practice of making such sales. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

In addition to issuing securities to raise capital as described above, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in any such securitized pool of loans. An inability to successfully securitize our loan portfolio could limit our ability to grow our business, fully execute our business strategy and decrease our earnings, if any. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests will tend to be those that are riskier and more apt to generate losses.

Any failure on our part to maintain our status as a business development company would reduce our operating flexibility.

If we do not remain a business development company, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

Since, in addition to entering into the Credit Facility, we may obtain additional debt financing subsequent to this offering, we are exposed to the typical risks associated with leverage.

- Ÿ We are exposed to increased risk of loss by incurring debt to make investments. If we have outstanding debt, a decrease in the value of our investments has a greater negative impact on the value of our common stock than it would if we did not use debt.

- Ÿ Our ability to pay distributions is restricted when our asset coverage ratio is not at least 200%, and any amounts that we use to service our indebtedness is not available for distributions to our common stockholders.
- Ÿ Our existing debt is governed by the terms of the Credit Facility, and any future debt will likely be governed by an indenture or other instrument containing covenants restricting our operating flexibility.
- Ÿ We, and indirectly our stockholders, bear the cost of issuing and servicing such debt.
- Ÿ Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock.

The following table is designed to illustrate the effect on return to a holder of our common stock of the leverage created by our use of borrowing, at the weighted average annual interest rate of 6.40% and assuming hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. 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)[1]	**-10.0%**	**-5.0%**	**0**	**5.0%**	**10.0%**
Corresponding Return to Common Stockholders[2]	-18.20%	-10.70%	-3.20%	4.30%	11.80%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.
(2) In order to compute the "Corresponding Return to Common Stockholders," the "Assumed Return on Portfolio" is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. 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 our net assets as of the beginning of the period to determine the "Corresponding Return to Common Stockholders."

Since we are using debt to finance our investments prior to the completion of this offering, and we may use additional debt financing subsequent to this offering, changes in interest rates may affect our cost of capital and net investment income.

Since we are using debt to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds and the rate at which we invest those funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates when we have debt outstanding, our cost of funds will increase, which could reduce our net investment income. We expect that our long-term fixed-rate investments will be financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. These techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. These activities may limit our 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 our business, financial condition and results of operations. Also, we have limited experience in entering into hedging transactions, and we will initially have to purchase or develop such expertise.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee Hurdle and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to Pre-Incentive Fee Net Investment Income.

We will need to raise additional capital to grow because we must distribute most of our income.

We will need additional capital to fund growth in our investments once we have fully invested the proceeds of this offering. We may issue debt or equity securities or borrow from financial institutions in order to obtain

this additional capital. A reduction in the availability of new capital could limit our ability to grow. We will be required to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders to maintain our RIC status. As a result, these earnings will not be available to fund new investments. If we fail to obtain additional capital to fund our investments, this could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a business development company, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings, which may restrict our ability to borrow in certain circumstances.

Many of our portfolio investments will be recorded at fair value as determined in good faith by our board of directors. As a result, there will be uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments will be in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. We will value these securities quarterly at fair value as determined in good faith by our board of directors. Our board of directors intends to use the services of several nationally recognized independent valuation firms to aid it in determining the fair value of these securities. The factors that may be considered in fair value pricing of our 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 such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. Our net asset value could be adversely affected if our determinations regarding the fair value of our investments were materially higher than the values that we ultimately realize upon the disposal of such securities.

The lack of liquidity in our investments may adversely affect our business.

We will generally make investments in private companies. Substantially all of these securities will be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we have material non-public information regarding such portfolio company.

We may experience fluctuations in our quarterly results.

We could experience fluctuations in our quarterly operating results due to a number of factors, including the interest rate payable on the debt securities we acquire, the default rate on such securities, the level of our expenses, variations in, and the timing of the recognition of, realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There are significant potential conflicts of interest which could impact our investment returns.

Our executive officers and directors to be retained in the future, and the future partners of our investment adviser, Pennant Investment Advisers, may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by affiliates of Pennant that may be formed in the future. 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 us or our stockholders.

In the course of our investing activities, we will pay investment advisory and incentive fees to Pennant Investment Advisers, and will reimburse Pennant Investment Advisers for certain expenses it incurs. As a result,

investors in our common stock will 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 Pennant Investment Advisers has interests that differ from those of our stockholders, giving rise to a conflict.

We have entered into the License Agreement with our investment adviser, pursuant to which our investment adviser has agreed to grant us a royalty-free non-exclusive license to use the name "Pennant." Under the License Agreement, we will have the right to use the "Pennant" name for so long as Pennant Investment Advisers or one of its affiliates remains our investment adviser. In addition, we will pay Pennant Administration, an affiliate of Pennant Investment Advisers, our allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs. These arrangements create conflicts of interest that our board of directors must monitor.

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies will be 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 affect on our business.

Our board of directors may change our investment objective, operating policies and strategies without prior notice or stockholder approval.

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

RISKS RELATED TO OUR INVESTMENTS

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

We intend to invest primarily in senior secured term loans, mezzanine debt and selected equity investments issued by middle market companies.

Senior Secured Loans. When we extend senior secured term loans, we will generally take a security interest in the available assets of these portfolio companies, including the equity interests of their subsidiaries. We expect this security interest to help mitigate the risk that we will not be repaid. However, there is a risk that the collateral securing our 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, our 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 we will receive principal and interest payments according to the loan's terms, or at all, or that we will be able to collect on the loan should we be forced to enforce our remedies.

Mezzanine Debt. Our mezzanine debt investments will generally be subordinated to senior loans and will generally be unsecured. 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 our 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 us and our stockholders to non-cash income. Since we will not receive any cash prior to the maturity of some of our mezzanine debt investment, such investments will be of greater risk than amortizing loans.

Equity Investments. We expect to make selected equity investments. In addition, when we invest in first and second lien senior loans or mezzanine debt, we may acquire warrants to purchase equity securities. Our goal is ultimately to dispose of these equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

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

- these companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment;
- they typically have shorter operating histories, 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 our portfolio company and, in turn, on us;
- 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, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our 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.

We have not yet identified all of the portfolio company investments we intend to acquire using borrowings under the Credit Facility or the proceeds of this offering.

We have used, and expect to continue to use, amounts borrowed under the Credit Facility to acquire interests in senior secured loans and other debt obligations. However, we have not yet identified all of the potential investments for our portfolio that we will purchase prior to the offering. As a result, you will be unable to evaluate all of our specific portfolio company investments prior to purchasing shares of our common stock. Additionally, our investment adviser will select our investments subsequent to the closing of this offering, and our stockholders will have no input with respect to such investment decisions. These factors increase the uncertainty, and thus the risk, of investing in our shares.

If we do not invest a sufficient portion of our assets in qualifying assets, we could fail to qualify as a business development company or be precluded from investing according to our current business strategy.

As a business development company, we may not acquire any assets other than "qualifying assets" unless, at the time of and after giving effect to such acquisition, at least 70% of our total assets are qualifying assets. See "Regulation."

We believe that most of the senior and mezzanine loans investments will constitute qualifying assets. However, we may be precluded from investing in what we believe are attractive investments if such investments are not qualifying assets for purposes of the 1940 Act. If we do not invest a sufficient portion of our assets in qualifying assets, we could lose our status as a business development company, which would have a material adverse effect on our business, financial condition and results of operations. Similarly, these rules could prevent us from making follow-on investments in existing portfolio companies (which could result in the dilution of our position) or could require us to dispose of investments at inappropriate times in order to comply with the 1940 Act. If we need to dispose of such investments quickly, it would be difficult to dispose of such investments on favorable terms. For example, we may have difficulty in finding a buyer and, even if we do find a buyer, we may have to sell the investments at a substantial loss.

We are a non-diversified investment company within the meaning of the 1940 Act, and therefore we are not limited with respect to the proportion of our assets that may be invested in securities of a single issuer.

We are classified as a non-diversified investment company within the meaning of the 1940 Act, which means that we are not limited by the 1940 Act with respect to the proportion of our assets that we may invest in securities of a single issuer. To the extent that we assume large positions in the securities of a small number of issuers, our net asset value 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. We may also be more susceptible to any single economic or regulatory occurrence than a diversified investment company. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company's ability to meet its obligations under the debt securities that we hold. We 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 our investments and the extent of our involvement in the management of a portfolio company, upon the bankruptcy of a portfolio company, a bankruptcy court may recharacterize our debt investments as equity interests and subordinate all or a portion of our claim to that of other creditors. This could occur even though we may have structured our investment as senior debt.

We may not realize gains from our equity investments.

When we invest in mezzanine loans or senior secured loans, we may also invest in the equity securities of the borrower or acquire warrant or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

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

- Ÿ increase or maintain in whole or in part our equity ownership percentage;
- Ÿ exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or
- Ÿ attempt to preserve or enhance the value of our investment. We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments.

We will have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with business development company requirements or the desire to maintain our tax status.

Because we will generally not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

Although we may do so in the future, we do not currently anticipate taking controlling equity positions in our portfolio companies. As a result, we will be subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we will typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

An investment strategy focused primarily on privately held companies presents certain challenges, including the lack of available 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.

We will invest primarily in privately held companies. Generally, little public information exists about these companies, and we will be required to rely on the ability of the members of Pennant Investment Advisers' investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately held companies frequently have less diverse product lines and smaller market presence than larger competitors. These factors could adversely affect our investment returns as compared to companies investing primarily in the securities of public companies.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We intend to invest primarily in mezzanine loans, senior secured loans and equity securities issued by our portfolio companies. The portfolio companies usually will have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. 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 we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of

insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, the portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we 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.

Our incentive fee may induce Pennant Investment Advisers to make speculative investments.

The incentive fee payable by us to Pennant Investment Advisers may create an incentive for Pennant Investment Advisers to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The incentive fee payable to our investment adviser is calculated based on a percentage of our return on invested capital. This may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock, including investors in this offering. In addition, the investment adviser will receive the incentive fee based, in part, upon net capital gains realized on our 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 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 our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to our investment adviser also may induce Pennant Investment Advisers to invest on our behalf in instruments that have a deferred interest feature, even if such deferred payments would not provide cash necessary to enable us to pay current distributions to our stockholders. Under these investments, we would accrue interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our Pre-Incentive Fee Net Investment Income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds. To the extent we so invest, we will bear our ratable share of any such investment company’s expenses, including management and performance fees. We will also remain obligated to pay investment advisory fees, consisting of a base management fee and incentive fees, to Pennant Investment Advisers with respect to the assets invested in the securities and instruments of other investment companies under the Investment Management Agreement. With respect to any such investments, each of our stockholders will bear his or her share of the investment advisory fees of Pennant Investment Advisers as well as indirectly bearing the investment advisory fees and other expenses of any investment companies in which we invest.

Our investments in foreign debt securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates potential investments in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes 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 our 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. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk, or, that if we do, such strategies will be effective.

We may expose ourselves to risks if we engage in hedging transactions.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may borrow under a credit facility in currencies selected to minimize our foreign currency exposure or 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 our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio 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 can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

While we 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 we 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, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us 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.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Pennant or the removal of our directors. We are subject to the Maryland Business Combination Act, the application of which is subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter,

without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

RISKS RELATING TO THIS OFFERING

There is a risk that you may not receive distributions or that our distributions may not grow over time.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a business development company, we may be limited in our ability to make distributions. Finally, if more stockholders opt to receive cash dividends and other distributions rather than participate in our dividend reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make distribution payments.

Investing in our shares may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, and therefore, an investment in our shares may not be suitable for someone with lower risk tolerance.

The market price of our common stock may fluctuate significantly.

The market price and liquidity of the market for shares of our common stock may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- Ÿ significant volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- Ÿ changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- Ÿ any loss of RIC status;
- Ÿ changes in earnings or variations in operating results;
- Ÿ changes in the value of our portfolio of investments;
- Ÿ any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- Ÿ the inability of our investment adviser to employ additional experienced investment professionals or the departure of any of the investment adviser's key personnel, including Mr. Penn;
- Ÿ operating performance of companies comparable to us;
- Ÿ general economic trends and other external factors; and
- Ÿ loss of a major funding source.

We may allocate the net proceeds from this offering in ways with which you may not agree.

We will have significant flexibility in investing the net proceeds of this offering. Accordingly, we may use the net proceeds from this offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

Prior to this offering, there has been no public market for our common stock, and we cannot assure you that the market price of our shares will not decline following the offering.

We cannot assure you that a trading market will develop for our common stock after this offering or, if one develops, that such trading market can be sustained. Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and related offering expenses. Also, shares of closed-end investment companies frequently trade at a discount from net asset value. This characteristic of closed-end investment companies is separate and distinct from the risk that our net asset value per share may decline. We cannot predict whether our common stock will trade at, above or below net asset value.

Investors in this offering will suffer immediate dilution upon the closing of this offering.

The net cash proceeds that we receive from this offering will be net of the underwriting discount of $ per share as well as other offering and organizational expenses of $ per share. As a result, our net asset value per share immediately after completion of this offering is estimated be to $ per share, compared to an offering price of $15,00 per share. Accordingly, investors purchasing shares in this offering will pay a price per share of common stock that exceeds the net asset value per shares of common stock after this offering by $ and will bear the costs of the underwriting discount and, indirectly, other offering expenses.

Sales of substantial amounts of our common stock in the public market may have an adverse effect on the market price of our common stock.

Upon completion of this offering, we will have 26,746,666 shares of common stock outstanding (or 30,746,666 shares of common stock if the underwriters' over-allotment option is fully exercised). Following this offering, sales of substantial amounts of our common stock or the availability of such shares for sale, could adversely affect the prevailing market prices for our common stock. If this occurs and continues, it could impair our ability to raise additional capital through the sale of equity securities should we desire to do so.

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained in this prospectus involve risks and uncertainties, including statements as to:

- Ÿ our future operating results;
- Ÿ our business prospects and the prospects of our prospective portfolio companies;
- Ÿ the impact of investments that we expect to make;
- Ÿ our contractual arrangements and relationships with third parties;
- Ÿ the dependence of our future success on the general economy and its impact on the industries in which we invest;
- Ÿ the ability of our prospective portfolio companies to achieve their objectives;
- Ÿ our expected financings and investments;
- Ÿ the adequacy of our cash resources and working capital; and
- Ÿ the timing of cash flows, if any, from the operations of our prospective portfolio companies.

We use words such as “anticipates,” “believes,” “expects,” “intends” and similar expressions to identify forward-looking statements. Our 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 prospectus.

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

You should understand that under Sections 27A(b)(2)(B) and (D) of the Securities Act and Sections 21E(b)(2)(B) and (D) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 do not apply to statements made in connection with this offering.

DISCUSSION OF EXPECTED OPERATING PLANS

The following discussion and other parts of this prospectus contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to factors discussed under "Risk Factors" and "Forward-Looking Statements" appearing elsewhere in the prospectus.

OVERVIEW

Pennant was incorporated under the Maryland General Corporation Law in January 2007. We are a newly organized, externally managed, closed-end, non-diversified management investment company that intends to file an election to be treated as a business development company under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in "qualifying assets," including securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. This offering will significantly increase our capital resources.

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. From time to time, we may also invest in public companies that are thinly traded. We anticipate that our portfolio will be comprised of investments in subordinated loans, referred to as mezzanine loans, and senior secured loans made to private U.S. middle-market companies. We expect that the companies in which we invest will typically be highly leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in most cases, will not be rated by national rating agencies. In addition, we expect the debt securities of such companies to range in maturity from three to ten years.

We will also invest in equity securities, such as preferred stock, common stock, warrants or options received in connection with our debt investments or through direct investments. We expect that our investments in mezzanine loans, senior secured loans and other investments will range between $15 million and $50 million each, although this investment size will vary proportionately with the size of our capital base. However, we expect that our initial portfolio upon consummation of this offering will consist primarily of senior secured loans of between $3 and $10 million each.

As of February 28, 2007, we had invested approximately $109 million in senior secured loans. As of February 28, 2007, our portfolio consisted of investments with an average principal amount of $4.2 million, a weighted average yield of 7.95% and a weighted average maturity of 6.65 years. Immediately prior to the consummation of this offering, we expect that our initial portfolio of senior secured loans will total approximately $175 to 200 million." Over time, however, we expect that our portfolio will include a combination of senior and mezzanine loans and, to a lesser extent, equity securities. See "Discussion of Expected Operating Plans—Credit Facility" and "Business—Investments."

As of February 6, 2007, we, through our wholly owned subsidiary, Pennant SPV Company, LLC, entered into the Credit Facility with the Lender. Under the terms of the Credit Facility, the Lender has agreed to extend credit in an aggregate principal of up to $200 million. See "Portfolio Companies." The Credit Facility matures on the earliest to occur of (1) the closing date of an initial public offering or private placement of equity securities by Pennant, (2) June 30, 2007, (3) the termination date of the Credit Facility by its terms and (4) any other date mutually agreed by the parties. The Credit Facility is secured by liens on substantially all of the assets in Pennant SPV, including its interests in any investments and any cash or cash equivalents held by it from time to time. Pricing under the Credit Facility is set at 175 basis points over applicable LIBOR, as that term is defined in the Credit Facility.

In connection with the closing of the Credit Facility, our investment adviser purchased 80,000 shares of common stock from Pennant at $12.50 per share for a total of $1 million (which represents a discount of approximately 16.67% off of the proposed initial offering price of each share of common stock issued in this offering or an aggregate discount of $200,000). Pennant contributed this amount to Pennant SPV Company, LLC in consideration of the purchase of all of the equity interests in Pennant SPV Company, LLC.

While our primary focus will be to generate current income and capital appreciation through debt and equity investments in thinly traded or private U.S. companies, we may invest up to 30% of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in high-yield bonds, distressed debt, private equity or securities of public companies that are not thinly traded and securities of middle-market companies located outside of the United States. We expect that these public companies generally will have debt securities that are non-investment grade.

Revenues

We plan to generate revenue in the form of interest payable on the debt securities that we hold and capital gains and distributions, if any, on the warrants or other equity interests that we may acquire in portfolio companies. We expect our debt investments, whether in the form of mezzanine loans or senior secured loans, to have a term of five to ten years and typically to bear interest at a fixed or floating rate. Interest on debt securities will be payable generally quarterly or semiannually, with the amortization of principal generally being deferred for several years from the date of the initial investment. In some cases, we will also defer payments of interest for the first few years after our investment. The principal amount of the debt securities and any accrued but unpaid interest will generally become due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring or diligence fees, fees for providing managerial assistance and possibly consulting fees. Loan origination fees, original issue discount, and market discount are capitalized and then we amortize such amounts as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and debt securities as interest income when we receive such amounts.

Expenses

Our primary operating expenses subsequent to the completion of this offering will include the payment of (1) investment advisory fees as to Pennant Investment Advisers; (2) the allocable portion of overhead under the Administration Agreement; (3) the interest expense on our outstanding debt, if any, and (4) other operating costs as detailed below. Our investment advisory fee will compensate our investment adviser for its work in identifying, evaluating, negotiating, consummating and monitoring our investments. See “Management—Investment management agreement.” We will bear all other costs and expenses of our operations and transactions, including (without limitation):

- Ÿ the cost of calculating our net asset value, including the cost of any third-party valuation services;
- Ÿ the cost of effecting sales and repurchases of shares of our common stock and other securities;
- Ÿ fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence reviews of prospective investments and investment advisory fees;
- Ÿ transfer agent and custodial fees;
- Ÿ fees and expenses associated with marketing efforts;
- Ÿ federal and state registration fees, any stock exchange listing fees
- Ÿ federal, state and local taxes;
- Ÿ independent directors’ fees and expenses;
- Ÿ brokerage commissions;
- Ÿ fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;
- Ÿ direct costs such as printing, mailing, long distance telephone, and staff;
- Ÿ fees and expenses associated with independent audits and outside legal costs;

- Ÿ costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- Ÿ all other expenses incurred by either Pennant Administration or us in connection with organization and offering, administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our chief compliance officer, chief financial officer and their respective staffs.

Hedging

To the extent that any of our loans are denominated in a currency other than U.S. dollars, we may enter into currency hedging contracts to reduce our exposure to fluctuations in currency exchange rates. We may also enter into interest rate hedging agreements. Such hedging activities, which will be subject to compliance with applicable legal requirements, may include the use of futures, options, swaps and forward contracts. Costs incurred in entering into such contracts or in settling them will be borne by us.

Financial condition, liquidity and capital resources

We will generate cash primarily from the net proceeds of this offering and any future offerings of securities and cash flows from operations, including interest earned from the temporary investment of cash in U.S. government securities and other high-quality debt investments that mature in one year or less. We will fund a portion of our investments through the Credit Facility prior to completion of this offering and, in the future, we may obtain borrowings from other banks and issuances of senior securities. We may also borrow funds subsequent to this offering to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities, or if our board of directors determine that leveraging our portfolio would be in the best interest of Pennant and our stockholders. We have not decided the extent to which we will finance portfolio investment using debt. After we repay the Credit Facility, we do not intend to borrow money to fund our investments until such time as we have invested substantially all of the proceeds of the offering. See “Material U.S. Federal Income Tax Consideration.” In the future, we may also securitize a portion of our investments in mezzanine loans or senior secured loans or other assets. We expect that our primary use of funds will be investments in portfolio companies and repayment of amounts owing the advances under the Credit Facility, cash distributions to holders of our common stock and the payment of operating expenses, including debt service if we borrow additional amounts after completion of this offering to fund our investments. As of February 28, 2007, we had approximately $109 million outstanding under our Credit Facility. Immediately after this offering and the consummation of the related transactions, including the repayment of advances of the Credit Facility, we expect to have cash resources of approximately $ million and no indebtedness. This amount does not take into account proceeds, if any, from the exercise of the underwriters’ overallotment option. See “Use of Proceeds.”

Distribution Policy

Our board of directors will determine the timing and amount, if any, of our distributions. We intend to pay distributions on a quarterly basis. In order to avoid corporate-level tax on the income we distribute as a RIC, we must distribute to our stockholders at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, on an annual basis out of the assets legally available for such distributions. In addition, we also intend to distribute any realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) at least annually out of the assets legally available for such distributions.

Contractual Obligations

We have entered into certain contracts under which we have material future commitments. We and Pennant Investment Advisers have entered into an Interim Investment Management Agreement, dated January 18, 2007, pursuant to which Pennant Investment Advisers is providing investment management services to us prior to the consummation of this offering. Under the Interim Investment Management Agreement, Pennant Investment Advisers is reimbursed for expenses and does not receive a management or incentive fee. Pennant Investment Advisers is currently applying to register with the SEC as an investment adviser, and we expect to execute the Investment Management Agreement in accordance with the 1940 Act at the time we elect to be treated as a business development company, which we expect to occur shortly before consummation of this offering. Pennant Investment Advisers will serve as our investment adviser subsequent to consummation of this offering in accordance with the terms of the Investment Management Agreement. Payments under the Investment Management Agreement in future periods will be equal to (1) a percentage of the value of our gross assets and (2) an incentive fee based on our performance. See "Management—Investment Management Agreement."

Pursuant to the Administration Agreement, Pennant Administration furnishes us with office facilities and administrative services necessary to conduct our day-to-day operations. If requested to provide managerial assistance to our portfolio companies, Pennant Administration will be paid an additional amount based on the services provided, which amount will not in any case exceed the amount we receive from the portfolio companies for such services. Payments under the Administration Agreement will be based upon our allocable portion of Pennant Administration's overhead in performing its obligations under the Administration Agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief compliance officer, chief financial officer and their respective staffs. See "Management—Administration agreement."

If any of our contractual obligations discussed above is terminated, our costs under new agreements that we may enter into may increase. In addition, we will likely incur significant time and expense in locating alternative parties to provide the services we expect to receive under our Investment Management Agreement and our Administration Agreement. Any new investment management agreement would also be subject to approval by our stockholders.

Credit Facility

As of February 6, 2007, we, through our wholly owned subsidiary, Pennant SPV Company, LLC, entered into the Credit Facility with the Lender. Under the terms of the Credit Facility, the Lender has agreed to extend credit in an aggregate principal of up to $200 million. The Credit Facility matures on the earliest to occur of (1) the closing date of an initial public offering or private placement of equity securities by Pennant, (2) June 30, 2007, (3) the termination date of the Credit Facility by its terms and (4) any other date mutually agreed by the parties. The Credit Facility is secured by liens on substantially all of the assets in Pennant SPV Company LLC, including its interests in any investments and any cash or cash equivalents held by it from time to time. Pricing under the Credit Facility is set at 175 basis points over applicable LIBOR, as that term is defined in the Credit Facility.

The Credit Facility contains affirmative and restrictive covenants, including: (a) periodic financial reporting and maintenance requirements, (b) compliance with laws, documents and certain eligibility criteria, (c) maintenance of accounts, inspections and records, (d) preservation of security interests and collateral and maintenance of liens, (e) limitations on sales of assets and the use of proceeds therefrom, (f) prohibition of fundamental changes and limitation on conduct of business, (g) limitation on restricted payments, (h) limitations on liens, (i) limitation on purchases of assets, investments and loans, (j) limitations on indebtedness and guarantees, (k) limitation on issuance of additional interests and impairment of rights, (l) security interests and (m) limitation on subsidiaries. Borrowings under the Credit Facility are subject at all times to compliance with certain eligibility criteria.

The Credit Facility is being used to finance our investments prior to the closing of this offering. We intend to repay the Credit Facility in full upon the completion of the offering

SENIOR SECURITIES

Information about our senior securities is shown in the following table for the period ended February 6, 2007. The information has been derived from our financial statements which have been audited by KPMG LLP.

Class and Year	Total Amount Outstanding Exclusive of Treasury Securities[1]	Asset Coverage per Unit[2]	Average Market Value per Unit
	0	N/A	N/A

(1) Excludes senior secured indebtedness of $ · million under the Credit Facility as of date of this prospectus. See "—Credit Facility."

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1,000 to determine the Asset Coverage per Unit.

CRITICAL ACCOUNTING POLICIES

This discussion of our expected operating plans is based upon our expected financial statements, which will be prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements will require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ. In addition to the discussion below, we will describe our critical accounting policies in the notes to our future financial statements.

Valuation of Portfolio Investments

As a business development company, we will generally invest in illiquid securities including debt and equity securities of middle market companies. Under procedures established by our board of directors, we intend to value investments for which market quotations are readily available at such market quotations. We will obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices are not readily available will be valued at fair value as determined in good faith by our board of directors. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity will be valued at cost plus accreted discount, or minus amortized premium, which approximates value. With respect to unquoted securities, our board of directors, together with our independent valuation advisers, will value each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by our board of directors using a documented valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- Ÿ Our quarterly valuation process will begin with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- Ÿ Preliminary valuation conclusions will then be documented and discussed with the management of our investment adviser;
- Ÿ Independent valuation firms engaged by our board of directors will conduct independent appraisals and review management's preliminary valuations and their own independent assessment;
- Ÿ The audit committee of our board of directors will review the preliminary valuation of our investment adviser and that of the independent valuation firms and respond and supplement the valuation recommendation of the independent valuation firms to reflect any comments; and
- Ÿ The board of directors will then discuss valuations and determine the fair value of each investment in our portfolio in good faith, based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

For more information, see "Business—Investment selection—Ongoing relationships with portfolio companies—Valuation process."

Revenue Recognition

We will record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual payment-in-kind, or "PIK," interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that such PIK interest is not collectible. We will not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. Loan origination fees, original issue discount and market discount/premium will be capitalized, and we will then accrete or amortize such amounts using the effective interest method as interest income. Upon the prepayment of a loan or debt security, any unamortized loan origination will be recorded as interest income. We will record prepayment premiums on loans and debt securities as interest income. Dividend income, if any, will be recognized on the ex-dividend date.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

We will measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation will reflect the change in portfolio investment values during the reporting period, including any reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the sale of shares of our common stock in this offering will be approximately $ million (or approximately $ million if the underwriters fully exercise their over-allotment option). This assumes, in each case, an initial public offering price of $15.00 per share, after deducting the underwriting discounts and commissions and estimated organization and offering expenses of approximately $400,000 payable by us. The amount of net proceeds may be more or less than the amount described in this prospectus depending on the public offering price of the common stock and the actual number of shares of common stock we sell in the offering, both of which will be determined at pricing.

We intend to use a portion of the net proceeds of this offering to repay the outstanding principal of, and accrued and unpaid interest on, the Credit Facility as well as to pay the reasonable transaction costs incurred by us and Lender in establishing the Credit Facility. As of February 28, 2007, we had borrowed approximately $109 million under the Credit Facility. The Credit Facility provides for available borrowings of up to an aggregate principal amount of $200 million, subject to specified borrowing conditions. Interest on advances under the Credit Facility is payable quarterly in arrears and charged at one-month LIBOR plus a spread of 1.75%. Any defaulted of interest will be carried forward and compounded at a default interest rate. Our ability to draw advances under the Credit Facility will expire on the earlier of (1) June 30, 2007, (2) the date of the closing of this offering, (3) the date on which the Credit Facility is terminated by its terms or (4) any date mutually agreed by the parties, at which time the outstanding principal amount under the Credit Facility together with all accrued and unpaid interest on the Credit Facility will become due and payable in full. As of February 28, 2007, the interest rate on advances under the Credit Facility was 7.95%. We plan to invest the remainder of the net proceeds of this offering in portfolio companies in accordance with our investment objective and strategies described in this prospectus.

We anticipate that a substantial portion of the net proceeds of this offering will be used for the above purposes within 12-18 months and all of the net proceeds of this offering will be used within two years, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. We cannot assure you we will achieve our targeted investment pace. As a result of our expected purchase of the senior secured loans and our other anticipated investments, we expect that our portfolio will initially consist primarily of senior secured loans.

Pending such investments, we will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment. The investment advisory fee payable by us will not be reduced while our assets are invested in such securities. See “Regulation—Temporary investments” for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

DISTRIBUTIONS

We intend to make quarterly distributions to our stockholders. The timing and amount of our quarterly distributions, if any, will be determined by our board of directors. Any distributions to our stockholders will be declared out of assets legally available for distribution.

We intend to elect to be treated, and intend to qualify annually thereafter, as a RIC under Subchapter M of the Code. To obtain RIC tax benefits, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes imposed on RICs, we currently intend to distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31 of the calendar year and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets

legally available for such distributions, we may in the future decide to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are as described under “Material U.S. Federal Income Tax Considerations.” We can offer no assurance that we will achieve results that will permit the payment of any cash distributions and, if we issue senior securities, we will be prohibited from making distributions if doing so causes us to fail to maintain the asset coverage ratios stipulated by the 1940 Act or if distributions are limited by the terms of any of our borrowings.

We intend to maintain an “opt out” dividend reinvestment plan for our common stockholders. As a result, if we declare a dividend or other distribution, then stockholders’ cash distributions will be automatically reinvested in additional shares of our common stock, unless they specifically “opt out” of the dividend reinvestment plan so as to receive cash distributions. See “Dividend Reinvestment Plan.”

CAPITALIZATION

The following table sets forth (1) our actual capitalization as of February 6, 2007 and (2) our cash, accrued organizational expenses and capitalization as adjusted to reflect the effects of the sale of our common stock in this offering at an assumed public offering price of $15.00 per share, after deducting the underwriting discounts and commissions and organization and offering expenses payable by us. You should read this table together with "Use of Proceeds" and our balance sheet included elsewhere in this prospectus.

	As of February 6, 2007(1)	
	Actual	As Adjusted(2)
Assets:		
Cash	$1,000,000	
Total assets[3]	$1,000,000	
Liabilities		
Accrued organization costs and other liabilities	154,884	
Stockholders' Equity:		
Common stock, par value $0.001 per share; 100,000,000 common shares authorized, 80,000 common shares outstanding, actual; common shares outstanding, as adjusted	$ 1,000	
Capital in excess of par value	$ 844,116	
Total stockholders' equity[4]	$ 845,116	
Net asset value per share	$ 10.56	

(1) As of February 28, 2007, we had invested approximately $109 million in senior secured loans in portfolio companies. We expect that our initial portfolio of senior secured loans will total approximately $175 to 200 million immediately prior to the closing of the offering.
(2) Assumes no exercise of the underwriters' over-allotment option of 4,000,000 shares.
(3) Excludes investments in securities of $ Ÿ million made by us and cash on hand of $ Ÿ as of the date of this prospectus.
(4) Excludes senior secured indebtedness of $ Ÿ million under the Credit Facility as of the date of this prospectus.

DILUTION

The dilution to investors in this offering is represented by the difference between the offering price per share and the pro forma net tangible book value per share after this offering. Net tangible book value per share is determined by dividing our net tangible book value, which is our total tangible assets less total liabilities, by the number of outstanding shares.

As of February 6, 2007, our net tangible book value was $845,116, or approximately $10.56 per share. After giving effect to the sale of the shares to be sold in this offering, and the deduction of discounts and estimated expenses of this offering before stabilization, our pro forma net tangible book value would have been approximately $, or $ per share, representing an immediate increase in net tangible book value of $ per share and an immediate dilution of $ per share, or %, to shares sold in this offering.

The following table illustrates the dilution to the shares on a per share basis:

Offering price	$
Net tangible book value before this offering	$
Increase attributable to shareholders	$
Pro forma net tangible book value after this offering	$
Dilution to shareholders (without exercise of the over-allotment option)	$

The following table sets forth information with respect to the shares prior to and following the offering:

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percentage	Amount	Percentage	
Shares (without exercise of the over-allotment option)					
Total					

The pro forma net tangible book value after the offering (without exercise of the over-allotment option) is calculated as follows:

Numerator:	$
Net tangible book value before the offering	$
Proceeds from this offering (after deduction of certain estimated expenses of this offering as described in Use of Proceeds and without exercise of the over-allotment option)	$
Denominator	
Shares outstanding prior to the offering	
Shares included in this offering (with no exercise of the over-allotment option)	

BUSINESS

Pennant Investment Corporation

Pennant Investment Corporation is a newly organized, externally managed, non-diversified, closed-end management investment company that intends to file an election to be treated as a business development company under the 1940 Act. In addition, for tax purposes we intend to elect to be treated as a RIC under Subchapter M of the Code. Pennant's investment objective is to generate both current income and capital appreciation through debt and equity investments. From time to time, we may also invest in public companies that are thinly traded.

We anticipate that our portfolio will be primarily comprised of investments in mezzanine loans and senior secured loans made to private U.S. middle-market companies. We expect that the companies in which we invest will typically be highly leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in most cases, will not be rated by national rating agencies. In addition, we expect the debt securities of such companies to range in maturity from three to ten years.

We will also invest in equity securities, such as preferred stock, common stock, warrants or options received in connection with our debt investments or through direct investments. We expect that our investments in mezzanine loans, senior secured loans and other investments will range between $15 million and $50 million each, although this investment size will vary proportionately with the size of our capital base. However, we expect that our initial portfolio upon consummation of this offering will consist primarily of senior secured loans of between $3 and $10 million each.

As of February 28, 2007, we had invested approximately $109 million in senior secured loans. As of that date, our portfolio consisted of investments with an average principal amount of $4.2 million, a weighted average yield of 7.95% and a weighted average maturity of 6.65 years. Immediately prior to the consummation of this offering, we expect that our portfolio will consist primarily of senior secured loans having an aggregate principal amount of approximately $175 to 200 million. See "Portfolio Companies." Over time, however, we expect that our portfolio will include a combination of senior and mezzanine loans and senior secured loans and, to a lesser extent, equity securities. See "Discussion of Expected Operating Plans—Credit Facility" and "—Investments."

Credit Facility Timeline

We were incorporated in January 2007, and shortly thereafter entered into a binding term sheet with the Lender with respect to the creation of the Credit Facility. We subsequently formed Pennant SPV Company, LLC as a wholly owned subsidiary, and capitalized it using $1 million we received from Mr. Penn, through Pennant Investment Advisers, in connection with his initial investment in our common stock. In February 2007, we, through Pennant SPV Company, LLC, entered into the Credit Facility with the Lender.

We arranged to borrow under the Credit Facility through Pennant SPV Company, LLC at the request of the Lender, so as to isolate the credit risk in our investments and the Lender's security interests in such investments remotely from Pennant until such time as the Credit Facility is repaid in full. The Credit Facility provides for available borrowings of up to an aggregate principal amount of $200 million, subject to specified borrowing conditions. We intend to use a portion of the net proceeds of this offering to repay the outstanding principal of, and accrued and unpaid interest on, the Credit Facility as well as to pay the reasonable transaction costs incurred by us and the Lender in establishing the Credit Facility. We have used borrowings under the Credit Facility to purchase the senior secured loans that constitute our current portfolio.

While our primary focus will be to generate current income and capital appreciation through debt and equity investments in thinly traded or private U.S. companies, we may invest up to 30% of the portfolio in opportunistic investments. These investments may include investments in high-yield bonds, distressed debt, private equity or securities of public companies that are not thinly traded and securities of companies located outside of the United States. We expect that these public companies generally will have debt securities that are non-investment grade.

About Pennant Investment Advisers

We will seek to capitalize on the investing experience and contacts of Arthur H. Penn, the Founder of Pennant and the Founder of our investment adviser. Mr. Penn has over 20 years of experience in the mezzanine lending, leveraged finance, distressed debt and private equity businesses. He has been involved in originating, structuring, negotiating, consummating, managing and monitoring investments in each of these businesses. Mr. Penn is a Co-founder and former Managing Partner of Apollo Investment Management, which is the investment adviser of Apollo Investment, a publicly traded business development company. Mr. Penn served as the Chief Operating Officer and a member of the investment committee of Apollo Investment from its inception in April 2004 through February 2006 and was President and Chief Operating Officer from February 2006 through November 30, 2006.

During the period in which Mr. Penn was the Chief Operating Officer, Apollo Investment raised approximately $930 million of gross proceeds in an initial public offering in April 2004 and raised an additional $308 million in a follow-on offering of public equity in March 2006. Mr. Penn supervised the negotiation and execution of a senior secured credit facility with a syndicate of banks which, as amended, provides for borrowings up to $2.0 billion. During Mr. Penn's tenure with Apollo Investment, it invested approximately $2.8 billion in 73 companies in partnership with 54 different financial sponsors. Stockholders who invested in Apollo Investment's initial public offering and reinvested all dividends realized a total return in excess of 76 percent for the period from April 2004 through November 30, 2006. However, there can be no assurance that we will be able to achieve similar investment returns.

During Mr. Penn's career in the financial services industry, he also served as managing partner of Apollo Value Fund L.P. (formerly Apollo Distressed Investment Fund, L.P.) from 2003 through November 2006. Mr. Penn previously served as Global Head of Leveraged Finance at UBS Warburg LLC (now UBS Securities LLC) from 1999 through 2001. Prior to joining UBS Warburg, Mr. Penn was Global Head of Fixed Income Capital markets for BT Securities and BT Alex. Brown Incorporated from 1994 to 1999. In these capacities, Mr. Penn oversaw groups responsible for more than 200 high-yield and leveraged bank financings aggregating over $34 billion in capital raised. From 1992 to 1994, Mr. Penn served as Head of High Yield Capital Markets at Lehman Brothers.

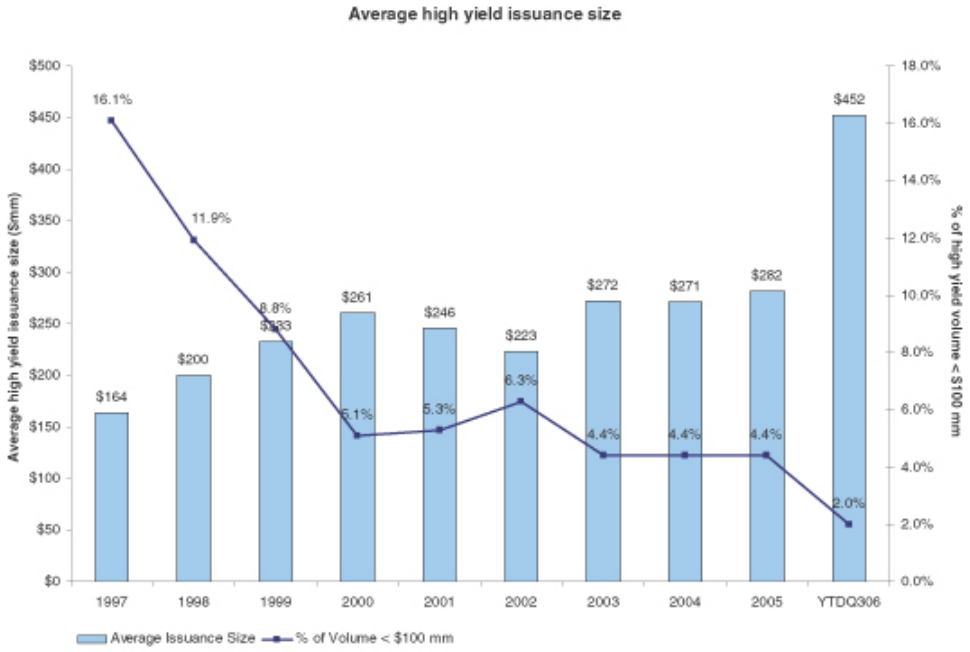
Over his 20-year career in the financial services industry, Mr. Penn has developed a network of financial sponsor relationships as well as relationships with management teams, investment bankers, attorneys and accountants that we believe will provide us with access to substantial investment opportunities.

Aviv Efrat serves as our Chief Financial Officer and Treasurer. Mr. Efrat, who is also a Managing Director of Pennant Administration, has extensive experience in finance and administration of registered investment companies, having served for a decade as a Director at BlackRock, LLC, a leading investment firm. Our investment adviser also has three experienced investment professionals who are Partners of our investment adviser in addition to Mr. Penn. These professionals, Geoffrey Chang, Salvatore Giannetti III and Whit Williams, have a combined 44 years of experience in the mezzanine, private equity and leveraged finance businesses. Mr. Chang was previously a founding member and Principal of Audax Mezzanine from 2000 through 2007 and, prior to that was a Director in the Leveraged Finance Group at CIBC World Markets Corp. Mr. Giannetti previously served as a Partner in the private equity firm of Wilton Ivy Partners from 2004 through 2007. Prior to joining Wilton Ivy Partners, he was a Managing Director at UBS Warburg LLC in its Leveraged Finance and Financial Sponsor Groups from 1996 to March 2007. Mr. Williams was most recently a Managing Director at UBS Investment Bank in its Leveraged Finance and Financial Sponsorship Group from 1996 to March 2007. We and our investment adviser expect to hire additional investment professionals to assist with our ongoing management and in investing the proceeds of this offering. Specifically, we intend to hire a Chief Compliance Officer promptly after completion of this offering. Our investment adviser intends to hire a total of seven to ten investment professionals with skills applicable to our business plan within the first 12 months after completion of this offering. We expect such investment professionals to have experience in middle market investing, leveraged and mezzanine finance and the capital markets.

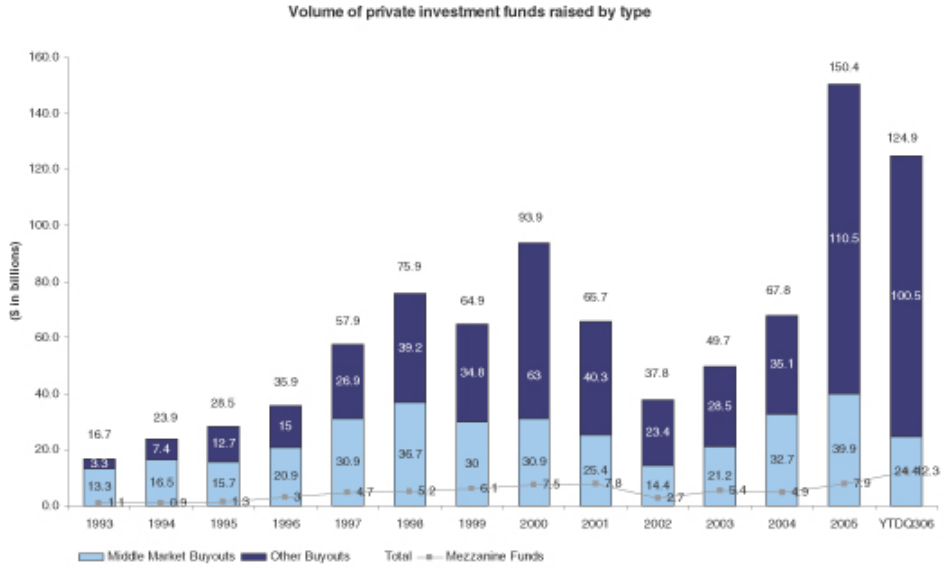
MARKET OPPORTUNITY

Pennant intends to invest primarily in mezzanine loans, senior secured loans and equity securities of U.S. middle-market companies. We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, create an attractive investment environment for Pennant.

- **We believe middle-market companies have faced increasing difficulty in raising debt through the capital markets.** While many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings. As evidence of this trend, the average deal size in the high-yield market has grown from approximately $164 million in 1997 to approximately $509 million in 2006. Fewer than 2% of all high-yield issues in 2006 raised less than $100 million. We believe these trends have made it harder for middle-market companies to raise funds by issuing high-yield debt securities.



Source: SDC; includes public and 144A debt, including add-ons



Source: Thomson Financial Venture Economics: middle-market funds defined as those with less than $1billion in capital raised.

- **We believe there is a large pool of un-invested private equity capital likely to seek mezzanine capital to support private investments.** We expect that private equity firms will be active investors in middle-market companies and that these private equity funds will seek to leverage their investments by combining capital with mezzanine loans and/or senior secured loans from other sources. We expect such activity to be funded by the record amounts of private equity capital that have been raised in recent years. In 2005 and 2006, private equity funds raised $150 billion and $185 billion, respectively. Of this amount, we believe that approximately $39 billion was raised to finance leveraged buyout funds targeting U.S. middle market companies both in 2005 and 2006. We believe that, when proposing a private investment, private equity funds generally seek to package their equity investments together with senior secured and/or mezzanine loans, which should provide opportunities for us to partner with such funds.
- **We believe that opportunities to invest mezzanine and other debt capital will remain strong**. We expect that the volume of domestic "public-to-private" transactions as well as the number of companies selecting a "sale" alternative versus raising capital in the public equity markets as a means of increasing liquidity will remain large. The volume of "public to private" transactions in the United States increased from $23 billion in 2004 to $129 billion in 2006. Additionally, the cost and effort associated with being a public company in the United States have become more onerous, causing many management teams to consider alternative liquidity strategies. We believe these trends will reinforce demand for debt-related financing and mezzanine investment opportunities for middle-market companies.

COMPETITIVE ADVANTAGES

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

Management expertise

Mr. Penn will have principal management responsibility for Pennant Investment Advisor as its managing partner. Mr. Penn has more than 20 years of experience in mezzanine lending, leveraged finance, private equity

and distressed debt investing. Through his tenure at Apollo Investment Management, he also has direct experience in successfully capitalizing, staffing and managing a publicly traded business development company. Mr. Penn intends to dedicate the vast majority of his time to managing Pennant and Pennant Investment Advisor. Mr. Efrat serves as our Chief Financial Officer and Treasurer is also a Managing Director of Pennant Investment Administration. He has extensive experience in finance and administration of registered investment companies, having served for a decade as a Director at BlackRock, LLC, a leading investment firm. Our investment adviser also has three experienced investment professionals who are Partners of our investment adviser, in addition to Mr. Penn. These investment professionals, Geoffrey Chang, Salvatore Giannetti III and Whit Williams, have a combined 44 years of experience in the mezzanine, private equity and leveraged finance businesses. Mr. Chang was previously a Founding Member and Principal of Audax Mezzanine from 2000 through 2007 and, prior to that was a director in the Leveraged Finance Group at CIBC World Markets Corp. Mr. Giannetti previously served as a Partner in the private equity firm of Wilton Ivy Partners from 2004 through 2007. Prior to joining Wilton Ivy Partners, he was a Managing Director at UBS Warburg LLC in its Leveraged Finance and Financial Sponsor Groups. Mr. Williams was most recently a Managing Director at UBS Investment Bank in its Leveraged Finance and Financial Sponsorship Group from 1996 to March 2007. We and our investment adviser expect to hire additional investment professionals to assist with our ongoing management and in investing the proceeds of this offering. Specifically, we intend to hire a chief compliance officer promptly after completion of this offering. Our investment adviser intends to hire a total of seven to ten investment professionals with skills applicable to our business plan within the first 12 months after completion of this offering. We expect such investment professionals to have experience in middle market investing, leveraged and mezzanine finance and the capital markets.

Through his investment experience, we believe Mr. Penn has developed a strong reputation in the capital markets. We believe that this experience, together with his experience and expertise of the other investment professionals of our investment adviser in raising capital, investing in debt and equity securities and managing investments in companies, will afford Pennant a competitive advantage in identifying and investing in middle-market companies. Mr. Penn, our other officers and directors and the partners of our investment adviser have committed to invest directly and indirectly, approximately $ million in shares of Pennant as part of this offering.

Disciplined investment approach with strong value orientation

We intend to employ a disciplined approach in selecting investments that meet our value-oriented investment criteria. Consistent with the investment strategy employed by Mr. Penn at Apollo Investment Management, our value-oriented investment philosophy focuses on preserving capital and ensuring that our investments have an appropriate return profile in relation to risk. When market conditions make it difficult for us to invest according to our criteria, we intend to be highly selective in deploying our capital. We do not intend to pursue short-term origination targets. We believe this approach will enable us to build an attractive investment portfolio that meets our return and value criteria over the long term.

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

Focusing on investments that can generate positive risk-adjusted returns

Our investment adviser will seek to minimize the risk of capital loss without foregoing potential for capital appreciation. In making investment decisions we will seek to pursue and invest in companies that meet several of the following criteria:

- Ÿ a value orientation and positive free cash flow;
- Ÿ experienced management team;

- established financial sponsors that have a history of creating value with portfolio companies;
- strong and competitive industry position; and
- viable exit strategy and reliable liquidation value of assets.

Assuming a potential investment meets most or all of our investment criteria, we intend to be flexible in adopting transaction structures that address the needs of prospective portfolio companies and their owners. Our investment philosophy is focused on generating attractive internal rates of return over the life of an investment. Given our investment criteria and due diligence process, we expect to structure our investments so they correlate closely with the success of our portfolio companies.

Ability to source and evaluate transactions through our investment adviser's research capability and established network

In his role as Chief Operating Officer and President of Apollo Investment Corporation, Mr. Penn oversaw investments in 73 companies operating in partnership with 54 different financial sponsors across 29 industries. As a result of their long experience in the investment business, Mr. Penn and the management team of our investment adviser have developed long-term relationships with management consultants and management teams that we believe will enable us to evaluate effectively investment opportunities in numerous industries, as well as substantial information concerning those industries. We believe Pennant Investment Advisers will be able to identify and assess attractive investment opportunities, structure investments successfully across all levels of a company's capital structure and manage potential risk and return at all stages of the economic cycle.

We intend to identify potential investments both through active origination and through dialogue with numerous management teams, members of the financial community and corporate partners with whom Mr. Penn has long-term relationships. We believe that Mr. Penn's broad network of contacts within the investment, commercial banking, private equity and investment management communities and his strong reputation in investment management, will enable us to attract well-positioned prospective portfolio companies. Additionally, we expect to generate information from our investment advisers' network of accountants, consultants, lawyers and management teams of portfolio companies and other companies. We also expect to benefit from the additional contacts and relationships of Messrs. Chang, Giannetti, and Williams and of the other investment professionals retained by our investment adviser.

Flexible transaction structuring

We expect that the in-depth coverage and experience of Mr. Penn, as well as that of the other investment professionals of our investment adviser, will enable us to invest throughout various stages of the economic cycle and will provide our investment adviser with access to ongoing market insights in addition to a significant investment sourcing engine. See "—Investments." While we will be subject to compliance with the 1940 Act, we will not be subject to many of the regulatory limitations that govern traditional lending institutions such as banks. As a result, we expect to be flexible in selecting and structuring investments, adjusting investment criteria, transaction structures and, in some cases, the types of securities in which we invest. We believe that flexibility will enable Pennant Investment Advisers to identify attractive investment opportunities throughout the economic cycle so that we can make investments consistent with our stated objective even during turbulent periods in the capital markets.

Longer investment horizon with attractive publicly traded model

Unlike private equity and venture capital funds, we will not be subject to standard periodic capital return requirements. Such requirements typically stipulate that funds raised by a private equity or venture capital fund, together with any capital gains on such invested funds, can only be invested once and must be returned to investors after a pre-agreed time period. These provisions often force private equity and venture capital funds to seek returns on their investments through mergers, public equity offerings or other liquidity events more quickly than they

otherwise might, potentially resulting in both a lower overall return to investors and an adverse impact on their portfolio companies. We believe that our flexibility to make investments with a long-term view and without the capital return requirements of traditional private investment vehicles will provide us with the opportunity to generate returns on invested capital and enable us to be a better long-term partner for our portfolio companies.

OPERATING AND REGULATORY STRUCTURE

Our investment activities will be managed by Pennant Investment Advisers and supervised by our board of directors, a majority of whom are independent of our investment adviser and Pennant. Pennant Investment Advisers is a newly formed investment adviser that intends to register under the Advisers Act. Under our Investment Management Agreement, we have agreed to pay Pennant Investment Advisers an annual base management fee based on our gross assets as well as an incentive fee based on our investment performance. We intend to execute the Investment Management Agreement at the time we elect to be treated as a business development company, which we expect to occur shortly before consummation of this offering. Prior to making this election, our relationship with the investment adviser is governed by the Interim Management Agreement. See “Management—Investment Management Agreement.”

We have also entered into the Administration Agreement with Pennant Administration. Under the Administration Agreement, we have agreed to reimburse Pennant Administration for our allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our chief compliance officer, chief financial officer and their respective staffs. See “Management—Administration Agreement.”

As a business development company, we will be required to comply with certain regulatory requirements. For example, we note that any affiliated investment vehicle formed in the future and managed by our investment adviser may, notwithstanding different stated investment objectives, have overlapping investment objectives with our own and, accordingly, may invest in asset classes similar to those targeted by us. If our investment adviser undertakes to manage a new fund in the future, we will not invest in any portfolio company in which that fund has a pre-existing investment, although we may co-invest with such affiliate on a concurrent basis, subject to compliance with existing regulatory guidance, applicable regulations and our allocation procedures.

As of February 6, 2006, we, through our wholly owned subsidiary, Pennant SPV Company, LLC, entered into the Credit Facility to fund portfolio investments prior to consummation of this offering. We may also borrow funds to make investments subsequent to this offering, including before we have fully invested the proceeds of this offering, to the extent we determine that additional capital would allow us to take advantage of additional investment opportunities, if the market for debt financing presents attractively priced debt financing opportunities, or if our board of directors determines that leveraging our portfolio would be in the best interest of Pennant and our stockholders, though we have not decided the extent to which we will finance portfolio investments using debt. After we repay the Credit Facility, we do not intend to borrow money to fund our investments until such time as we have invested substantially all of the proceeds of the offering. See “Regulation.” See “Material U.S. Federal Income Tax Considerations.”

INVESTMENTS

Pennant will seek to create a diversified portfolio that will include mezzanine loans, senior secured loans and equity securities by investing approximately $15 to $50 million of capital, on average, in the securities of middle-market companies although, this investment size will vary proportionately with the size of our capital base. However, we expect that our initial portfolio upon consummation of this offering will consist primarily of senior secured loans of between $3 and $10 million each. We expect that the companies in which we invest will typically be highly leveraged, often as a result of leveraged buy-outs or other recapitalization transactions, and, in most cases, will not be rated by national rating agencies. In addition, we expect the debt securities of such companies to range in maturity from three to ten years. We expect that our target portfolio over time will include both mezzanine loans and senior secured loans. Structurally, mezzanine loans usually rank subordinate in priority

of payment to senior debt, such as senior bank debt, and is often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers' capital structure. Due to its higher risk profile and often less restrictive covenants as compared to senior loans, mezzanine loans generally earn a higher return than senior secured loans. We believe that mezzanine loans offer an alternative investment opportunity based upon their historic returns and resilience during economic downturns. In many cases mezzanine investors receive opportunities to invest directly in the equity securities of borrowers and from time to time may also receive warrants to purchase equity securities. We will evaluate these investment opportunities on a case-by-case basis.

Initially, we expect that our portfolio will consist primarily of senior secured loans and our other anticipated investments. Over time, however, we expect that our portfolio will consist of both mezzanine loans and senior secured loans and, to a lesser extent, equity securities. In addition to mezzanine loans and senior secured loans, we may invest up to 30% of our portfolio in opportunistic investments. These investments may include investments in high-yield bonds, distressed debt, private equity, securities of public companies that are not thinly traded and securities of middle-market companies located outside of the United States. We expect that these public companies generally will issue debt securities that are non-investment grade.

Additionally, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of loans.

Moreover, we may acquire investments in the secondary market and, in analyzing such investments, we will employ the same analytical process as we use for our primary investments.

Our principal focus will be to provide mezzanine loans and senior secured loans to middle-market companies in a variety of industries. We will generally seek to target companies that generate positive cash flows. We will generally seek to invest in companies from the broad variety of industries in which our investment adviser has direct expertise. The following is a representative list of the industries in which we may elect to invest.

- Ÿ Agriculture
- Ÿ Broadcasting and Entertainment
- Ÿ Building Products
- Ÿ Buildings and Real Estate
- Ÿ Business Services
- Ÿ Chemicals
- Ÿ Consumer Finance
- Ÿ Consumer Products
- Ÿ Consumer Services
- Ÿ Direct Marketing
- Ÿ Education
- Ÿ Electronics
- Ÿ Environmental Services
- Ÿ Equipment Rental
- Ÿ Financial Services
- Ÿ Grocery
- Ÿ Healthcare
- Ÿ Industrial
- Ÿ Infrastructure
- Ÿ Leisure Equipment
- Ÿ Logistics
- Ÿ Machinery
- Ÿ Manufacturing
- Ÿ Media
- Ÿ Oil and Gas
- Ÿ Publishing
- Ÿ Retail
- Ÿ Transportation

We may invest in other industries if we are presented with attractive opportunities.

In an effort to increase our returns and the number of loans that we can make, we may in the future seek to securitize our loans. To securitize loans, we would create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. We would sell interests in the subsidiary on a non-recourse basis to purchasers who we would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools. We may use the proceeds of such sales to pay down bank debt or to fund additional investment.

We will not invest in any portfolio company in which any of our affiliates have an investment now or in the future.

INVESTMENT SELECTION

Our investment adviser will seek to minimize the risk of capital loss without foregoing potential for capital appreciation.

Prospective portfolio company characteristics

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, we caution you that not all of these criteria will be met by each prospective portfolio company in which we choose to invest. Generally, we will seek to use our experience and access to market information generated to identify investment candidates and to structure investments quickly and effectively.

Value orientation/positive cash flow

Our investment philosophy will place a premium on fundamental analysis from an investor's perspective and will have a distinct value orientation. We will focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Typically, we would not expect to invest in start-up companies or companies having speculative business plans.

Experienced management and established financial sponsor relationship

We will generally require that our portfolio companies have an experienced management team. We will also require the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests. In addition, we intend to focus our investments in companies backed by strong financial sponsors that have a history of creating value and with whom members of our investment advisor have an established relationship.

Strong and defensible competitive market position in industry

We will seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities. We will seek companies that demonstrate significant competitive advantages versus their competitors, which should help to protect their market position and profitability.

Viable exit strategy

We will seek to invest in companies that we believe will provide a steady stream of cash flow to repay our loans and reinvest in their respective businesses. We expect that such internally generated cash flow, leading to the payment of interest on, and the repayment of the principal of, our investments in portfolio companies to be a key means by which we exit from our investments over time. In addition, we will also seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock or another capital market transaction.

Realizable liquidation value of assets

The prospective liquidation value of the assets, if any, collateralizing loans in which we invest will be an important factor in our credit analysis. We will emphasize both tangible assets, such as accounts receivable, inventory, equipment and real estate, and intangible assets, such as intellectual property, customer lists, networks and databases.

Due diligence

We believe it is critical to conduct extensive due diligence on investment targets, and in evaluating new investments. We, through our investment adviser, will conduct a rigorous due diligence process that draws from our investment adviser's investment experience, industry expertise and network of contacts. Our investment adviser will conduct extensive due diligence investigations in their investment activities. We expect that the senior investment professionals we retain after this offering will maintain a similar approach to conducting due diligence on prospective portfolio companies. In conducting due diligence, we expect that our investment adviser will use publicly available information as well as information from its relationships with former and current management teams, consultants, competitors and investment bankers.

Our due diligence will typically include:

- Ÿ review of historical and prospective financial information;
- Ÿ on-site visits;
- Ÿ interviews with management, employees, customers and vendors of the potential portfolio company;
- Ÿ review of senior loan documents;
- Ÿ background checks; and
- Ÿ research relating to the company's management, industry, markets, products and services and competitors.

Upon the completion of due diligence and a decision to proceed with an investment in a company, the principals leading the investment will present the investment opportunity to our investment adviser's investment committee, which will determine whether to pursue the potential investment. All new investments will be required to be reviewed by the investment committee of our investment adviser, which currently consists of Messrs. Penn, Chang, Giannetti and Williams, subject to final approval by Mr. Penn. As our investment adviser adds senior investment professionals subsequent to this offering, our investment adviser may add them to its investment committee. The members of our investment committee will receive no compensation from us. These members will be employees or partners of our investment adviser and will receive compensation or profit distributions from our investment adviser.

Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants prior to the closing of the investment, as well as other outside advisers, as appropriate.

Investment structure

Once we have determined that a prospective portfolio company is suitable for investment, we will work with the management of that company and its other capital providers, including senior, junior, and equity capital providers, to structure an investment. We will negotiate among these parties to agree on how our investment is expected to perform relative to the other capital in the portfolio company's capital structure.

We anticipate investing in portfolio companies primarily in the form of senior secured loans and mezzanine loans. We expect our senior secured loans to have terms of three to ten years and to provide for deferred interest payments in the first few years of the term of the loan. We will obtain security interests in the assets of our

portfolio companies that will serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company. We expect that the interest rate on our senior secured loans generally will range between 1.5% and 10% over LIBOR.

We anticipate structuring our mezzanine investments primarily as unsecured, subordinated loans that provide for relatively high, fixed interest rates that will provide us with significant current interest income. These loans typically will have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loans. In some cases, we may enter into mezzanine loans that, by their terms, convert into equity or additional debt securities or defer payments of interest for the first few years after our investment. Also, in some cases our mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower. Typically, our mezzanine loans will have maturities of five to ten years. We will generally target a total return of 11% to 20% for our mezzanine loan investments.

In the case of our mezzanine loan and senior secured loan investments, we will tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we will seek to limit the downside potential of our investments by:

- Ÿ requiring a total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;
- Ÿ incorporating “put” rights and call protection into the investment structure; and
- Ÿ negotiating covenants in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with preservation of our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Our investments may include equity features, such as direct investments in the equity securities of borrowers or warrants or options to buy a minority interest in a portfolio company. Any warrants we receive with our debt securities generally will require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we will also obtain registration rights in connection with these equity securities, which may include demand and “piggyback” registration rights. With respect to preferred or common equity investments, we expect to target an investment return of at least 16%. However, we can offer no assurance that we can achieve such a return with respect to any investment or our portfolio as a whole.

We expect to hold most of our investments to maturity or repayment, but will sell our investments earlier if a liquidity event takes place, such as the sale or recapitalization of a portfolio company.

Managerial assistance

As a business development company, we will offer, and must provide upon request, managerial assistance to certain of our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services. Pennant Administration will provide such managerial assistance on our behalf to portfolio companies that request this assistance.

Ongoing relationships with portfolio companies

Monitoring

Pennant Investment Advisers will monitor our portfolio companies on an ongoing basis. Pennant Investment Advisers will monitor the financial trends of each portfolio company to determine if they are meeting their respective business plans and to assess the appropriate course of action for each company.

Pennant Investment Advisers will have several methods of evaluating and monitoring the performance and fair value of our investments, which may include the following:

- Ÿ Assessment of success in adhering to portfolio company's business plan and compliance with covenants;
- Ÿ Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Ÿ Comparisons to other Pennant portfolio companies in the industry, if any;
- Ÿ Attendance at and participation in board meetings; and
- Ÿ Review of monthly and quarterly financial statements and financial projections for portfolio companies.

Valuation Process

The following is a description of the steps we will take each quarter to determine the value of our portfolio. Investments for which market quotations are readily available will be recorded in our financial statements at such market quotations. With respect to investments for which market quotations are not readily available, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- Ÿ Our quarterly valuation process will begin with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- Ÿ Preliminary valuation conclusions will then be documented and discussed with the management of our investment adviser;
- Ÿ Independent valuation firms engaged by our board of directors will conduct independent appraisals and review management's preliminary valuations and their own independent assessment;
- Ÿ The audit committee of our board of directors will review the preliminary valuation of our investment adviser and that of the independent valuation firms and respond and supplement the valuation recommendation of the independent valuation firm to reflect any comments; and
- Ÿ The board of directors will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

When we make investments that involve deferrals of interest payable to us, any increase in the value of the investment due to the accrual or receipt of payment of interest will be allocated to the increase in the cost basis of the investment, rather than to capital appreciation or gain.

We expect that all of our portfolio investments will be recorded at fair value as determined under the valuation process discussed above. As a result, there will be uncertainty with respect to the value of our portfolio investments.

COMPETITION

Our primary competitors to provide financing to middle-market companies will include public and private funds, including other business development companies, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. As a result of these new entrants, competition for investment opportunities at middle-market companies has intensified. Many of our competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act will impose on us as a business development company. We expect to use the industry information available our investment adviser to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we expect to benefit from the relationships of Messrs. Penn, Chang, Giannetti and Williams, and other senior investment professionals retained by our investment adviser, will enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest. For additional information concerning the competitive risks we face, see “Risk Factors—Risks relating to our business and structure—We operate in a highly competitive market for investment opportunities.”

STAFFING

We do not currently have any employees. Mr. Penn, our Chief Executive Officer, is the Managing Partner of our investment adviser. In addition, Mr. Efrat, our Chief Financial Officer and Treasurer is a Managing Director of our administrator. We and our investment adviser expect to hire additional investment professionals to assist with our ongoing management and in investing the proceeds of this offering. Specifically, we expect to hire a chief compliance officer promptly after the completion of the offering. Currently, our investment adviser has four senior investment professionals, Messrs. Chang, Giannetti, Penn and Williams, and intends to retain a total of seven to ten investment professionals within the first 12 months after completion of this offering. We and our investment adviser intend to hire professionals with skills applicable to our business plan, including experience in middle market investing, leveraged and mezzanine finance and capital markets. It is likely that some of these individuals will be employees of Pennant Administration and will perform their respective functions under the terms of the Administration Agreement. See “Management—Investment management agreement.” In addition, we will reimburse Pennant Administration for our allocable portion of expenses incurred by it in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our chief compliance officer and their respective staffs. See “Management—Administration agreement.”

PROPERTIES

Our executive offices are located at 445 Park Avenue, 9th Floor, New York, NY 10022, and are provided by our Administrator pursuant to our Administration Agreement. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

LEGAL PROCEEDINGS

None of our investment adviser, our administrator or us is currently subject to any material legal proceedings, nor, to our knowledge, is any material legal proceeding threatened against us, or against our investment adviser or administrator. From time to time, we, our investment adviser or administrator, may be a party to certain legal proceedings in the ordinary course of business, including proceedings relating to the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot be predicted with certainty, we do not expect that these proceedings will have a material effect upon our financial condition or results of operations.

PORTFOLIO COMPANIES

As of February 28, 2007, we had invested in approximately $109 million of senior secured loans. We expect that our initial portfolio of senior secured loans will total an aggregate of approximately $175 to 200 million immediately prior to closing of this offering. The following table provides information about the investments in our portfolio as of February 28, 2007.

Issuer Name	Maturity	Industry	Basis Point Spread Above Index (1)	Par Amount	Cost	Current Value(2)
					(in thousands)	
Bank Debt/Senior Secured Debt(1)						
Borrower 1*	02/28/13	Chemicals	200	$ 1,000	$ 1,000	$ 1,008
Borrower 2	02/07/14	Infrastructure	L+225	2,000	2,000	2,015
Borrower 3*	02/23/14	Industrial Services	200	3,000	3,000	3,034
Borrower 4	05/28/13	Retail	L+225	10,000	9,988	10,025
Borrower 5	01/30/14	Business services	L+250	1,932	1,932	1,937
Borrower 6	01/30/14	Business services	L+250	3,068	3,068	3,076
Borrower 7*	02/16/13	Packaging	200	5,980	5,995	6,003
Borrower 8*	02/21/13	Aerospace	275	250	250	252
Borrower 9	02/13/14	Gaming	L+150	1,000	1,000	1,005
Borrower 10	12/19/13	Logistics	L+325	7,000	7,000	7,053
Borrower 11	02/08/14	Gaming	L+200	5,000	5,000	5,063
Borrower 12*	02/28/14	Healthcare	175	15,000	15,000	15,132
Borrower 13	04/15/14	Telecom	P+250	5,000	5,000	5,038
Borrower 14*	02/07/14	Consumer	225	10,000	10,000	10,075
Borrower 15*	02/28/14	Energy	225	5,000	5,000	5,044
Borrower 16	02/22/13	Energy	200	94	94	94
Borrower 17	02/22/14	Energy	200	906	906	910
Borrower 18	01/18/14	Retail	L+225	4,000	4,000	4,035
Borrower 19	01/31/14	Industrial distribution	L+225	3,000	3,000	3,030
Borrower 20*	12/30/10	Media	125	4,840	4,822	4,816
Borrower 21*	02/28/13	Consumer	200	5,000	5,000	5,038
Borrower 22	02/17/15	Advertising	L+175	3,000	3,000	3,011
Borrower 23	01/31/14	Media	L+225	5,000	5,000	5,057
Borrower 24	02/09/14	Education	L+300	1,000	1,000	1,003
Borrower 25*	07/19/13	Industrial	250	5,000	5,000	5,038
Borrower 26	02/06/14	Consumer	P+200	1,000	1,000	1,009
Total Bank Debt/Senior Secured Debt				$ 109,070	$ 109,055	$ 109,672
Total Investments				$ 109,070	$ 109,055	$ 109,672

(1) Represents floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the applicable LIBOR (London Interbank Offer Rate) ("LIBOR" or "L") or Prime Rate ("P").
(2) Reflects dealer quotations as of February 28, 2007.
* Purchase of loan not yet settled.

Our board of directors intends to use its standard procedures to determine the fair value of investments in senior secured loans or debt obligations held by us. These are described under "Business—Investment selection—Ongoing relationships with portfolio companies—Valuation process." Under the terms of the Credit Facility, we will be advanced 100% of the lesser of (1) the par value or (2) current market value of any senior secured loan or debt obligation to be acquired. Our board of directors will consider a number of factors when it reviews the purchase of the senior secured loans and other debt obligations. See "Business—Investments."

Description of Portfolio Companies

Borrower 4 operates 362 retail stores in 42 states. It offers brand name and designer clothing, shoes and accessories at prices lower than those typically found in other department and specialty stores. Some of its stores also offer a linens, home furnishings and gifts, as well as baby gear, furniture and accessories.

Borrower 12 operates acute care hospitals primarily outside of major urban areas in the southeastern and southwestern regions of the United States. When it adds an additional hospital by acquisition, this company seeks to upgrade the quality of healthcare delivery and expand offered medical services to encourage community residents not to commute to major urban centers for specialty medical care. In addition, this company seeks to upgrade the technology used by acquired hospitals and to introduce proven hospital management practices to improve its patients' hospitalization experience, principally through decentralized management and centralized operating systems. The company's objective is to increase revenue per dollar of fixed assets by attracting local physicians to refer more patients to its affiliated community hospitals.

Borrower 14 is a leading global manufacturer and distributor of branded bath and plumbing products for the residential, commercial and institutional markets. These products include whirlpool baths, spas, showers, sanitary ware and bathtubs, as well as professional-grade drainage, water control, commercial faucets and other plumbing products. This company's products are marketed under a widely recognized portfolio of brand names and hold leading positions within many of its markets. The company seeks to leverage its strong brand names by offering them through multiple retail and wholesale distribution channels.

MANAGEMENT

Our business and affairs are managed under the direction of our board of directors. The board of directors currently consists of five members, four of whom are not "interested persons" of Pennant as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our board of directors elects our officers, who will serve at the discretion of the board of directors.

BOARD OF DIRECTORS

Under our charter, our directors will be divided into three classes. Each class of directors will hold office for a three year term. However, the initial members of the three classes have initial terms of one, two and three years, respectively. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director will hold office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

Directors

Information regarding the board of directors is as follows:

Name	Age	Position	Director Since	Expiration of Term
Interested Directors				
Arthur H. Penn	43	Chief Executive Officer and Chairman of Board	2007	2010
Independent Directors				
Adam K. Bernstein	43	Director	2007	2009
Marshall Brozost	39	Director	2007	2008
Jeffrey Flug	44	Director	2007	2009
Samuel L. Katz	41	Director	2007	2008

The address for each director is 445 Park Avenue, 9th Floor, New York, New York 10022, by telephone at (212) 307-3280.

Executive Officers Who are Not Directors

Information regarding our executive officers who are not directors is as follows:

Name	Age	Position(1)
Aviv Efrat	42	Chief Financial Officer and Treasurer

(1) We expect to retain a chief compliance officer as soon as practicable after completion of this offering. Mr. Penn will serve as our interim Chief Compliance Officer until our board of directors has approved a permanent chief compliance officer.

The address for each executive officer is 445 Park Avenue, 9th Floor, New York, New York 10022, by telephone at (212) 307-3280.

Biographical Information

Directors

Our directors have been divided into two groups—interested directors and independent directors. Interested directors are "interested persons" as defined in the 1940 Act.

Interested Director

Arthur H. Penn (43) Founder, Chief Executive Officer and Chairman of the Board of Directors. Mr. Penn became the chief executive officer and a director of Pennant at its inception in January 2007. He also founded and became Managing Partner of Pennant Investment Advisers in January 2007. Mr. Penn co-founded Apollo Investment Management in February 2004, where he was a Managing Partner through November 2006. He also served as Chief Operating Officer of Apollo Investment Corporation from its inception in February 2004 through February 2006 and served as President and Chief Operating Officer of that company from February 2006 through November 2006. Mr. Penn was formerly a Managing Partner of Apollo Value Fund L.P. (formerly Apollo Distressed Investment Fund, L.P.) from 2003 through November 2006. From 2002 to 2003, prior to joining Apollo, Mr. Penn was a Managing Director of CDC-IXIS Capital Markets. Mr. Penn previously served as Global Head of Leveraged Finance at UBS Warburg LLC (now UBS Securities LLC) from 1999 through 2001. Prior to joining UBS Warburg, Mr. Penn was Global Head of Fixed Income Capital markets for BT Securities and BT Alex. Brown Incorporated from 1994 to 1999. From 1992 to 1994, Mr. Penn served as Head of High Yield Capital Markets at Lehman Brothers.

Independent Directors

Adam K. Bernstein (43), Director. Mr. Bernstein became a director of Pennant Investment in February 2007. Mr. Bernstein is currently President of The Bernstein Companies, a Washington, D.C.-based real estate firm which he founded in 1985. Mr. Bernstein is also President and Chief Executive Officer of Consortium Atlantic Realty Trust, a private real estate investment trust operating in the mid-Atlantic region formed in 2006. Mr. Bernstein is on the Greater Washington Advisory Board of SunTrust Capital Markets, Inc. and is the President of the Mid-Atlantic Regional Advisory Board of the University of Pennsylvania. An affiliate of SunTrust Capital Markets, Inc. is acting as an underwriter in connection with this offering.

Mashall Brozost (39), Director. Mr. Brozost became a director of Pennant Investment in February 2007. Since January 1, 2007, Mr. Brozost has been Partner at the international law firm of Dewey Ballantine LLP, where he practices in the real estate and private equity groups. Prior to his tenure at Dewey Ballantine, Mr. Brozost practiced law at O'Melveny & Myers LLP and Solomon & Weinberg LLP. Mr. Brozost also served as a vice president of Nomura Asset Capital Corporation from 1997 through 2000.

Jeffrey Flug (44), Director. Mr. Flug became a director of Pennant Investment in February 2007. Mr. Flug has been the Chief Executive Officer and Executive Director of Millennium Promise Alliance, Inc. since April 2006. Millennium Promise is a non-profit organization whose mission is to eradicate extreme global poverty. Prior to joining Millennium Promise, Mr. Flug was Managing Director and Head of North American Institutional Sales at JP Morgan's Investment Bank from 2000 to 2005. From 1988 to 2000, Mr. Flug was Managing Director for Goldman Sachs & Co. in its Fixed Income Division.

Samuel L. Katz (41), Director. Mr. Katz became a director of Pennant Investment in February 2007. Mr. Katz is Chairman and Chief Executive Officer of TZP Group, LLC, a private equity fund. He served as Chief Executive Officer of MacAndrews & Forbes Acquisition Holdings, Inc. from January 2006 through 2007. From 1996 until 2006, Mr. Katz held a variety of senior positions at Cendant Corporation including, most recently, Chairman and Chief Executive Officer at Cendant Travel Distribution Services Division from 2001 to 2005. Mr. Katz was also Co-Chairman of Cendant's Marketing Services Division as well as Chief Strategic Officer.

Executive officers who are not directors

Aviv Efrat (42), Chief Financial Officer and Treasurer. Mr. Efrat joined Pennant in February 2007 as its Chief Financial Officer and Treasurer. Mr. Efrat is also a Managing Director of Pennant Investment Administration, LLC. Prior to joining the firm, he was a Director at BlackRock, LLC, where he was responsible

for a variety of administrative and financial aspects of closed-end and open-end registered investment companies. He joined BlackRock in 1997. From 1994 to 1997, Mr. Efrat was in the Investment Companies Business Unit at Deloitte & Touche LLP. He is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

PORTFOLIO MANAGEMENT

Each of the following individuals listed below, in addition to Mr. Penn, is a member of our investment committee and has primary responsibility for the day-to-day management of Pennant's portfolio, and each reports to Mr. Penn who has the final determination as to investment decisions. All of the portfolio managers are partners of our investment adviser.

Geoffrey S. Chang (33), Partner of Pennant Investment Advisers. Mr. Chang became Partner of Pennant Investment Advisers in February 2007. Previously, Mr. Chang was a founding member of Audax Mezzanine where he worked from 2000 until 2007, most recently as a Principal. Prior to Audax Mezzanine, Mr. Chang was a Director in the Leveraged Finance Group at CIBC World Markets Corp. and a Financial Analyst with its predecessor firm, The Argosy Group L.P., from 1995 to 2000.

Salvatore Giannetti III (42), Partner of Pennant Investment Advisers. Mr. Giannetti became Partner of Pennant Investment Advisers in February 2007. Mr. Giannetti was most recently a Partner in private equity firm Wilton Ivy Partners from 2004. He was a Managing Director at UBS Warburg LLC (now UBS Securities LLC) in the Leveraged Finance and Financial Sponsor Groups during 2000 and 2001. From 1997 through 2000, Mr. Giannetti was a Managing Director in the Investment Banking Division at Deutsche Bank (joining BT Securities and BT Alex Brown Inc.). From 1986 to 1997, Mr. Giannetti worked in the Investment Banking, Syndicated Loan & Private Equity groups at Chase Securities Inc. and its predecessor firms, Chemical Securities and Manufacturers Hanover.

Whit Williams (35), Partner of Pennant Investment Advisers. Mr. Williams became a Partner of Pennant Investment Advisers in February of 2007. Mr. Williams was most recently a Managing Director in the Financial Sponsors and Leveraged Finance Group at UBS Investment Bank. Mr. Williams worked at UBS Investment Bank and predecessor firms, including Dillon Read and Co. from 1996 to March 2007. During Mr. Williams' tenure at UBS, he spent four years as an Executive Director in the Telecom, Media and Technology Group.

As our investment adviser adds senior investment professionals subsequent to this offering, our investment adviser may add them to its investment committee. The members of our investment committee will receive no compensation from us. These members will be employees or partners of our investment adviser and will receive compensation and/or profit distributions from our investment adviser.

The portfolio managers who are primarily responsible for the day-to-day management of Pennant do not manage any other registered investment companies, pooled investment vehicles or other accounts. The table below shows the dollar range of shares of common stock beneficially owned, as of March 5, 2007, by each portfolio manager of Pennant.

Name of Portfolio Manager	Dollar Range of Equity Securities in Pennant(1)
Arthur H. Penn	Over $100,000
Geoffrey S. Chang	None
Salvatore Giannetti III	None
Whit Williams	None

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

COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee

The members of the audit committee are Messrs. Bernstein, Brozost, Flug and Katz, each of whom is independent for purposes of the 1940 Act and The Nasdaq Global Market corporate governance regulations. Mr. Flug serves as chairman of the audit committee. The audit committee is responsible for approving our independent accountants, reviewing with our independent accountants the plans and results of the audit engagement, approving professional services provided by our independent accountants, reviewing the independence of our independent accountants and reviewing the adequacy of our internal accounting controls. The audit committee is also responsible for aiding our board of directors in fair value pricing debt and equity securities that are not publicly traded or for which current market values are not readily available. The board of directors and audit committee will use the services of nationally recognized independent valuation firms to help them determine the fair value of these securities.

Nominating and Corporate Governance Committee

The members of the nominating and corporate governance committee are Messrs. Bernstein, Brozost, Flug and Katz, each of whom is independent for purposes of the 1940 Act and the corporate governance regulations of The Nasdaq Global Market. Messrs. Bernstein and Brozost serve as co-chairmen of the nominating and corporate governance committee. The nominating and corporate governance committee is responsible for selecting, researching and nominating directors for election by our stockholders, selecting nominees to fill vacancies on the Board or a committee of the Board, developing and recommending to the Board a set of corporate governance principles and overseeing the evaluation of the Board and our management.

Compensation Committee

We will not have a compensation committee because our executive officers will not receive any direct compensation from us.

COMPENSATION OF DIRECTORS

Beginning in 2007, the independent directors each will receive an annual fee of $75,000. They will also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting and will receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting. In addition, the Chairman of the Audit Committee will receive an annual fee of $7,500 and each chairman of any other committee will receive an annual fee of $2,500 for their additional services in these capacities. In addition, we have purchased directors' and officers' liability insurance on behalf of our directors and officers. Independent directors will have the option to receive their directors' fees paid in shares of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment. No compensation is expected to be paid to directors who are "interested persons."

COMPENSATION OF CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE OFFICERS

None of our officers will receive direct compensation from Pennant. We expect to retain a chief compliance officer promptly after completion of this offering. Mr. Penn will serve as our interim Chief Compliance Officer until our Board of Directors has approved a permanent chief compliance officer. The compensation of our chief financial officer and our permanent chief compliance officer, once retained, will be paid by Pennant Administration, subject to reimbursement by us of an allocable portion of such compensation for services rendered by him to Pennant. To the extent that our administrator outsources any of its functions we will pay the fees associated with such functions on a direct basis without profit to the administrators. Mr. Penn will receive no incremental compensation for his service as interim Chief Compliance Officer.

INVESTMENT MANAGEMENT AGREEMENT

Management Services

We and Pennant Investment Advisers have entered into an Interim Management Agreement whereby Pennant Investment Advisers will provide investment management services to us prior to consummation of this offering. Under the Interim Management Agreement, Pennant Investment Advisers will be reimbursed for expenses and will not receive a management or incentive fee under this agreement. Prior to the closing of this offering, Pennant Investment Advisers will register with the SEC as an investment adviser, and we and Pennant Investment Advisers will enter into the Investment Management Agreement in accordance with the 1940 Act at the time we elect to be treated as a business development company, which we expect to occur shortly before consummation of this offering. Pennant Investment Advisers will serve as our investment adviser subsequent to consummation of this offering in accordance with the terms of the Investment Management Agreement. Subject to the overall supervision of our board of directors, the investment adviser will manage the day-to-day operations of, and provide investment management services to, Pennant. Under the terms of the Interim Investment Management Agreement and the Investment Management Agreement, Pennant Investment Advisers will:

- Ÿ determine the composition of our portfolio, the nature and timing of the changes to our portfolio and the manner of implementing such changes;
- Ÿ identify, evaluate and negotiate the structure of the investments we make (including performing due diligence on our prospective portfolio companies); and
- Ÿ close and monitor the investments we make.

Pennant Investment Advisers' services under the Interim Management Agreement and the Investment Management Agreement are not exclusive, and it is free to furnish similar services to other entities so long as its services to us are not impaired.

Investment Advisory Fee

Pursuant to the Investment Management Agreement in effect subsequent to completion of this offering, we will pay Pennant Investment Advisers a fee for investment management services consisting of two components—a base management fee and an incentive fee.

The base management fee will be calculated at an annual rate of 2.00% of our gross assets. For services rendered under the investment advisory and management agreement during the period commencing from the closing of this offering through and including the first six months of operations, the base management fee will be payable monthly in arrears. For services rendered under the investment advisory and management agreement after that time, the base management fee will be payable quarterly in arrears. For the first quarter of our operations, the base management fee will be calculated based on the initial value of our gross assets. Subsequently, the base management fee will be calculated based on the average value of our gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base investment advisory fees for any partial month or quarter will be appropriately pro rated.

The incentive fee will have two parts, as follows: One part will be calculated and payable quarterly in arrears based on our Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, distribution income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, expenses payable under the Administration Agreement, and any interest expense and distributions paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with a deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income that we

have not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, will be compared to a Hurdle of 1.75% per quarter (7.00% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2.00% base management fee. We will pay Pennant Investment Advisers an incentive fee with respect to our Pre-Incentive Fee Net Investment Income in each calendar quarter as follows:

- Ÿ no incentive fee in any calendar quarter in which our Pre-Incentive Fee Net Investment Income does not exceed the Hurdle of 1.75%;
- Ÿ 100% of our Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the Hurdle but is less than 2.1875% in any calendar quarter (8.75% annualized). We refer to this portion of our Pre-Incentive Fee Net Investment Income (which exceeds the Hurdle but is less than 2.1875%) as the “catch-up.” The “catch-up” is meant to provide our investment adviser with 20% of our Pre-Incentive Fee Net Investment Income as if a Hurdle did not apply if this net investment income exceeds 2.1875% in any calendar quarter; and
- Ÿ 20% of the amount of our Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter (8.75% annualized) is payable to our investment adviser (once the Hurdle is reached and the catch-up is achieved, 20% of all Pre-Incentive Fee Investment Income thereafter is allocated to our investment adviser).

These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the investment advisory and management agreement, as of the termination date), commencing on December 31, 2007, and will equal 20.0% of our realized capital gains, if any, on a cumulative basis from inception through the end of each calendar year, computed net of all realized capital losses and unrealized capital depreciation on a cumulative basis, less the aggregate amount of any previously paid capital gain incentive fees, provided that, the incentive fee determined as of December 31, 2007 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation from inception.

Examples of Quarterly Incentive Fee Calculation

Example 1: Income Related Portion of Incentive Fee (*):

Alternative 1

Assumptions

Investment income (including interest, distributions, fees, etc.) = 1.25%
Hurdle(1) = 1.75%
Base management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income - (base management fee + other expenses)) = 0.55%

Pre-incentive net investment income does not exceed Hurdle, therefore there is no incentive fee.

Alternative 2

Assumptions

Investment income (including interest, distributions, fees, etc.) = 2.70%
Hurdle(1) = 1.75%
Base management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income - (base management fee + other expenses)) = 2.00%
Incentive fee = 20% x Pre-Incentive Fee Net Investment Income, subject to "catch-up"
= 2.00% - 1.75%
= 0.25%
= 100% x 0.25%
= 0.25%

Alternative 3

Assumptions

Investment income (including interest, distributions, fees, etc.) = 3.00%
Hurdle(1) = 1.75%
Base management fee(2) = 0.50%
Other expenses (legal, accounting, custodian, transfer agent, etc.)(3) = 0.20%
Pre-Incentive Fee Net Investment Income
(investment income - (base management fee + other expenses)) = 2.30%
Incentive fee = 20% x Pre-Incentive Fee Net Investment Income, subject to "catch-up"
Incentive fee = 100% x "catch-up" + (20% x (Pre-Incentive Fee Net Investment Income - 2.1875%))

Catch-up = 2.1875% - 1.75%
= 0.4375%
= (100% x 0.4375%) + (20% x (2.3% - 2.1875%))
=0.4375% + (20% x 0.1125%)
= 0.4375% + 0.0225%
= 0.46%

(1) Represents 7.0% annualized Hurdle.
(2) Represents 2.0% annualized base management fee.
(3) Excludes organizational and offering expenses.

Example 2: Capital Gains Portion of Incentive Fee (*):

Assumptions

Year 1 = no net realized capital gains or losses
Year 2 = 6% net realized capital gains and 1% realized capital losses and unrealized capital depreciation capital gain incentive fee = 20% x (realized capital gains for year computed net of all realized capital losses and unrealized capital depreciation at year end)

Management

Year 1 incentive fee	= 20% x (0) = 0 = no incentive fee
Year 2 incentive fee	= 20% x (6% – 1%) = 20% x 5% = 1%

(*) The hypothetical amount of Pre-Incentive Fee Net Investment Income shown is based on a percentage of total net assets.

Payment of Our Expenses

All investment professionals of the investment adviser and their respective staffs when and to the extent engaged in providing investment advisory and management services, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by Pennant Administration. We will bear all other costs and expenses of our operations and transactions, including (without limitation):

- Ÿ the cost of calculating our net asset value, including the cost of any third-party valuation services;
- Ÿ the cost of effecting sales and repurchases of shares of our common stock and other securities;
- Ÿ fees payable to third parties relating to, or associated with, making investments, including fees and expenses associated with performing due diligence reviews of prospective investments and investment advisory fees;
- Ÿ transfer agent and custodial fees;
- Ÿ fees and expenses associated with marketing efforts;
- Ÿ federal and state registration fees, any stock exchange listing fees
- Ÿ federal, state and local taxes;
- Ÿ independent directors' fees and expenses;
- Ÿ brokerage commissions;
- Ÿ fidelity bond, directors and officers/errors and omissions liability insurance and other insurance premiums;
- Ÿ direct costs such as printing, mailing, long distance telephone, and staff;
- Ÿ fees and expenses associated with independent audits and outside legal costs;
- Ÿ costs associated with our reporting and compliance obligations under the 1940 Act and applicable federal and state securities laws; and
- Ÿ all other expenses incurred by either Pennant Administration or us in connection with organization and offering, administering our business, including payments under the Administration Agreement that will be based upon our allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and our allocable portion of the costs of compensation and related expenses of our chief compliance officer, chief financial officer and their respective staffs.

Duration and Termination

The Investment Management Agreement was approved by our board of directors, including a majority of our directors who are not interested persons of Pennant, on February 13, 2007 and is scheduled to be executed on the date of this prospectus. Unless terminated earlier as described below, the Investment Management Agreement

will continue in effect for a period of two years from its execution date. It will remain in effect from year to year thereafter if approved annually by our board of directors, or by the affirmative vote of the holders of a majority of our outstanding voting securities, including, in either case, approval by a majority of our directors who are not interested persons. The Investment Management Agreement will automatically terminate in the event of its assignment. The Investment Management Agreement may be terminated by either party without penalty upon not more than 60 days' written notice to the other. See "Risk factors—Risks relating to our business and structure—We are dependent upon Pennant Investment Advisers' key personnel for our future success, and if we are unable to hire and retain qualified personnel or if we lose any member of our management team, our ability to achieve our investment objective could be significantly harmed."

Indemnification

Each of the Interim Management Agreement and Investment Management Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Pennant Investment Advisers and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Pennant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Pennant Investment Advisers' services under each respective agreement or otherwise as an investment adviser of Pennant.

Organization of the Investment Adviser

Pennant Investment Advisers is a newly formed Delaware limited liability company that intends to register as an investment adviser under the Advisers Act prior to completion of this offering. The principal executive offices of Pennant Investment Advisers are located at 445 Park Avenue, New York, NY 10022.

Board Approval of the Investment Management Agreement

A discussion regarding the basis for our board of director's approval of our Investment Management Agreement will be included in our first quarterly report on Form 10-Q filed subsequent to completion of this offering.

ADMINISTRATION AGREEMENT

Pursuant to the Administration Agreement, Pennant Administration will furnish us with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities. Under the Administration Agreement, Pennant Administration also will perform, or oversee the performance of, our required administrative services, which include, among other things, being responsible for the financial records which we are required to maintain and preparing reports to our stockholders and reports filed with the SEC. In addition, Pennant Administration will assist us in determining and publishing our net asset value, oversee the preparation and filing of our tax returns and the printing and dissemination of reports to our stockholders, and generally oversee the payment of our expenses and the performance of administrative and professional services rendered to us by others. Payments under the Administration Agreement will be equal to an amount based upon our allocable portion of Pennant Administration's overhead in performing its obligations under the Administration Agreement, including rent and our allocable portion of the cost of our chief compliance officer and chief financial officer and their respective staffs. Under the Administration Agreement, Pennant Administration will also provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. The Administration Agreement may be terminated by either party without penalty upon 60 days' written notice to the other party. To the extent that our administrator outsources any of its functions we will pay the fees associated with such functions on a direct basis without profit to the administrators.

Indemnification

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Pennant

Administration and its officers, manager, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Pennant for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Pennant Administration's services under the Administration Agreement or otherwise as administrator for Pennant.

LICENSE AGREEMENT

We have entered into the License Agreement with Pennant Investment Advisers pursuant to which Pennant Investment Advisers has agreed to grant us a non-exclusive, royalty-free license to use the name "Pennant". Under this agreement, we will have a right to use the Pennant name, for so long as Pennant Investment Advisers or one of its affiliates remains our investment adviser. Other than with respect to this limited license, we will have no legal right to the "Pennant" name. The License Agreement will remain in effect for so long as the investment advisory and management agreement with our investment adviser is in effect.

CERTAIN RELATIONSHIPS

We have entered into the Interim Investment Management Agreement and upon the closing of this offering, we will have entered into the Investment Management Agreement with Pennant Investment Advisers, in which the Chairman of our Board of Directors and our Chief Executive Officer has ownership and financial interests. Our Chief Financial Officer, Aviv Efrat, and the chief compliance officer we expect to retain promptly after this offering, as well as Messrs. Chang, Giannetti and Williams and other investment professionals our investment adviser may retain after this offering, may also serve as principals of other investment managers affiliated with Pennant Investment Advisers. Such entities may in the future manage investment funds with investment objectives similar to ours. In addition, our current executive officers and directors, the chief compliance officer we expect to retain after this offering and the senior investment professionals of our investment adviser, serve or may serve as officers, directors or principals of entities that operate or may operate in the same or related line of business as we do or of investment funds managed by our affiliates. Accordingly, we may not be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with Pennant Investment Advisers. However, our investment adviser intends to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies so that we are not disadvantaged in relation to any other client of our investment adviser. See “Risk Factors—Risks relating to our business and structure—There are significant potential conflicts of interest which could impact our investment returns.”

We have entered into the License Agreement with Pennant Investment Advisers, pursuant to which Pennant Investment Advisers has agreed to grant us a non-exclusive, royalty-free license to use the name “Pennant”.

In addition, pursuant to the terms of the Administration Agreement, Pennant Administration provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. Pennant Investment Advisers is the sole member of and controls Pennant Administration.

We, through our wholly owned subsidiary, Pennant SPV Company, LLC, have entered into the Credit Facility with the Lender, one of the underwriters for this offering, to use advances thereunder to acquire interests in certain senior secured loans that will comprise our initial investment portfolio upon the consummation of this offering. One or more of the underwriters of this offering may also have acted as an agent or broker in connection with loans we have purchased in the market. In connection with such purchases, we have paid commissions established by the market at arms’ length.

Pennant Investment Advisers purchased 80,000 shares of common stock from Pennant at $12.50 per share for a total of $1.0 million for the purpose of capitalizing Pennant SPV Company, LLC. Mr. Penn is the Managing Member and currently the sole interest holder in Pennant Investment Advisers.

CONTROL PERSONS AND PRINCIPAL STOCKHOLDERS

Immediately prior to the completion of this offering, there will be 80,000 shares of common stock outstanding and one stockholder of record. At that time, we will have no other shares of capital stock outstanding. The following table sets forth certain ownership information with respect to our common stock for those persons who directly or indirectly own, control or hold with the power to vote, 5% or more of our outstanding common stock and all officers and directors, as a group.

		Percentage of common stock outstanding			
		Immediately prior to this offering		Immediately after this offering[1]	
Name and address	Type of ownership	Shares owned	Percentage	Shares owned	Percentage
Pennant Investment Advisers, LLC[2]	Direct	80,000	100%		
All officers and directors as a group *(5 persons)*[2]	Indirect	80,000	100%		

(1) Assumes issuance of 26,666,666 shares offered by this prospectus. Does not reflect shares of common stock reserved for issuance upon exercise of the underwriters' over-allotment option.
(2) Mr. Penn is the Managing Member of Pennant Investment Advisers, LLC, and may therefore be deemed to beneficially own the shares held by Pennant Investment Advisers, LLC.

The following table sets forth the dollar range of our equity securities beneficially owned by each of our directors as of March 5, 2007. We are not part of a "family of investment companies," as that term is defined in the 1940 Act.

Name of Director	Dollar Range of Equity Securities in Pennant(1)
Independent Directors	
Adam K. Bernstein	None
Marshall Brozost	None
Jeffrey Flug	None
Samuel L. Katz	None
Interested Directors	
Arthur H. Penn	Over $100,000

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

DETERMINATION OF NET ASSET VALUE

The net asset value per share of our outstanding shares of common stock will be determined quarterly by dividing the value of total assets minus liabilities by the total number of shares outstanding.

In calculating the value of our total assets, we will value investments for which market quotations are readily available at such market quotations. Debt and equity securities that are not publicly traded or whose market price is not readily available will be valued at fair value as determined in good faith by our board of directors. As a general rule, loans or debt securities will not be valued above cost, but loans and debt securities will be subject to fair value write-downs when the asset is considered impaired. With respect to private equity securities, each investment will be valued using comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. The value will then be discounted to reflect the illiquid nature of the investment, as well as our minority, non-control position. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we will use the pricing indicated by the external event to corroborate our private equity valuation. Because we expect that there will not be a readily available market value for most of the investments in our portfolio, we expect to value substantially all of our portfolio investments at fair value as determined in good faith by our board under a valuation policy and a consistently applied valuation process. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ significantly from the values that would have been used had a ready market existed for such investments, and the differences could be material.

Our board of directors will discuss valuations and will determine the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, nationally recognized independent valuation firms and audit committee.

With respect to investments for which market quotations are not readily available, our board of directors will undertake a multi-step valuation process each quarter, as described below:

- Ÿ Our quarterly valuation process will begin with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- Ÿ Preliminary valuation conclusions will then be documented and discussed with the management of our investment adviser;
- Ÿ Independent valuation firms engaged by our board of directors will conduct independent appraisals and review management’s preliminary valuations and their own independent assessment;
- Ÿ The audit committee of our board of directors will review the preliminary valuation of our investment adviser and that of the independent valuation firms and respond and supplement the valuation recommendation of the independent valuation firm to reflect any comments; and
- Ÿ The board of directors will discuss valuations and determine the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firms and the audit committee.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral, the portfolio company’s ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current auditing standards, the notes to our financial statements will refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

Determinations In Connection With Offerings

In connection with each offering of shares of our common stock, our board of directors or a committee thereof will be required to make the determination that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made. Our board of directors will consider the following factors, among others, in making such determination:

- Ÿ the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC;
- Ÿ our management's assessment of whether any material change in the net asset value of our common stock has occurred (including through the realization of gains on the sale of our portfolio securities) during the period beginning on the date of the most recently disclosed net asset value of our common stock and ending two days prior to the date of the sale of our common stock; and
- Ÿ the magnitude of the difference between (1) the net asset value of our common stock disclosed in the most recent periodic report that we filed with the SEC and our management's assessment of any material change in the net asset value of our common stock since the date of the most recently disclosed net asset value of our common stock, and (2) the offering price of the shares of our common stock in the proposed offering.

Importantly, this determination will not require that we calculate the net asset value of our common stock in connection with each offering of shares of our common stock, but instead it will involve the determination by our board of directors or a committee thereof that we are not selling shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or otherwise in violation of the 1940 Act.

To the extent that there is even a remote possibility that we may (1) issue shares of our common stock at a price below the then current net asset value of our common stock at the time at which the sale is made or (2) trigger the undertaking (which we provide in certain registration statements we file with the SEC) to suspend the offering of shares of our common stock pursuant to this prospectus if the net asset value of our common stock fluctuates by certain amounts in certain circumstances until the prospectus is amended, our board of directors will elect, in the case of clause (1) above, either to postpone the offering until such time that there is no longer the possibility of the occurrence of such event or to undertake to determine the net asset value of our common stock within two days prior to any such sale to ensure that such sale will not be below our then current net asset value, and, in the case of clause (2) above, to comply with such undertaking or to undertake to determine the net asset value of our common stock to ensure that such undertaking has not been triggered.

These processes and procedures are part of our compliance policies and procedures. Records will be made contemporaneously with all determinations described in this section and these records will be maintained with other records that we are required to maintain under the 1940 Act.

DIVIDEND REINVESTMENT PLAN

We have adopted a dividend reinvestment plan that provides for reinvestment of our dividends and other distributions on behalf of our stockholders, unless a stockholder elects to receive cash as provided below. As a result, if our board of directors authorizes, and we declare, a cash dividend or other distribution, then our stockholders who have not 'opted out' of our dividend reinvestment plan will have their cash distribution automatically reinvested in additional shares of our common stock, rather than receiving the cash distribution.

No action is required on the part of a registered stockholder to have their cash dividend or other distribution reinvested in shares of our common stock. A registered stockholder may elect to receive an entire distribution in cash by notifying American Stock Transfer and Trust Company, the plan administrator and our transfer agent and registrar, in writing so that such notice is received by the plan administrator no later than the record date for distributions to stockholders. The plan administrator will set up an account for shares acquired through the plan for each stockholder who has not elected to receive dividends or other distributions in cash and hold such shares in non-certificated form. Upon request by a stockholder participating in the plan, received in writing not less than 10 days prior to the record date, the plan administrator will, instead of crediting shares to the participant's account, issue a certificate registered in the participant's name for the number of whole shares of our common stock and a check for any fractional share.

Those stockholders whose shares are held by a broker or other financial intermediary may receive dividends and other distributions in cash by notifying their broker or other financial intermediary of their election.

We intend to use primarily newly issued shares to implement the plan, whether our shares are trading at a premium or at a discount to net asset value. However, we reserve the right to purchase shares in the open market in connection with our implementation of the plan. The number of shares to be issued to a stockholder is determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of our common stock at the close of regular trading on The Nasdaq Global Market on the valuation date for such distribution. Market price per share on that date will be the closing price for such shares on The Nasdaq Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices. The number of shares of our common stock to be outstanding after giving effect to payment of the dividend or other distribution cannot be established until the value per share at which additional shares will be issued has been determined and elections of our stockholders have been tabulated.

There will be no brokerage charges or other charges to stockholders who participate in the plan. The plan administrator's fees under the plan will be paid by us. If a participant elects by written notice to the plan administrator to have the plan administrator sell part or all of the shares held by the plan administrator in the participant's account and remit the proceeds to the participant, the plan administrator is authorized to deduct a $ transaction fee plus a per share brokerage commissions from the proceeds.

Stockholders who receive dividends and other distributions in the form of stock are subject to the same federal, state and local tax consequences as are stockholders who elect to receive their distributions in cash. A stockholder's basis for determining gain or loss upon the sale of stock received in a dividend or other distribution from us will be equal to the total dollar amount of the distribution payable to the stockholder. Any stock received in a dividend or other distribution will have a new holding period for tax purposes commencing on the day following the day on which the shares are credited to the U.S. stockholder's account.

Participants may terminate their accounts under the plan by notifying the plan administrator via its website at www.amstock.com, by filling out the transaction request form located at bottom of their statement and sending it to the plan administrator.

The plan may be terminated by us upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend by us. All correspondence concerning the plan should be directed to the plan administrator by mail at American Stock Transfer and Trust Company, P.O. Box 922, Wall Street Station, New York, New York 10269, or by the Plan Administrator's Interactive Voice Response System at 1-888-777-0324.

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a general summary of the material U.S. federal income tax considerations applicable to us and to an investment in our shares. This summary does not purport to be a complete description of the income tax considerations applicable to such an investment. For example, we have not described tax consequences that we assume to be generally known by investors or certain considerations that may be relevant to certain types of holders subject to special treatment under U.S. federal income tax laws, including stockholders subject to the alternative minimum tax, tax-exempt organizations, insurance companies, dealers in securities, pension plans and trusts, and financial institutions. This summary assumes that investors hold our common stock as capital assets (within the meaning of the Code). The discussion is based upon the Code, Treasury regulations, and administrative and judicial interpretations, each as of the date of this prospectus and all of which are subject to change, possibly retroactively, which could affect the continuing validity of this discussion. We have not sought and will not seek any ruling from the Internal Revenue Service regarding this offering. This summary does not discuss any aspects of U.S. estate or gift tax or foreign, state or local tax. It does not discuss the special treatment under U.S. federal income tax laws that could result if we invested in tax-exempt securities or certain other investment assets.

A "U.S. stockholder" generally is a beneficial owner of shares of our common stock that is for U.S. federal income tax purposes:

- Ÿ a citizen or individual resident of the United States;
- Ÿ a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia; or
- Ÿ a trust or an estate, the income of which is subject to U.S. federal income taxation regardless of its source.

A "Non-U.S. stockholder" is a beneficial owner of shares of our common stock that is not a U.S. stockholder.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds shares of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A prospective stockholder that is a partner of a partnership holding shares of our common stock should consult its tax advisors with respect to the purchase, ownership and disposition of shares of our common stock.

Tax matters are very complicated and the tax consequences to an investor of an investment in our shares will depend on the facts of his, her or its particular situation. We encourage investors to consult their own tax advisors regarding the specific consequences of such an investment, including tax reporting requirements, the applicability of federal, state, local and foreign tax laws, eligibility for the benefits of any applicable tax treaty and the effect of any possible changes in the tax laws.

ELECTION TO BE TAXED AS A RIC

As a business development company, we intend to elect to be treated as a RIC under Subchapter M of the Code. Initially, we expect to comply with the requirements to be a RIC and to make a corresponding change in our tax year within one month of the completion of this offering. Until that time, we will be taxed as a regular corporation under Subchapter C of the Code and will be subject to corporate level taxes.

As a RIC, we generally will not have to pay corporate-level federal income taxes on any ordinary income or capital gains that we distribute to our stockholders as distributions. To qualify as a RIC, we must, among other things, meet certain source-of-income and asset diversification requirements (as described below). In addition, in order to obtain RIC tax benefits we must distribute to our stockholders, for each taxable year, at least 90% of our "investment company taxable income," which is generally our ordinary income plus the excess of realized net short-term capital gains over realized net long-term capital losses (the "Annual Distribution Requirement").

TAXATION AS A RIC

If we:

- Ÿ qualify as a RIC; and
- Ÿ satisfy the Annual Distribution Requirement;

then we will not be subject to federal income tax on the portion of our investment company taxable income and net capital gain (i.e., realized net long-term capital gains in excess of realized net short-term capital losses) we distribute to stockholders. We will be subject to U.S. federal income tax at the regular corporate rates on any income or capital gain not distributed (or deemed distributed) to our stockholders.

We will be subject to a 4% nondeductible federal excise tax on certain undistributed income of RICs unless we distribute in a timely manner an amount at least equal to the sum of (1) 98% of our ordinary income for each calendar year, (2) 98% of our capital gain net income for the one-year period ending October 31 in that calendar year and (3) any income realized, but not distributed or taxed, in preceding years (the "Excise Tax Avoidance Requirement"). We currently intend to make sufficient distributions each taxable year to satisfy the Excise Tax Avoidance Requirement.

In order to qualify as a RIC for federal income tax purposes, we must, among other things:

- Ÿ qualify to be treated as a business development company under the 1940 Act at all times during each taxable year;
- Ÿ derive in each taxable year at least 90% of our gross income from distributions, interest, payments with respect to certain securities loans, gains from the sale of stock or other securities, net income from certain qualified publicly traded partnerships or other income derived with respect to our business of investing in such stock or securities (the "90% Income Test"); and
- Ÿ diversify our holdings so that at the end of each quarter of the taxable year:
  - Ÿ at least 50% of the value of our assets consists of cash, cash equivalents, U.S. Government securities, securities of other RICs, and other securities if such other securities of any one issuer do not represent more than 5% of the value of our assets or more than 10% of the outstanding voting securities of the issuer; and
  - Ÿ no more than 25% of the value of our assets is invested in the securities, other than U.S. Government securities or securities of other RICs, of one issuer or of two or more issuers that are controlled, as determined under applicable tax rules, by us and that are engaged in the same or similar or related trades or businesses or in certain publicly traded partnerships (the "Diversification Tests").

We may be required to recognize taxable income in circumstances in which we do not receive cash. For example, if we hold debt obligations that are treated under applicable tax rules as having original issue discount (such as debt instruments with pay in kind interest or, in certain cases, increasing interest rates or issued with warrants), we must 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 us in the same taxable year. Because any original issue discount accrued will be included in our investment company taxable income for the year of accrual, we may be required to make a distribution to our stockholders in order to satisfy the Annual Distribution Requirement, even though we will not have received any corresponding cash amount.

Gain or loss realized by us from warrants acquired by us as well as any loss attributable to the lapse of such warrants generally will be treated as capital gain or loss. Such gain or loss generally will be long-term or short-term, depending on how long we held a particular warrant.

Although we do not presently expect to do so, we are authorized to borrow funds and to sell assets in order to satisfy distribution requirements. However, under the 1940 Act, we are not permitted to make distributions to

our stockholders while our debt obligations and other senior securities are outstanding unless certain "asset coverage" tests are met. See "Regulation—Senior securities." Moreover, our ability to dispose of assets to meet our distribution requirements may be limited by (1) the illiquid nature of our portfolio and/or (2) other requirements relating to our status as a RIC, including the Diversification Tests. If we dispose of assets in order to meet the Annual Distribution Requirement or the Excise Tax Avoidance Requirement, we may make such dispositions at times that, from an investment standpoint, are not advantageous.

If we fail to satisfy the Annual Distribution Requirement or fail to qualify as a RIC in any taxable year, we will be subject to tax in that year on all of our taxable income, regardless of whether we make any distributions to our stockholders. In that case, all of our income will be subject to corporate-level federal income tax, reducing the amount available to be distributed to our stockholders. In contrast, assuming we qualify as a RIC, our corporate-level federal income tax should be substantially reduced or eliminated. See "—Election to be taxed as a RIC" above.

The remainder of this discussion assumes that we qualify as a RIC and have satisfied the Annual Distribution Requirement.

TAXATION OF U.S. STOCKHOLDERS

Distributions by us generally are taxable to U.S. stockholders as ordinary income or capital gains. Distributions of our "investment company taxable income" (which is, generally, our ordinary income plus realized net short-term capital gains in excess of realized net long-term capital losses) will be taxable as ordinary income to U.S. stockholders to the extent of our current or accumulated earnings and profits, whether paid in cash or reinvested in additional common stock. To the extent such distributions paid by us to non-corporate stockholders (including individuals) are attributable to dividends from U.S. corporations and certain qualified foreign corporations, such distributions generally will be eligible for a maximum tax rate of 15%, if certain holding period requirements are satisfied. In this regard, it is anticipated that distributions paid by us will generally not be attributable to dividends and, therefore, generally will not qualify for the 15% maximum rate. Distributions of our net capital gains (which is generally our realized net long-term capital gains in excess of realized net short-term capital losses) properly designated by us as "capital gain distributions" will be taxable to a U.S. stockholder as long-term capital gains at a maximum rate of 15% in the case of individuals, trusts or estates, regardless of the U.S. stockholder's holding period for his, her or its common stock and regardless of whether paid in cash or reinvested in additional common stock. Distributions in excess of our earnings and profits first will reduce a U.S. stockholder's adjusted tax basis in such stockholder's common stock and, after the adjusted basis is reduced to zero, will constitute capital gains to such U.S. stockholder.

Although we currently intend to distribute any long-term capital gains at least annually, we may in the future decide to retain some or all of our long-term capital gains, but designate the retained amount as a "deemed distribution." In that case, among other consequences, we will pay tax on the retained amount, each U.S. stockholder will be required to include his, her or its share of the deemed distribution in income as if it had been actually distributed to the U.S. stockholder, and the U.S. stockholder will be entitled to claim a credit equal to his, her or its allocable share of the tax paid thereon by us. The amount of the deemed distribution net of such tax will be added to the U.S. stockholder's tax basis for his, her or its common stock. Since we expect to pay tax on any retained capital gains at our regular corporate tax rate, and since that rate is in excess of the maximum rate currently payable by individuals on long-term capital gains, the amount of tax that individual stockholders will be treated as having paid and for which they will receive a credit will exceed the tax they owe on the retained net capital gain. Such excess generally may be claimed as a credit against the U.S. stockholder's other federal income tax obligations or may be refunded to the extent it exceeds a stockholder's liability for federal income tax. A stockholder that is not subject to federal income tax or otherwise required to file a federal income tax return would be required to file a federal income tax return on the appropriate form in order to claim a refund for the taxes we paid. In order to use the deemed distribution approach, we must provide written notice to our stockholders prior to the expiration of 60 days after the close of the relevant taxable year. We cannot treat any of our investment company taxable income as a "deemed distribution."

For purposes of determining (1) whether the Annual Distribution Requirement is satisfied for any year and (2) the amount of capital gain distributions paid for that year, we may, under certain circumstances, elect to treat a distribution that is paid during the following taxable year as if it had been paid during the taxable year in question. If we make such an election, the U.S. stockholder will still be treated as receiving the distribution in the taxable year in which the distribution is made. However, any distribution declared by us in October, November or December of any calendar year, payable to stockholders of record on a specified date in such a month and actually paid during January of the following year, will be treated as if it had been received by our U.S. stockholders on December 31 of the year in which the distribution was declared.

If an investor purchases shares of our common stock shortly before the record date of a distribution, the price of the shares will include the value of the distribution and the investor will be subject to tax on the distribution even though economically it represents a return of his, her or its investment.

A stockholder generally will recognize taxable gain or loss if the stockholder sells or otherwise disposes of his, her or its shares of our common stock. Any gain arising from such sale or disposition generally will be treated as capital gain or loss if the stockholder has held his, her or its shares for more than one year. Otherwise, it would be classified as short-term capital gain or loss. However, any capital loss arising from the sale or disposition of shares of our common stock held for six months or less will be treated as long-term capital loss to the extent of the amount of capital gain distributions received, or undistributed capital gain deemed received, with respect to such shares. In addition, all or a portion of any loss recognized upon a disposition of shares of our common stock may be disallowed if other shares of our common stock are purchased (whether through reinvestment of dividends or other distributions or otherwise) within 30 days before or after the disposition.

In general, individual U.S. stockholders currently are subject to a maximum federal income tax rate of 15% on their net capital gain, i.e., the excess of realized net long-term capital gain over realized net short-term capital loss for a taxable year, including a long-term capital gain derived from an investment in our shares. Such rate is lower than the maximum rate on ordinary income currently payable by individuals. Corporate U.S. stockholders currently are subject to federal income tax on net capital gain at the maximum 35% rate also applied to ordinary income. Non-corporate stockholders with net capital losses for a year (i.e., capital losses in excess of capital gains) generally may deduct up to $3,000 of such losses against their ordinary income each year; any net capital losses of a non-corporate stockholder in excess of $3,000 generally may be carried forward and used in subsequent years as provided in the Code. Corporate stockholders generally may not deduct any net capital losses for a year, but may carryback such losses for three years or carry forward such losses for five years.

We will send to each of our U.S. stockholders, as promptly as possible after the end of each calendar year, a notice detailing, on a per share and per distribution basis, the amounts includible in such U.S. stockholder's taxable income for such year as ordinary income and as long-term capital gain. In addition, the federal tax status of each year's distributions generally will be reported to the Internal Revenue Service (including the amount of distributions, if any, eligible for the 15% maximum rate). Distributions may also be subject to additional state, local and foreign taxes depending on a U.S. stockholder's particular situation. Distributions distributed by us generally will not be eligible for the distributions-received deduction or the preferential rate applicable to qualifying distributions.

We may be required to withhold federal income tax ("backup withholding") currently at a rate of 28% from all taxable distributions to any non-corporate U.S. stockholder (1) who fails to furnish us with a correct taxpayer identification number or a certificate that such stockholder is exempt from backup withholding, or (2) with respect to whom the IRS notifies us that such stockholder has failed to properly report certain interest and distribution income to the IRS and to respond to notices to that effect. An individual's taxpayer identification number is his or her social security number. Any amount withheld under backup withholding is allowed as a credit against the U.S. stockholder's federal income tax liability and may entitle such stockholder to a refund, provided that proper information is timely provided to the IRS.

TAXATION OF NON-U.S. STOCKHOLDERS

Whether an investment in the shares is appropriate for a Non-U.S. stockholder will depend upon that person's particular circumstances. An investment in the shares by a Non-U.S. stockholder may have adverse tax consequences. Non-U.S. stockholders should consult their tax advisers before investing in our common stock.

Distributions of our "investment company taxable income" to Non-U.S. stockholders (including interest income and net short-term capital gain, which generally would be free of withholding if paid to Non-U.S. stockholders directly) generally will be subject to withholding of federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of our current and accumulated earnings and profits unless the distributions are effectively connected with a U.S. trade or business of the Non-U.S. stockholder, and, if an income tax treaty applies, attributable to a permanent establishment in the United States, in which case the distributions will be subject to federal income tax at the rates applicable to U.S. persons. In that case, we will not be required to withhold federal tax if the Non-U.S. stockholder complies with applicable certification and disclosure requirements. Special certification requirements apply to a Non-U.S. stockholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their own tax advisors.

Actual or deemed distributions of our net capital gains to a Non-U.S. stockholder, and gains realized by a Non-U.S. stockholder upon the sale of our common stock, will not be subject to federal withholding tax and generally will not be subject to federal income tax unless the distributions or gains, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. stockholder and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. stockholder in the United States.

If we distribute our net capital gains in the form of deemed rather than actual distributions (which we may do in the future), a Non-U.S. stockholder will be entitled to a federal income tax credit or tax refund equal to the stockholder's allocable share of the tax we pay on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. stockholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. stockholder would not otherwise be required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. stockholder, distributions (both actual and deemed), and gains realized upon the sale of our common stock that are effectively connected with a U.S. trade or business may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable treaty). Accordingly, investment in the shares may not be appropriate for a Non-U.S. stockholder.

A Non-U.S. stockholder who is a non-resident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to information reporting and backup withholding of federal income tax on distributions unless the Non-U.S. stockholder provides us or the distribution paying agent with an IRS Form W-8BEN (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. stockholder or otherwise establishes an exemption from backup withholding.

Non-U.S. persons should consult their own tax advisors with respect to the U.S. federal income tax and withholding tax, and state, local and foreign tax consequences of an investment in the shares.

FAILURE TO QUALIFY AS A RIC

If we were unable to qualify for treatment as a RIC, we would be subject to tax on all of our taxable income at regular corporate rates. We would not be able to deduct distributions to stockholders, nor would they be required to be made. Distributions would generally be taxable to our stockholders as ordinary distribution income eligible for the 15% maximum rate to the extent of our current and accumulated earnings and profits. Subject to certain limitations under the Code, corporate distributees would be eligible for the distributions received deduction. Distributions in excess of our current and accumulated earnings and profits would be treated first as a return of capital to the extent of the stockholder's tax basis, and any remaining distributions would be treated as a capital gain.

DESCRIPTION OF OUR CAPITAL STOCK

The following description is based on relevant portions of the Maryland General Corporation Law and on our charter and bylaws. This summary is not necessarily complete, and we refer you to the Maryland General Corporation Law and our charter and bylaws for a more detailed description of the provisions summarized below.

CAPITAL STOCK

Our authorized capital stock consists of 100,000,000 shares of stock, par value $0.001 per share, all of which is initially designated as common stock. There is currently no market for our common stock, and we can offer no assurances that a market for our shares will develop in the future. We have applied to have our common stock quoted on The Nasdaq Global Market under the ticker symbol “PNNT”. There are no outstanding options or warrants to purchase our stock. No stock has been authorized for issuance under any equity compensation plans. Under Maryland law, our stockholders generally are not personally liable for our debts or obligations.

Under our charter, our board of directors is authorized to classify and reclassify any unissued shares of stock into other classes or series of stock and authorize the issuance of shares of stock without obtaining stockholder approval. As permitted by the Maryland General Corporation Law, our charter provides that the board of directors, without any action by our stockholders, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

Common stock

All shares of our common stock have equal rights as to earnings, assets, distributions and voting and, when they are issued, will be duly authorized, validly issued, fully paid and nonassessable. Distributions may be paid to the holders of our common stock if, as and when authorized by our board of directors and declared by us out of funds legally available therefor. Shares of our common stock have no preemptive, exchange, conversion or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws or by contract. In the event of a liquidation, dissolution or winding up of Pennant, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after we pay all debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time. Each share of our common stock is entitled to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors, and holders of less than a majority of such shares will be unable to elect any director.

Preferred stock

Our charter authorizes our board of directors to classify and reclassify any unissued shares of stock into other classes or series of stock, including preferred stock. Prior to issuance of shares of each class or series, the board of directors is required by Maryland law and by our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms or conditions of redemption for each class or series. Thus, the board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. You should note, however, that any issuance of preferred stock must comply with the requirements of the 1940 Act. The 1940 Act requires, among other things, that (1) immediately after issuance and before any distribution is made with respect to our common stock and before any purchase of

common stock is made, such preferred stock together with all other senior securities must not exceed an amount equal to 50% of our total assets after deducting the amount of such distribution or purchase price, as the case may be, and (2) the holders of shares of preferred stock, if any are issued, 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. Certain matters under the 1940 Act require the separate vote of the holders of any issued and outstanding preferred stock. For example, holders of preferred stock would vote separately from the holders of common stock on a proposal to cease operations as a business development company. We believe that the availability for issuance of preferred stock will provide us with increased flexibility in structuring future financings and acquisitions.

LIMITATION ON LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION AND ADVANCE OF EXPENSES

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received unless, in either case, a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

PROVISIONS OF THE MARYLAND GENERAL CORPORATION LAW AND OUR CHARTER AND BYLAWS

The Maryland General Corporation Law and our charter and bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms.

Classified board of directors

Our board of directors is divided into three classes of directors serving staggered three-year terms. The initial terms of the first, second and third classes will expire in 2008, 2009 and 2010, respectively. Beginning in 2008, upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified board of directors will help to ensure the continuity and stability of our management and policies.

Election of directors

Our charter and bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Pursuant to the charter, our board of directors may amend the bylaws to alter the vote required to elect directors.

Number of directors; vacancies; removal

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, unless our bylaws are amended, the number of directors may never be less than four nor more than eight. Our charter provides that, at such time as we have three independent directors and our common stock is registered under the Exchange Act, we elect to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the board of directors. Accordingly, at such time, except as may be provided by the board of directors in setting the terms of any class or series of preferred stock, any and all vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our charter provides that a director may be removed only for cause, as defined in our charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by stockholders

Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or by unanimous written consent in lieu of a meeting. These provisions, combined with the requirements of our bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance notice provisions for stockholder nominations and stockholder proposals

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made

only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors or (3) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

The purpose of requiring stockholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform stockholders and make recommendations about such qualifications or business, as well as to provide a more orderly procedure for conducting meetings of stockholders. Although our bylaws do not give our board of directors any power to disapprove stockholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our stockholders.

Calling of special meetings of stockholders

Our bylaws provide that special meetings of stockholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of extraordinary corporate action; amendment of charter and bylaws

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter generally provides for approval of charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our charter also provides that certain charter amendments and any proposal for our conversion, whether by merger or otherwise, from a closed-end company to an open-end company or any proposal for our liquidation or dissolution requires the approval of the stockholders entitled to cast at least 80 percent of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least two-thirds of our continuing directors (in addition to approval by our board of directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The “continuing directors” are defined in our charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the board of directors.

Our charter and bylaws provide that the board of directors will have the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws.

No appraisal rights

Except with respect to appraisal rights arising in connection with the Maryland Control Share Acquisition Act discussed below, as permitted by the Maryland General Corporation Law, our charter provides that stockholders will not be entitled to exercise appraisal rights.

Control share acquisitions

The Control Share Acquisition Act provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:

- Ÿ one-tenth or more but less than one-third;
- Ÿ one-third or more but less than a majority; or
- Ÿ a majority or more of all voting power.

The requisite stockholder approval must be obtained each time an acquiror crosses one of the thresholds of voting power set forth above. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may repurchase for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to repurchase control shares is subject to certain conditions and limitations, including, as provided in our bylaws, compliance with the 1940 Act. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of stockholders at which the voting rights of the shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The Control Share Acquisition Act does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the Control Share Acquisition Act any and all acquisitions by any person of our shares of stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future. However, we will amend our bylaws to be subject to the Control Share Acquisition Act only if the board of directors determines that it would be in our best interests based on our determination that our being subject to the Control Share Acquisition Act does not conflict with the 1940 Act.

Business combinations

Under Maryland law, “business combinations” between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include a

merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined as:

- Ÿ any person who beneficially owns 10% or more of the voting power of the corporation's shares; or
- Ÿ an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under this statute if the board of directors approved in advance the transaction by which he otherwise would have become an interested stockholder. However, in approving a transaction, the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board.

After the five-year prohibition, any business combination between the corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- Ÿ 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- Ÿ two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors before the time that the interested stockholder becomes an interested stockholder. Our board of directors has adopted a resolution that any business combination between us and any other person is exempted from the provisions of the Business Combination Act, provided that the business combination is first approved by the board of directors, including a majority of the directors who are not interested persons as defined in the 1940 Act. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or the board of directors does not otherwise approve a business combination, the statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Conflict with 1940 Act

Our bylaws provide that, if and to the extent that any provision of the Maryland General Corporation Law, including the Control Share Acquisition Act (if we amend our bylaws to be subject to such Act) and the Business Combination Act, or any provision of our charter or bylaws conflicts with any provision of the 1940 Act, the applicable provision of the 1940 Act will control.

REGULATION

We are a business development company under the 1940 Act and intend to elect to be treated as a RIC under Subchapter M of the Code. The 1940 Act contains prohibitions and restrictions relating to transactions between business development companies and their affiliates (including any investment advisers or sub-advisers), principal underwriters and affiliates of those affiliates or underwriters and requires that a majority of the directors be persons other than "interested persons," as that term is defined in the 1940 Act. In addition, the 1940 Act provides that we may not change the nature of our business so as to cease to be, or to withdraw our election as, a business development company unless approved by a majority of our outstanding voting securities.

We may invest up to 100% of our assets in securities acquired directly from issuers in privately negotiated transactions. With respect to such securities, we may, for the purpose of public resale, be deemed an "underwriter" as that term is defined in the Securities Act. Our intention is to not write (sell) or buy put or call options to manage risks associated with the publicly traded securities of our portfolio companies, except that we may enter into hedging transactions to manage the risks associated with interest rate fluctuations. However, we may purchase or otherwise receive warrants to purchase the common stock of our portfolio companies in connection with acquisition financing or other investment. Similarly, in connection with an acquisition, we may acquire rights to require the issuers of acquired securities or their affiliates to repurchase them under certain circumstances. We also do not intend to acquire securities issued by any investment company that exceed the limits imposed by the 1940 Act. Under these limits, we generally cannot acquire more than 3% of the voting stock of any registered investment company, invest more than 5% of the value of our total assets in the securities of one investment company or invest more than 10% of the value of our total assets in the securities of more than one investment company. With regard to that portion of our portfolio invested in securities issued by investment companies, it should be noted that such investments might subject our stockholders to additional expenses. None of these policies are fundamental and may be changed without stockholder approval.

QUALIFYING ASSETS

Under the 1940 Act, a business development company may not acquire any asset other than assets of the type listed in Section 55(a) of the 1940 Act, which are referred to as qualifying assets, unless, at the time the acquisition is made, qualifying assets represent at least 70% of the company's total assets. The principal categories of qualifying assets relevant to our proposed business are the following:

(1) Securities purchased in transactions not involving any public offering from the issuer of such securities, which issuer (subject to certain limited exceptions) is an eligible portfolio company, or from any person who is, or has been during the preceding 13 months, an affiliated person of an eligible portfolio company, or from any other person, subject to such rules as may be prescribed by the SEC. An eligible portfolio company is defined in the 1940 Act as any issuer which:

   (a) is organized under the laws of, and has its principal place of business in, the United States;

   (b) is not an investment company (other than a small business investment company wholly owned by the business development company) or a company that would be an investment company but for certain exclusions under the 1940 Act; and

   (c) does not have any class of securities listed on a national securities exchange.

(2) Securities of any eligible portfolio company which we control.

(3) Securities purchased in a private transaction from a U.S. issuer that is not an investment company or from an affiliated person of the issuer, or in transactions incident thereto, if the issuer is in bankruptcy and subject to reorganization or if the issuer, immediately prior to the purchase of its securities was unable to meet its obligations as they came due without material assistance other than conventional lending or financing arrangements.

(4) Securities of an eligible portfolio company purchased from any person in a private transaction if there is no ready market for such securities and we already own 60% of the outstanding equity of the eligible portfolio company.

(5) Securities received in exchange for or distributed on or with respect to securities described in (1) through (4) above, or pursuant to the exercise of warrants or rights relating to such securities.

(6) Cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment.

MANAGERIAL ASSISTANCE TO PORTFOLIO COMPANIES

In addition, a business development company must have been organized and have its principal place of business in the United States and must be operated for the purpose of making investments in the types of securities described in (1), (2) or (3) above. However, in order to count portfolio securities as qualifying assets for the purpose of the 70% test, the business development company must either control the issuer of the securities or must offer to make available to the issuer of the securities (other than small and solvent companies described above) significant managerial assistance; except that, where the business development company purchases such securities in conjunction with one or more other persons acting together, one of the other persons in the group may make available such managerial assistance. Making available managerial assistance means, among other things, any arrangement whereby the business development company, through its directors, officers or employees, offers to provide, and, if accepted, does so provide, significant guidance and counsel concerning the management, operations or business objectives and policies of a portfolio company.

TEMPORARY INVESTMENTS

Pending investment in other types of "qualifying assets," as described above, our investments may consist of cash, cash equivalents, U.S. Government securities or high-quality debt securities maturing in one year or less from the time of investment, which we refer to, collectively, as temporary investments, so that 70% of our assets are qualifying assets. Typically, we will invest in U.S. Treasury bills or in repurchase agreements, provided that such agreements are fully collateralized by cash or securities issued by the U.S. Government or its agencies. A repurchase agreement involves the purchase by an investor, such as us, of a specified security and the simultaneous agreement by the seller to repurchase it at an agreed-upon future date and at a price which is greater than the purchase price by an amount that reflects an agreed-upon interest rate. There is no percentage restriction on the proportion of our assets that may be invested in such repurchase agreements. However, if more than 25% of our total assets constitute repurchase agreements from a single counterparty, we would not meet the Diversification Tests in order to qualify as a RIC for federal income tax purposes. Thus, we do not intend to enter into repurchase agreements with a single counterparty in excess of this limit. Our investment adviser will monitor the creditworthiness of the counterparties with which we enter into repurchase agreement transactions.

SENIOR SECURITIES

We are permitted, under specified conditions, to issue multiple classes of indebtedness and one class of stock senior to our common stock if our asset coverage, as defined in the 1940 Act, is at least equal to 200% immediately after each such issuance. In addition, while any senior securities remain outstanding, we must make provisions to prohibit any distribution to our stockholders or the repurchase of such securities or shares unless we meet the applicable asset coverage ratios at the time of the distribution or repurchase. We may also borrow amounts up to 5% of the value of our total assets for temporary or emergency purposes without regard to asset coverage. For a discussion of the risks associated with leverage, see "Risk factors—Risks relating to our business and structure—Regulations governing our operation as a business development company will affect our ability to, and the way in which we, raise additional capital."

CODE OF ETHICS

We and Pennant Investment Advisers have each adopted a code of ethics pursuant to Rule 17j-1 under the 1940 Act that establishes procedures for personal investments and restricts certain personal securities transactions. Personnel subject to each code may invest in securities for their personal investment accounts,

including securities that may be purchased or held by us, so long as such investments are made in accordance with the code's requirements. You may read and copy the code of ethics at the SEC's Public Reference Room in Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. In addition, the code of ethics is attached as an exhibit to the registration statement of which this prospectus is a part, and is available on the EDGAR Database on the SEC's Internet site at *http://www.sec.gov.* You may also obtain copies of the code of ethics, after paying a duplicating fee, by electronic request at the following Email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, 100 F Street, N.E., Washington, D.C. 20549.

PROXY VOTING POLICIES AND PROCEDURES

We have delegated our proxy voting responsibility to our investment adviser. The Proxy Voting Policies and Procedures of our investment adviser are set forth below. The guidelines are reviewed periodically by our investment adviser and our non-interested directors, and, accordingly, are subject to change. For purposes of these Proxy Voting Policies and Procedures described below, "we" "our" and "us" refers to our investment adviser.

Introduction

As an investment adviser registered under the Advisers Act, we have a fiduciary duty to act solely in the best interests of our clients. As part of this duty, we recognize that we must vote client securities in a timely manner free of conflicts of interest and in the best interests of our clients.

These policies and procedures for voting proxies for our investment advisory clients are intended to comply with Section 206 of, and Rule 206(4)-6 under, the Advisers Act.

Proxy Policies

We vote proxies relating to our portfolio securities in what we perceive to be the best interest of our clients' shareholders. We review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on the portfolio securities held by our clients. Although we will generally vote against proposals that may have a negative impact on our clients' portfolio securities, we may vote for such a proposal if there exists compelling long-term reasons to do so.

Our proxy voting decisions are made by the senior officers who are responsible for monitoring each of clients' investments. To ensure that our vote is not the product of a conflict of interest, we require that: (1) anyone involved in the decision making process disclose to our Chief Compliance Officer any potential conflict that he or she is aware of and any contact that he or she has had with any interested party regarding a proxy vote; and (2) employees involved in the decision making process or vote administration are prohibited from revealing how we intend to vote on a proposal in order to reduce any attempted influence from interested parties.

Proxy Voting Records

You may obtain information about how we voted proxies by making a written request for proxy voting information to: Aviv Efrat, Chief Financial Officer, 445 Park Avenue, 9th Floor, New York, New York 10022.

PRIVACY PRINCIPLES

We are committed to maintaining the privacy of our stockholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information we collect, how we protect that information and why, in certain cases, we may share information with select other parties.

Generally, we do not receive any non-public personal information relating to our stockholders, although certain non-public personal information of our stockholders may become available to us. We do not disclose any

non-public personal information about our stockholders or former stockholders to anyone, except as permitted by law or as is necessary in order to service stockholder accounts (for example, to a transfer agent or third party administrator).

We restrict access to non-public personal information about our stockholders to employees of our investment adviser and its affiliates with a legitimate business need for the information. We will maintain physical, electronic and procedural safeguards designed to protect the non-public personal information of our stockholders.

OTHER

We may also be prohibited under the 1940 Act from knowingly participating in certain transactions with our affiliates without the prior approval of our board of directors who are not interested persons and, in some cases, prior approval by the SEC.

We will be periodically examined by the SEC for compliance with the 1940 Act.

We are required to provide and maintain a bond issued by a reputable fidelity insurance company to protect us against larceny and embezzlement. Furthermore, as a business development company, we are prohibited from protecting any director or officer against any liability to Pennant or our stockholders arising from willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of such person's office.

We and Pennant Investment Advisers will each be required to adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws, review these policies and procedures annually for their adequacy and the effectiveness of their implementation, and designate a chief compliance officer to be responsible for administering the policies and procedures.

SARBANES-OXLEY ACT OF 2002

The Sarbanes-Oxley Act of 2002 imposes a wide variety of new regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

- Ÿ pursuant to Rule 13a-14 of the Exchange Act, our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;
- Ÿ pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;
- Ÿ pursuant to Rule 13a-15 of the Exchange Act, our management must prepare an annual report regarding its assessment of our internal control over financial reporting, which must be audited by our independent registered public accounting firm; and
- Ÿ pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the 1934 Act, our periodic reports must disclose whether there were significant changes in our internal controls over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, 26,746,666 shares of our common stock will be outstanding, based on the number of shares outstanding on February 28, 2007 and assuming no exercise of the underwriters' over-allotment option. Of these shares, shares of our common stock sold in this offering will be freely tradable without restriction or limitation under the Securities Act, less that number of shares purchased by our affiliates. Any shares purchased in this offering by our affiliates will be subject to the public information, manner of sale and volume limitations of Rule 144 under the Securities Act of 1933.

In general, under Rule 144 as currently in effect, if one year has elapsed since the date of acquisition of restricted securities from us or any of our affiliates, the holder of such restricted securities can sell such securities; provided that the number of securities sold by such person with any three month period cannot exceed the greater of:

- Ÿ 1% of the total number of securities then outstanding, or
- Ÿ the average weekly trading volume of our securities during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 also are subject to certain manners of sale provisions, notice requirements and the availability of current public information about us. If two years have elapsed since the date of acquisition of restricted securities from us or any of our affiliates and the holder is not one of our affiliates at any time during the three months preceding the proposed sale, such person can sell such securities in the public market under Rule 144(k) without regard to the volume limitations, manner of sale provisions, public information requirements or notice requirements. No assurance can be given as to (1) the likelihood that an active market for our common stock will develop, (2) the liquidity of any such market, (3) the ability of our stockholders to sell our securities or (4) the prices that stockholders may obtain for any of our securities. No prediction can be made as to the effect, if any, that future sales of securities, or the availability of securities for future sales, will have on the market price prevailing from time to time. Sales of substantial amounts of our securities, or the perception that such sales could occur, may affect adversely prevailing market prices of our common stock. See "Risk Factors—Risks relating to this offering."

CUSTODIAN, TRANSFER AND DISTRIBUTION PAYING AGENT AND REGISTRAR

Our securities are held under a custody agreement by LaSalle Bank National Association. The address of the custodian is: 135 S. LaSalle Street, Suite 1625, Chicago, Illinois 60603. American Stock Transfer & Trust Company will act as our transfer agent, distribution paying agent and registrar. The principal business address of American Stock Transfer & Trust Company is P.O. Box 922, Wall Street Station, New York, New York 10269, telephone number: (800) 937-5449.

BROKERAGE ALLOCATION AND OTHER PRACTICES

Since we will generally acquire and dispose of our investments in privately negotiated transactions, we will infrequently use brokers in the normal course of our business. Subject to policies established by our board of directors, the investment adviser will be primarily responsible for the execution of the publicly traded securities portion of our portfolio transactions and the allocation of brokerage commissions. The investment adviser does not expect to execute transactions through any particular broker or dealer, but will seek to obtain the best net results for Pennant, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities. While the investment adviser generally will seek reasonably competitive trade execution costs, Pennant will not necessarily pay the lowest spread or commission available. Subject to applicable legal requirements, the investment adviser may select a broker based partly upon brokerage or research services provided to the investment adviser and Pennant and any other clients. In return for such services, we may pay a higher commission than other brokers would charge if the investment adviser determines in good faith that such commission is reasonable in relation to the services provided.

UNDERWRITING

Subject to the terms and conditions described in an underwriting agreement dated , 2006, between us and Bear, Stearns & Co. Inc., Banc of America Securities LLC, UBS Securities LLC and SunTrust Capital Markets, Inc., as representatives, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of common stock listed opposite their names below.

Underwriters	Number of Shares
Bear, Stearns & Co. Inc.	
Banc of America Securities LLC	
UBS Securities LLC	
SunTrust Capital Markets, Inc.	
Keefe, Bruyette & Woods, Inc.	
Friedman, Billings, Ramsey & Co., Inc.	
Jefferies & Company, Inc.	
Robert W. Baird.	
Total	26,666,666

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of the shares are purchased, other than shares covered by the over-allotment option described below. The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. Bear, Stearns & Co. Inc., Banc of America Securities LLC, UBS Securities LLC and SunTrust Capital Markets, Inc., are serving as joint book-runners of this offering.

Overallotment Option

We have granted the underwriters an option exercisable for 30 days from the date of this prospectus to purchase up to an aggregate of 4,000,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option solely to cover over-allotments, if any, made in connection with this offering. To the extent the underwriters exercise this option in whole or in part, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares approximately proportionate to that underwriter's initial commitment amount reflected in the above table.

Directed Share Program

At our request, the underwriters have reserved up shares of common stock for sale in this offering at the initial public offering price, directly or indirectly, to our directors and officers and the partners of Pennant Investment Advisers. The number of shares of common stock available for sale to the general public will be reduced to the extent that these individuals purchase all or a portion of the reserved shares. Any reserved shares that are not purchased may be reallocated to other directors, officers, employees and friends or offered to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters against some liabilities and expenses, including liabilities under the Securities Act, in connection with the sale of the reserved shares.

Commissions and Discounts

The underwriters have advised us that they propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of

$ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the public offering, the public offering price, concession and discount may be changed. No such change, however, shall modify the amount of proceeds to be received by us as set forth on the cover page of this prospectus. In connection with this offering, the underwriters may allocate shares to accounts over which they exercise discretionary authority. The underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

The following table shows the public offering price, underwriting discount and proceeds, before expenses, to us. The information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

	Per Share		Total	
	Without Over-Allotment	With Over-Allotment	Without Over-Allotment	With Over-Allotment
Public offering price	$ 15.00	15.00	399,999,990	459,999,990
Underwriting discount				
Proceeds, before expenses, to us	$			

The expenses of the offering payable by us, excluding the underwriting discounts and related fees, are estimated at $400,000.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

No Sale of Similar Securities

We, each of our officers and directors and each of our existing stockholders have agreed, with certain limited exceptions, not to sell or transfer any of our securities for 180 days after the date of this prospectus without first obtaining the written consent of Bear, Stearns & Co. Inc. Specifically, pursuant to these lock-up agreements, we and these other individuals have agreed not to directly or indirectly:

- Ÿ offer, sell or agree to offer or sell any common stock, any other equity security of ours or any of our subsidiaries, and any security convertible into, or exercisable or exchangeable for, any common stock or other such equity security;
- Ÿ solicit offers to purchase any such securities;
- Ÿ grant any call option with respect to any such securities;
- Ÿ purchase any put option with respect to any such securities;
- Ÿ pledge, borrow or otherwise dispose of any such securities;
- Ÿ establish or increase any “put equivalent position” with respect to any such securities;
- Ÿ liquidate or decrease any “call equivalent position” with respect to any such securities; or
- Ÿ enter into any swap, derivative or other transaction or arrangement that transfers to another, in whole or in part, any economic consequences of ownership of any of such securities, whether or not such transaction is to be settled by delivery of such securities, other securities, cash or other consideration.

Notwithstanding the foregoing, if (1) during the last 17 days of the applicable lock-up restriction period we issue an earnings release or disclose material news or a material event relating to us occurs, or (2) prior to the expiration of the applicable lock-up restriction period, we announce that we will release earnings results or become aware that we will disclose material news or that material event relating to us will occur during the 16-day period beginning on the last day of the applicable lock-up period, the above restrictions shall continue to

apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the disclosure of the material news or the occurrence of the material event unless such extension is waived in writing by Bear, Stearns & Co. Inc.

The lock-up provisions do not prevent:

- Ÿ transfers by a security holder of such securities by bona fide gift;
- Ÿ transfers by a security holder of such securities to any trust for the benefit of such security holder or any parent, grandparent, step parent, step grandparent, mother-in-law, father-in-law, spouse, sibling, sister-in-law, brother-in-law, son-in-law, daughter-in-law, child, step child, grandchild, step grandchild, niece or nephew, including adoptive relationships, of such security holder;
- Ÿ in the case of a security holder that is partnership, transfers by such security holder of such securities to any general partner, limited partner or affiliate of such security holder;
- Ÿ in the case of a security holder that is a limited liability company, transfers by such security holder of such securities to any member or affiliate of such security holder;
- Ÿ in the case of a security holder that is a corporation, transfers by such security holder of such securities to any wholly-owned subsidiary or affiliate of such security holder;
- Ÿ the sale by us of shares to the underwriters;
- Ÿ the issuance by us of shares of common stock upon the conversion or exchange of outstanding convertible or exchangeable securities;
- Ÿ the issuance by us of shares of common stock upon outstanding options or warrants or in connection with other equity instruments pursuant to employee benefit plans described in this prospectus or assumed by us in a merger or acquisition transaction;
- Ÿ the issuance by us of common stock, or securities exercisable for or convertible into, common stock in connection with mergers or acquisitions of securities, businesses, property or other assets, joint ventures or other strategic corporate transaction or any other transaction, the primary purpose of which is not to raise capital;
- Ÿ the filing by us, or the participation by a security holder in the filing by us, of any registration statement on Form S-8 or registration statements filed in connection with a corporate transaction described in the preceding bullet;

provided that, in the case of each of the transactions described in the first, second, third, fourth, fifth and ninth bullets above, each donee, transferee or recipient delivers to Bear, Stearns & Co. Inc. an agreement certifying that such donee, transferee or recipient agrees to be subject to the restrictions described in the immediately preceding two paragraphs, subject to the applicable exceptions described above in this paragraph, and that such donee, transferee or recipient has been in compliance with the terms of such restrictions from the date the donor or transferor first entered into an agreement with Bear, Stearns & Co. Inc. regarding the foregoing; provided further that, in the case of each of the transactions described in the first, second, third, fourth and fifth bullets above, such transaction did not involve a disposition for value and shall not be required to be, and will not be, disclosed or reported publicly under applicable laws, including Section 16 of the Exchange Act and the rules and regulations promulgated thereunder; and provided further that, in the case of each of the transactions described in the first, second, third, fourth and fifth bullets above, such transaction shall not have been effected on the Nasdaq Stock Market, the over-the-counter market or any other exchange or system providing share price quotations.

The restrictions described in the preceding paragraphs will not restrict the sale or other disposition of such securities that are acquired by a security holder subject to such lock-up agreements in the open market after completion of this offering, provided that such sale or other disposition fully complies with, and is not required to be, and will not be, disclosed or reported under, applicable law, including, but not limited to, Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

The restrictions described above shall not apply to the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act by any of our officers or directors relating to the sale of such securities, provided that such securities subject to such a Rule 10b5-1 trading plan may not be sold until after the completion of the 180-day restricted period, as the same may be extended as provided above, and neither we nor any security holder signing the above described agreement may make any public announcement, disclosure or filing relating to, or disclosing, such plan or its existence prior to the end of the lock-up period, including any extension thereof.

Bear, Stearns & Co. Inc. may, in its sole discretion, waive this lock-up without public notice.

Quotation on the Nasdaq Global Market

We intend to apply to list our common stock on the Nasdaq Global Market under the symbol “PNNT”.

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be our future prospects and those of our industry in general, prevailing market conditions, our financial operating information in recent periods, and market prices of securities and financial and operating information of companies engaged in activities similar to ours and other factors deemed relevant. The estimated initial public offering price range set forth on the cover page of this prospectus is subject to change as a result of market conditions and other factors.

Electronic Offer, Sale and Distribution of Shares

A prospectus in electronic format may be made available on the Internet sites or through other online services maintained by one or more of the underwriters of this offering, or by their affiliates. Other than any prospectus made available in electronic format in this manner, the information on any web site containing the prospectus is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in such capacity, and should not be relied on by prospective investors.

Price Stabilization, Short Positions and Penalty Bids

In connection with the offering, some participants in the offering may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve sales by the underwriters of common stock in excess of the number of shares required to be purchased by the underwriters in the offering, which creates a syndicate short position. “Covered” short sales are sales of shares made in an amount up to the number of shares represented by the underwriters’ over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. The underwriters may also make “naked” short sales, or sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress for the purpose of fixing or maintaining the price of the shares of common stock.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from an underwriter or syndicate member when the underwriters repurchase shares originally sold by that underwriter or syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the

common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the Nasdaq Global Market or otherwise. Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the underwriters will engage in these transactions. If the underwriters commence any of these transactions, they may discontinue them at any time.

In connection with this offering, the underwriters may engage in passive market making transactions in our common stock on the Nasdaq Global Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded.

Relationship with Underwriters

Certain of the underwriters and their respective affiliates have from time to time performed and may in the future perform various commercial banking, financial advisory and investment banking services for us for which they have received or will receive customary compensation.

United Kingdom

Each underwriter has represented and agreed that (a) it has not made and will not make an offer of shares to the public in the United Kingdom prior to the publication of a prospectus in relation to shares and the offer that has been approved by the Financial Services Authority, or FSA, or where appropriate, approved in another Member State and notified to the FSA, all in accordance with the Prospectus Directive, except that it may make an offer of the shares to persons who fall within the definition of "qualified investor" as that term is defined in section 86(1) of the Financial Services and Markets Act 2000, or FSMA, or otherwise in circumstances which do not result in an offer of transferable securities to the public in the United Kingdom within the meaning of the FSMA; (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of the shares in circumstances in which section 21(1) of FSMA does not apply; and (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, or Relevant Member State, each underwriter has represented and agreed that with, effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, or the Relevant Implementation Date, it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- Ÿ to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- Ÿ to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- Ÿ in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for Pennant by Dechert LLP, Washington, D.C., and Venable LLP, Baltimore, Maryland. Dechert LLP also represents Pennant Investment Advisers. Certain legal matters in connection with the offering will be passed upon for the underwriters by Sutherland Asbill & Brennan, LLP, Washington, D.C.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP, our independent registered public accounting firm located at 345 Park Avenue, New York, New York 10154, has audited our consolidated financial statements at February 6, 2007, as set forth in their report. We have included our consolidated financial statements in this prospectus and elsewhere in the registration statement in reliance on KPMG LLP's report, given on their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We have filed with the SEC a registration statement on Form N-2, together with all amendments and related exhibits, under the Securities Act of 1933, with respect to our shares of common stock offered by this prospectus. The registration statement contains additional information about us and our shares of common stock being offered by this prospectus.

Upon completion of this offering, we will file with or submit to the SEC annual, quarterly and current periodic reports, proxy statements and other information meeting the informational requirements of the Exchange Act. You may inspect and copy these reports, proxy statements and other information, as well as the registration statement and related exhibits and schedules, at the Public Reference Room of the SEC at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at (202) 551-8090. Currently, we do not have a website. As soon as practicable following the closing of this offering, we intend to establish a website and make all of our annual, quarterly and current reports, proxy statements and other publicly filed information available, free of charge, on or through our website. In the interim, you may obtain such information by contacting us, in writing at: 445 Park Avenue, 9th Floor, New York, New York 10022, Attn: Chief Financial Officer, or by telephone at (212) 307-3280. The SEC maintains an Internet site that contains reports, proxy and information statements and other information filed electronically by us with the SEC which are available on the SEC's Internet site at *http://www.sec.gov*. Copies of these reports, proxy and information statements and other information may be obtained, after paying a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and Board of Directors of Pennant Investment Corporation:

We have audited the accompanying consolidated statement of assets and liabilities of Pennant Investment Corporation (the "Company") as of February 6, 2007 and the related consolidated statements of operations and changes in net assets for the period from January 10, 2007 (date of incorporation) through February 6, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pennant Investment Corporation as of February 6, 2007, and the results of its consolidated operations and its consolidated changes in net assets for the period from January 10, 2007 (date of incorporation) through February 6, 2007, in conformity with U.S. generally accepted accounting principles.

New York, New York
March 2, 2007

Consolidated Statement of Assets and Liabilities

As of February 6, 2007

Assets	
Cash	$ 1,000,000
Total assets	$ 1,000,000
Liabilities	
Accrued organization costs and other liabilities	$ 154,884
Net assets (80,000 shares of beneficial interest issued and outstanding; 100,000,000 shares authorized, par value of $0.001 per share)	$ 845,116
Net asset value per share	$ 10.56

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Operations

Period from January 10, 2007 (Date of Incorporation) through February 6, 2007

Expenses:	
Organizational costs and other liabilities	$ 154,884
Net loss	(154,884)
Decrease in net assets resulting from operations	$(154,884)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Period from January 10, 2007 (Date of Incorporation) through February 6, 2007

Decrease in net assets resulting from operations	$ (154,884)
Initial contribution of capital	1,000,000
Change in Net Assets	$ 845,116
Net assets, beginning of period	—
Net asset, end of period	$ 845,116

See accompanying notes to the consolidated financial statements.

Notes

February 6, 2007

1. ORGANIZATION

Pennant Investment Corporation ("Pennant Investment" or the "Company") was organized as a Maryland corporation on January 10, 2007. Pennant Investment's objective is to generate both current income and capital appreciation through debt and equity investments. The Company intends to invest primarily in middle-market companies in the form of mezzanine loans, senior secured loans and equity securities. Pennant Investment has not had operations other than the sale and issuance of 80,000 shares of common stock at an aggregate purchase price of $1,000,000 to Pennant Investment Advisers, LLC (the "Investment Adviser"). The consolidated financial statements include the accounts of Pennant Investment and its wholly owned special purpose subsidiary, Pennant SPV Company, LLC.

2. ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from these estimates.

3. AGREEMENTS

Pennant Investment has entered into an Investment Advisory and Management Agreement with the Investment Adviser under which the Investment Adviser, subject to the overall supervision of Pennant Investment's board of directors, will manage the day-to-day operations of and provide investment advisory services to, Pennant Investment. For providing these services, the Investment Adviser will receive a fee from Pennant Investment, consisting of two components —a base management fee and an incentive fee. The base management fee will be calculated at an annual rate of 2.00% on Pennant Investment's gross assets. For services rendered under the Investment Advisory and Management Agreement during the period commencing from the closing of Pennant Investment's offering through and including the first six months of operations, the base management fee will be payable monthly in arrears, and will be calculated based on the initial value of Pennant Investment's gross assets. For services rendered under the Investment Advisory and Management Agreement after that time, the base management fee will be payable quarterly in arrears, and will be calculated based on the average value of Pennant Investment's gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base management fees for any partial month or quarter will be appropriately pro rated.

The incentive fee will have two parts, as follows: One part will be calculated and payable quarterly in arrears based on Pennant Investment's Pre-Incentive Fee Net Investment Income for the immediately preceding calendar quarter. For this purpose, Pre-Incentive Fee Net Investment Income means interest income, distribution income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees received from portfolio companies) accrued during the calendar quarter, minus Pennant Investment's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and distribution paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-Incentive Fee Net Investment Income includes, in the case of investments with deferred interest feature (such as original issue discount, debt instruments with pay in kind interest and zero coupon securities), accrued income not yet received in cash. Pre-Incentive Fee Net Investment Income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation. Pre-Incentive Fee Net Investment Income, expressed as a rate of return on the value of Pennant Investment's net assets at the end of the immediately preceding calendar quarter, will be compared to the hurdle rate of 1.75% per quarter (7.00% annualized). Pennant Investment will pay the Investment Adviser an incentive fee with respect to Pennant Investment's Pre-Incentive Fee Net Investment Income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Pennant Investment's Pre-Incentive Fee Net Investment Income does not exceed

the hurdle rate; (2) 100% of Pennant Investment's Pre-Incentive Fee Net Investment Income with respect to that portion of such Pre-Incentive Fee Net Investment Income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter (8.75% annualized); and (3) 20% of the amount of Pennant Investment's Pre-Incentive Fee Net Investment Income, if any, that exceeds 2.1875% in any calendar quarter. These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

The second part of the incentive fee will be determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date), commencing on December 31, 2007, and will equal 20.0% of Pennant Investment's 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, provided that the incentive fee determined as of December 31, 2007, will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all realized capital losses and unrealized capital depreciation from inception.

Pennant Investment has also entered into an Administration Agreement with Pennant Investment Administration, LLC ("Pennant Administration") under which Pennant Administration will provide administrative services for Pennant Investment. For providing these services, facilities and personnel, Pennant Investment will reimburse Pennant Administration for Pennant Investment's allocable portion of overhead and other expenses incurred by Pennant Administration in performing its obligations under the Administration Agreement, including rent and Pennant Investment's allocable portion of the costs of compensation and related expenses of its chief compliance officer, chief financial officer and their respective staffs. Pennant Administration will also provide on Pennant Investment's behalf managerial assistance to these portfolio companies to which Pennant Investment is required to provide such assistance.

4. ORGANIZATIONAL AND OFFERING EXPENSES

A portion of the net proceeds of this offering will be used for organizational, offering and other expenses. Organizational expenses will be treated as an expense as incurred. Offering costs will be charged to net assets upon the completion of the initial public offering. Offering costs of $208,572 have been incurred to date.

5. FEDERAL INCOME TAXES

As a business development company, Pennant Investment intends to elect to be treated as a RIC under Subchapter M of the Code. Initially, Pennant Investment expects to comply with the requirements to be a RIC and to make a corresponding change in its tax year within one month of the completion of this offering. Until that time, Pennant Investment will be taxed as a regular corporation under Subchapter C of the Code and will be subject to corporate level taxes.

6. CREDIT FACILITY

As of February 6, 2007, Pennant SPV Company, LLC, a limited liability company organized under the laws of Delaware ("Pennant SPV") and a wholly owned special purpose subsidiary of Pennant Investment, entered into a senior secured credit facility (the "Credit Agreement"), with Bear Stearns Investment Products Inc., as lender (the "Lender"). Under the terms of the Credit Agreement, the Lender has agreed to extend credit to Pennant SPV in an aggregate principal of up to $200 million at any one time outstanding. The Credit Agreement matures on the earliest to occur of (1) the closing date of an initial public offering or private placement of equity securities by Pennant Investment, (2) June 30, 2007, (3) the termination date of the Credit Facility by its terms and (4) any other date mutually agreed by the parties. The Credit Facility is secured by liens on substantially all of the assets in Pennant SPV, including its interests in any investments and any cash or cash equivalents held by it from time to time. Pricing under the Credit Facility is set at 175 basis points over applicable LIBOR, as that term is defined in the Credit Facility.

The Credit Agreement contains affirmative and restrictive covenants, including: (a) periodic financial reporting and maintenance requirements, (b) compliance with laws, documents and certain eligibility criteria, (c) maintenance of accounts, inspections and records, (d) preservation of security interests and collateral and maintenance of liens, (e) limitations on sales of assets and the use of proceeds therefrom, (f) prohibition of fundamental changes and limitation on conduct of business, (g) limitation on restricted payments, (h) limitations on liens, (i) limitation on purchases of assets, investments and loans, (j) limitations on indebtedness and guarantees, (k) limitation on issuance of additional interests and impairment of rights, (l) security interests and (m) limitation on subsidiaries. Borrowings under the Credit Agreement are subject at all times to compliance with certain eligibility criteria. As of February 6, 2007, Pennant SPV had not yet borrowed any amounts under the Credit Agreement.

The Credit Agreement will be used to finance investments made by Pennant Investment prior to the closing of its proposed initial public offering. Pennant Investment intends to cause Pennant SPV to repay the Credit Facility in full upon the completion of such offering.

From time to time, the Lender may provide customary commercial and investment banking services to Pennant Investment, Pennant SPV and their affiliates.

Through and including , 2007 (25 days after the date of this prospectus), federal securities laws may require all dealers that effect transactions in our common stock, whether or not participating in this offering, to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Pennant Investment Corporation

Bear, Stearns & Co. Inc.

Banc of America Securities LLC

UBS Investment Bank

SunTrust Robinson Humphrey

Keefe, Bruyette & Woods

Friedman Billings Ramsey

Jefferies & Company, Inc.

Robert W. Baird

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PENNANT INVESTMENT CORPORATION

PART C

Other information

ITEM 25. FINANCIAL STATEMENTS AND EXHIBITS

(1) Financial Statements

The following financial statements of Pennant Investment Corporation (the "Company" or the "Registrant") are included in Part A of this Registration Statement.

PENNANT INVESTMENT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Exhibits

(a)	Amended and Restated Articles of Incorporation
(b)	Amended and Restated Bylaws
(c)	Form of Stock Certificate[(1)]
(d)	Not Applicable
(e)	Dividend Reinvestment Plan
(f)	Not Applicable
(g)(1)	Interim Investment Management Agreement between Registrant and Pennant Investment Advisers, LLC
(g)(2)	Form of Investment Management Agreement between Registrant and Pennant Investment Advisers, LLC
(h)	Form of Underwriting Agreement among the Registrant, Pennant Investment Advisers, LLC, Pennant Administration, LLC and Bear, Stearns & Co. Inc. and the other underwriters named therein[(1)]
(i)	Not Applicable
(j)	Form of Custodian Agreement between Registrant and LaSalle Bank National Association[(1)]
(k)(1)	Form of Administration Agreement between Registrant and Pennant Investment Administration, LLC
(k)(2)	Form of Transfer Agency and Service Agreement between Registrant and[(1)]
(k)(3)	Trademark License Agreement between the Registrant and Pennant Investment Advisers, LLC.
(k)(4)	Credit Agreement between the Registrant and Bear Stearns Investment Products Inc.
(l)	Opinion and consent of Venable LLP, special Maryland counsel for Registrant[(1)]
(m)	Not Applicable
(n)	Consent of KPMG LLP
(o)	Not Applicable
(p)	Not Applicable
(q)	Not Applicable
(r)	Code of Ethics

(1) To be filed by amendment.

ITEM 26. MARKETING ARRANGEMENTS

The information contained under the heading “Underwriting” on this Registration Statement is incorporated herein by reference.

ITEM 27. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Securities and Exchange Commission registration fee	$ 49,220
Nasdaq Global Market Listing Fee	$ 1,000
NASD filing fee	$ 46,500
Accounting fees and expenses	$ 10,000(1)
Legal fees and expenses	$210,000(1)
Printing and engraving	$ 50,000(1)
Miscellaneous fees and expenses	$ 33,280(1)
Total	$400,000(1)

(1) These amounts are estimates.

All of the expenses set forth above shall be borne by the Company.

ITEM 28. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL

Immediately prior to this offering, Pennant Investment Advisers, LLC, a Delaware limited liability company, will own shares of the Registrant, representing 100% of the common stock outstanding. Following the completion of this offering, Pennant Investment Advisers, LLC’s share ownership is expected to represent less than 1% of the common stock outstanding.

ITEM 29. NUMBER OF HOLDERS OF SECURITIES

The following table sets forth the approximate number of record holders of the Company’s common stock as of February 28, 2007.

Title of Class	Number of Record Holders
Common stock, $0.001 par value	1

ITEM 30. INDEMNIFICATION

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors’ and officers’ liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served

another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made a party to the proceeding by reason of his service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

The Investment Management Agreements provide that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Pennant Investment Advisers, LLC (the "Adviser") and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Adviser's services under the Investment Management Agreements or otherwise as an investment adviser of the Company.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Pennant Investment Administration, LLC and its officers, manager, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Pennant Investment Administration, LLC's services under the Administration Agreement or otherwise as administrator for the Company.

The Underwriters' Agreement provides that each Underwriter severally agrees to indemnify, defend and hold harmless the Company, its directors and officers, and any person who controls the Company within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and the successors and assigns of all of the foregoing persons, from and against any loss, damage, expense, liability or claim (including the reasonable cost of investigation) which, jointly or severally, the Company or any such person may incur under the Act, the Exchange Act, the 1940 Act, the common law or otherwise, insofar as such loss, damage, expense, liability or claim arises out of or is based upon any untrue statement or alleged untrue statement of a material fact contained in and in conformity with information concerning such Underwriter furnished in writing by or on behalf of such Underwriter through the managing Underwriter to the Company expressly for use in this Registration Statement (or in the Registration Statement as amended by any post-effective amendment hereof by the Company) or in the

Prospectus contained in this Registration Statement, or arises out of or is based upon any omission or alleged omission to state a material fact in connection with such information required to be stated in this Registration Statement or such Prospectus or necessary to make such information not misleading.

Insofar as indemnification for liability arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 31. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each managing director, director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the sections entitled “Management.” Additional information regarding the Adviser and its officers and directors is set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-62840), and is incorporated herein by reference.

ITEM 32. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

(1) the Registrant, Pennant Investment Corporation, 445 Park Avenue, 9th Floor, New York, NY 10022;

(2) the Transfer Agent, American Stock Transfer & Trust, P.O. Box 922, Wall Street Station, New York, NY 10269;

(3) the Custodian, LaSalle Bank National Association, 135 S. LaSalle Street, Suite 1625, Chicago, IL 60603; and

(4) the Adviser, Pennant Investment Advisers, LLC, 445 Park Avenue, 9th Floor, New York, NY 10022.

ITEM 33. MANAGEMENT SERVICES

Not Applicable.

ITEM 34. UNDERTAKINGS

1. The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value declines more than ten percent from its net asset value as of the effective date of the registration statement; or (2) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Not applicable.

5. The Registrant undertakes that:

(a) For the purpose of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(b) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Registrant has duly caused this Amendment No. 1 to the Registration Statement on Form N-2 to be signed to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and in the State of New York, on the 5th day of March, 2007.

PENNANT INVESTMENT CORPORATION

/S/ ARTHUR H. PENN

Arthur H. Penn
Chief Executive Officer, Chairman of the Board and Director (Principal Executive Officer)

KNOW ALL MEN BY THESE PRESENT, each person whose signature appears below hereby constitutes and appoints Arthur H. Penn his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Amendment No. 1 to the Registration Statement and any registration statement filed pursuant to Rule 462(b) under the Securities Act, and to file the same, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1933, this Amendment No. 1 to the Registration Statement has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated on the 5th day of March, 2007.

Signature	Title
/S/ ARTHUR H. PENN **Arthur H. Penn**	Chief Executive Officer and Chairman of the Board
/S/ AVIV EFRAT **Aviv Efrat**	Chief Financial Officer and Treasurer (Principal Financial Officer)
/S/ ADAM K. BERNSTEIN **Adam K. Bernstein**	Director
/S/ MARSHAL BROZOST **Marshal Brozost**	Director
/S/ JEFFREY FLUG **Jeffrey Flug**	Director
/S/ SAMUEL L. KATZ **Samuel L. Katz**	Director

PENNANT INVESTMENT CORPORATION

ARTICLES OF AMENDMENT AND RESTATEMENT

FIRST: Pennant Investment Corporation, a Maryland corporation (the "Corporation"), desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the charter currently in effect and as hereinafter amended:

NAME

The name of the corporation (the "Corporation") is Pennant Investment Corporation.

PURPOSE

The purposes for which the Corporation is formed are to conduct and carry on the business of a business development company, subject to making an election under the Investment Company Act of 1940, as amended (the "1940 Act"), and to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force.

PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202.

The name and address of the resident agent of the Corporation are The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a Maryland corporation.

PROVISIONS FOR DEFINING, LIMITING AND REGULATING CERTAIN POWERS OF THE CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 1.1. Number, Classification and Election of Directors. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation is five, which number may be increased or decreased only by the Board of Directors pursuant to the Bylaws, but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors

who shall serve until the first annual meeting of stockholders and until their successors are duly elected and qualify are:

Arthur H. Penn

Adam K. Bernstein

Marshall Brozost

Jeffrey Flug

Samuel L. Katz

These directors may increase the number of directors and may fill any vacancy, whether resulting from an increase in the number of directors or otherwise, on the Board of Directors occurring before the first annual meeting of stockholders in the manner provided in the Bylaws.

The Corporation elects, at such time as it becomes eligible to make the election provided for under Section 3-802(b) of the MGCL, that, subject to applicable requirements of the BAO/130042/1 1940 Act and except as may be provided by the Board of Directors in setting the terms of any class or series of Preferred Stock (as hereinafter defined), any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred and until a successor is duly elected and qualifies.

On the first date on which the Corporation shall have more than one stockholder of record, the directors (other than any director elected solely by holders of one or more classes or series of Preferred Stock in connection with dividend arrearages) shall be classified, with respect to the terms for which they severally hold office, into three classes, as nearly equal in number as possible as determined by the Board of Directors, one class to hold office initially for a term expiring at the next succeeding annual meeting of stockholders, another class to hold office initially for a term expiring at the second succeeding annual meeting of stockholders and another class to hold office initially for a term expiring at the third succeeding annual meeting of stockholders, with the members of each class to hold office until their successors are duly elected and qualify. At each annual meeting of the stockholders, the successors to the class of directors whose term expires at such meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election and until their successors are duly elected and qualify.

Section 1.2. Extraordinary Actions. Except as specifically provided in Section 4.9 (relating to removal of directors), and in Section 6.2 (relating to certain actions and certain amendments to the charter), notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if declared advisable by the

Board of Directors and taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter

Section 1.3. Election of Directors. Except as otherwise provided in the Bylaws of the Corporation, directors shall be elected by the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon.

Section 1.4. Quorum. The presence in person or by proxy of the holders of shares of stock of the Corporation entitled to cast a majority of the votes entitled to be cast (without regard to class) shall constitute a quorum at any meeting of stockholders, except with respect to any such matter that, under applicable statutes or regulatory requirements, requires approval by a separate vote of one or more classes of stock, in which case the presence in person or by proxy of the holders of shares entitled to cast a majority of the votes entitled to be cast by each such class on such a matter shall constitute a quorum.

Section 1.5. Authorization by Board of Stock Issuance. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter or the Bylaws.

Section 1.6. Preemptive Rights. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 5.4 or as may otherwise be provided by contract, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

Section 1.7. Appraisal Rights. No holder of stock of the Corporation shall be entitled to exercise the rights of an objecting stockholder under Title 3, Subtitle 2 of the MGCL or any successor statute unless the Board of Directors, upon the affirmative vote of a majority of the entire Board of Directors, shall determine that such rights apply, with respect to all or any classes or series of stock, to a particular transaction or all transactions occurring after the date of such determination in connection with which holders of such shares would otherwise be entitled to exercise such rights.

Section 1.8. Determinations by Board. The determination as to any of the following matters, made in good faith by or pursuant to the direction of the Board of Directors consistent with the charter and in the absence of actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a court, shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock: the amount of the net income of the Corporation for any period and the amount of assets at any time legally available for the payment of dividends, redemption of its stock or the payment of other distributions on its stock; the amount of paid-in surplus, net assets, other surplus, annual or other

net profit, net assets in excess of capital, undivided profits or excess of profits over losses on sales of assets; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Corporation; any matter relating to the acquisition, holding and disposition of any assets by the Corporation; or any other matter relating to the business and affairs of the Corporation or required by the charter to be determined by the Board of Directors.

Section 1.9. Removal of Directors. Subject to the rights of holders of one or more classes or series of Preferred Stock to elect or remove one or more directors, any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. For the purpose of this paragraph, "cause" shall mean, with respect to any particular director, conviction of a felony or a final judgment of a court of competent jurisdiction holding that such director caused demonstrable, material harm to the Corporation through bad faith or active and deliberate dishonesty.

STOCK

Section 1.10. Authorized Shares. The Corporation has authority to issue 100 million shares of stock, initially consisting of 100 million shares of Common Stock, $.001 par value per share ("Common Stock"). The aggregate par value of all authorized shares of stock having par value is $100,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to this Article V, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. A majority of the entire Board of Directors, without any action by the stockholders of the Corporation, may amend the charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 1.11. Common Stock. Each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

Section 1.12. Preferred Stock. The Board of Directors may classify any unissued shares of stock and reclassify any previously classified but unissued shares of stock of any class or series from time to time, in one or more classes or series of preferred stock ("Preferred Stock").

Section 1.13. Classified or Reclassified Shares. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of stock set or changed pursuant to clause (c) of this Section 5.4 may be made dependent upon facts or events ascertainable outside the charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 1.14. Inspection of Books and Records. A stockholder that is otherwise eligible under applicable law to inspect the Corporation's books of account, stock ledger, or other specified documents of the Corporation shall have no right to make such inspection if the Board of Directors determines that such stockholder has an improper purpose for requesting such inspection.

Section 1.15. Charter and Bylaws. All persons who shall acquire stock in the Corporation shall acquire the same subject to the provisions of the charter and the Bylaws. The Board of Directors of the Corporation shall have the exclusive power to make, alter, amend or repeal the Bylaws.

AMENDMENTS; CERTAIN EXTRAORDINARY TRANSACTIONS

Section 1.16. Amendments Generally. The Corporation reserves the right from time to time to make any amendment to its charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in the charter, of any shares of outstanding stock. All rights and powers conferred by the charter on stockholders, directors and officers are granted subject to this reservation.

Section 1.17. Approval of Certain Extraordinary Actions and Charter Amendments.

(a) Required Votes. The affirmative vote of the holders of shares entitled to cast at least 80 percent of the votes entitled to be cast on the matter, each voting as a separate class, shall be necessary to effect:

(i) Any amendment to the charter of the Corporation to make the Corporation's Common Stock a "redeemable security" or to convert the Corporation, whether by

merger or otherwise, from a "closed-end company" to an "open-end company" (as such terms are defined in the 1940 Act);

(ii) The liquidation or dissolution of the Corporation and any amendment to the charter of the Corporation to effect any such liquidation or dissolution; and

(iii) Any amendment to Section 4.1, Section 4.2, Section 4.9, Section 6.1 or this Section 6.2; provided, however, that, if the Continuing Directors (as defined herein), by a vote of at least two-thirds of such Continuing Directors, in addition to approval by the Board of Directors, approve such proposal or amendment, the affirmative vote of the holders of a majority of the votes entitled to be cast shall be required to approve such matter.

(b) Continuing Directors. "Continuing Directors" means the directors identified in Article IV, Section 4.1 and the directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the Continuing Directors then on the Board.

LIMITATION OF LIABILITY; INDEMNIFICATION AND ADVANCE OF EXPENSES

Section 1.18. Limitation of Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages.

Section 1.19. Indemnification and Advance of Expenses. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify, and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to, (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his status as a present or former director or officer of the Corporation. The Corporation shall have the power, with the approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 1.20. 1940 Act. The provisions of this Article VII shall be subject to the limitations of the 1940 Act.

Section 1.21. Amendment or Repeal. Neither the amendment nor repeal of this Article VII, nor the adoption or amendment of any other provision of the charter or Bylaws inconsistent with this Article VII, shall apply to or affect in any respect the applicability of the preceding

sections of this Article VII with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

THIRD: The amendment to and restatement of the charter as hereinabove set forth have been duly advised by the Board of Directors and approved by the stockholders of the Corporation as required by law.

FOURTH: The current address of the principal office of the Corporation is as set forth in Article III of the foregoing amendment and restatement of the charter.

FIFTH: The name and address of the Corporation's current resident agent is as set forth in Article III of the foregoing amendment and restatement of the charter.

SIXTH: The number of directors of the Corporation and the names of those currently in office are as set forth in Article IV of the foregoing amendment and restatement of the charter.

SEVENTH: The total number of shares of stock which the Corporation had authority to issue immediately prior to this amendment and restatement was 1,000, consisting of 1,000 shares of Common Stock, $.001 par value per share. The aggregate par value of all shares of stock having par value was $1.

EIGHTH: The total number of shares of stock which the Corporation has authority to issue pursuant to the foregoing amendment and restatement of the charter is 100 million shares of Common Stock, $.001 par value per share. The aggregate par value of all authorized shares of stock having par value is $100,000.

NINTH: The undersigned President acknowledges these Articles of Amendment and Restatement to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment and Restatement to be signed in its name and on its behalf by its President and attested to by its Secretary on this 13th day of February, 2007.

ATTEST:

/s/ Aviv Efrat
Aviv Efrat
Chief Financial Officer

PENNANT INVESTMENT
CORPORATION

By: /s/ Arthur H. Penn (SEAL)

Arthur H. Penn,Chief Executive Officer

PENNANT INVESTMENT CORPORATION

AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. PLACE. All meetings of stockholders shall be held at the principal executive office of the Corporation or at such other place as shall be set by the Board of Directors and stated in the notice of the meeting.

Section 2. ANNUAL MEETING. Commencing with the 2007 annual meeting of stockholders of the Corporation, an annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on a date and at the time set by the Board of Directors during the month of May of each year.

Section 3. SPECIAL MEETINGS.

(a) General. The Chairman of the Board, the president or the Board of Directors may call a special meeting of the stockholders. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the secretary of the Corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) Stockholder Requested Special Meetings. (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the “Record Date Request Notice”) by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the “Request Record Date”). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information relating to each such

stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the secretary.

(2) In order for any stockholder to request a special meeting, one or more written requests for a special meeting signed by stockholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting (the "Special Meeting Request") shall be delivered to the secretary. In addition, the Special Meeting Request (a) shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the secretary), (b) shall bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, (c) shall set forth the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed) and the class, series and number of all shares of stock of the Corporation which are owned by each such stockholder, and the nominee holder for, and number of, shares owned by such stockholder beneficially but not of record, (d) shall be sent to the secretary by registered mail, return receipt requested, and (e) shall be received by the secretary within 60 days after the Request Record Date. Any requesting stockholder (or agent duly authorized in a writing accompanying the revocation or the Special Meeting Request) may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Corporation's proxy materials). The secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the mailing of any notice of the meeting.

(4) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the Chairman of the Board, the president or the Board of Directors, whoever has called the meeting. In the case of any special meeting called by the secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; provided, however, that the date of any Stockholder Requested Meeting shall

be not more than 90 days after the record date for such meeting (the "Meeting Record Date"); and provided further that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (the "Delivery Date"), a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for any special meeting, the Chairman of the Board, the president or the Board of Directors may consider such factors as he, she or it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Directors may revoke the notice for any Stockholder Requested Meeting in the event that the requesting stockholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(5) If written revocations of requests for the special meeting have been delivered to the Secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the Secretary, the Secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the Secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written notice of any revocation of a request for the special meeting and written notice of the Secretary's intention to revoke the notice of the meeting, revoke the notice of the meeting at any time before ten days before the commencement of the meeting. Any request for a special meeting received after a revocation by the Secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) The Board of Directors, the Chairman of the Board or the president may appoint independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the secretary until the earlier of (i) five Business Days after receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the secretary represent at least the Special Meeting Percentage. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request,

whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or other day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Section 4. NOTICE OF MEETINGS. Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid.

Subject to Section 11(a) of this Article II, any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

Any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice of such meeting, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice of such meeting.

Section 5. ORGANIZATION AND CONDUCT. Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the Chairman of the Board, if any, or, in the case of a vacancy in the office or absence of the Chairman of the Board, by one of the following officers present at the meeting: the Vice Chairman of the Board, if any, the president, any Vice president, the secretary, the Treasurer, the Chief Compliance Officer or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary or, in the secretary's absence, an assistant secretary or, in the absence of both the secretary and assistant secretaries, an individual appointed by the Board of Directors or, in the absence of such appointment, an individual appointed by the chairman of the meeting shall act as secretary. In the event that the secretary presides at a meeting of the stockholders, an assistant secretary, or, in the absence of assistant secretaries, an individual appointed by the Board of Directors or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of

procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. QUORUM. The presence in person or by proxy of the holders of shares of stock of the Corporation entitled to cast a majority of the votes entitled to be cast (without regard to class) shall constitute a quorum at any meeting of the stockholders, except with respect to any such matter that, under applicable statutes or regulatory requirements, requires approval by a separate vote of one or more classes of stock, in which case the presence in person or by proxy of the holders of shares entitled to cast a majority of the votes entitled to be cast by each such class on such a matter shall constitute a quorum. This section shall not affect any requirement under any statute or the charter of the Corporation for the vote necessary for the adoption of any measure.

If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 7. VOTING. Directors shall be elected by the affirmative vote of the holders of a majority of the shares of stock outstanding and entitled to vote thereon. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required

by statute or by the charter of the Corporation. Unless otherwise provided in the charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 8. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of stock owned of record by the stockholder in person or by proxy executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy or evidence of authorization of such proxy shall be filed with the secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

Section 9. VOTING OF STOCK BY CERTAIN HOLDERS. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder.

The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Section 10. INSPECTORS. The Board of Directors, in advance of any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not,

appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of the meeting or at the meeting by the chairman of the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, and determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 11. ADVANCE NOTICE OF STOCKHOLDER NOMINEES FOR DIRECTOR AND OTHER STOCKHOLDER PROPOSALS.

(a) Annual Meetings of Stockholders. (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice by the stockholder as provided for in this Section 11(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who has complied with this Section 11(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation and such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information required under this Section 11 and shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 150th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director, (A) the name, age, business address and

residence address of such individual, (B) the class, series and number of any shares of stock of the Corporation that are beneficially owned by such individual, (C) the date such shares were acquired and the investment intent of such acquisition, (D) whether such stockholder believes any such individual is, or is not, an "interested person" of the Corporation, as defined in the Investment Company Act of 1940, as amended, and the rules promulgated thereunder (the "Investment Company Act") and information regarding such individual that is sufficient, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to make such determination and (E) all other information relating to such individual that is required to be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder (including such individual's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of such business, the reasons for proposing such business at the meeting and any material interest in such business of such stockholder and any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder and the Stockholder Associated Person therefrom; (iii) as to the stockholder giving the notice and any Stockholder Associated Person, the class, series and number of all shares of stock of the Corporation which are owned by such stockholder and by such Stockholder Associated Person, if any, and the nominee holder for, and number of, shares owned beneficially but not of record by such stockholder and by any such Stockholder Associated Person; (iv) as to the stockholder giving the notice and any Stockholder Associated Person covered by clauses (ii) or (iii) of this paragraph (2) of this Section 11(a), the name and address of such stockholder, as they appear on the Corporation's stock ledger and current name and address, if different, and of such Stockholder Associated Person; and (v) to the extent known by the stockholder giving the notice, the name and address of any other stockholder supporting the nominee for election or reelection as a director or the proposal of other business on the date of such stockholder's notice.

(3) Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of mailing of the notice of the preceding year's annual meeting, a stockholder's notice required by this Section 11(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Corporation not later than 5:00 p.m., Eastern Time, on the tenth day following the day on which such public announcement is first made by the Corporation.

(4) For purposes of this Section 11, "Stockholder Associated Person" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 11 and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any such stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice required by paragraph (2) of this Section 11(a) shall be delivered to the secretary at the principal executive office of the Corporation not earlier than the 150th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(c) General. (1) Upon written request by the secretary or the Board of Directors or any committee thereof, any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), written verification, satisfactory, in the discretion of the Board of Directors or any committee thereof or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 11. If a stockholder fails to provide such written verification within such period, the information as to which written verification was requested may be deemed not to have been provided in accordance with this Section 11.

(2) Only such individuals who are nominated in accordance with this Section 11 shall be eligible for election by stockholders as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 11. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 11.

(3) For purposes of this Section 11, (a) the "date of mailing of the notice" shall mean the date of the proxy statement for the solicitation of proxies for election of directors and (b) "public announcement" shall mean disclosure (i) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or comparable

news service or (ii) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act or the Investment Company Act.

(4) Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

Section 12. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

Section 13. CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (the "MGCL"), or any successor statute, shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III

DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than four nor more than eight, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors. Regular meetings of the Board of Directors shall be held from time to time at such places and times as provided by the Board of Directors by resolution, without notice other than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the chairman of the Board of Directors, the president or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place for the holding of special meetings of the Board of Directors without notice other than such resolution.

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the charter of the Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. VOTING. The action of the majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of the directors still present at such meeting

shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute or the charter.

Section 8. ORGANIZATION. At each meeting of the Board of Directors, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as Chairman. In the absence of both the chairman and vice chairman of the board, the chief executive officer or in the absence of the chief executive officer, the president or in the absence of the president, a director chosen by a majority of the directors present, shall act as Chairman. The secretary or, in his or her absence, an assistant secretary of the Corporation, or in the absence of the secretary and all assistant secretaries, a person appointed by the Chairman, shall act as secretary of the meeting.

Section 9. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time; provided however, this Section 9 does not apply to any action of the directors pursuant to the Investment Company Act, that requires the vote of the directors to be cast in person at a meeting. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. WRITTEN CONSENT BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each director and is filed with the minutes of proceedings of the Board of Directors; provided however, this Section 10 does not apply to any action of the directors pursuant to the Investment Company Act, that requires the vote of the directors to be cast in person at a meeting.

Section 11. VACANCIES. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder, if any. Pursuant to the Corporation's election in Article IV of the charter, subject to applicable requirements of the Investment Company Act, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, (a) any vacancy on the Board of Directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum and (b) any director elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualifies.

Section 12. COMPENSATION. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. LOSS OF DEPOSITS. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or stock have been deposited.

Section 14. SURETY BONDS. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 15. RELIANCE. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or officers of the Corporation, regardless of whether such counsel or expert may also be a director.

ARTICLE IV

COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Nominating Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

Section 2. POWERS. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint another director to act in the place of such absent member. Each committee shall keep minutes of its proceedings.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. WRITTEN CONSENT BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee. Subject to the power of the Board of Directors, the members of the committee shall have the power to fill any vacancies on the committee.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant. secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as it shall deem necessary or desirable. The Board of Directors may designate a Chairman of the Board and a Vice Chairman of the Board, who shall not be officers of the Corporation but shall have such powers and duties as determined by the Board of Directors from time to time. The officers of the Corporation shall be elected annually by the Board of Directors, except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries, assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until death, resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the chairman of the board, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the notice of resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer. In the absence of such designation, the president shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 5. CHIEF OPERATING OFFICER. The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 7. PRESIDENT. In the absence of a designation of a chief executive officer by the Board of Directors, the president shall be the chief executive officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 8. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

Section 9. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of

Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the chief executive officer, the president or by the Board of Directors.

Section 10. TREASURER. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the president and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 11. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors, the Executive Committee or another committee of the Board of Directors within the scope of its delegated authority, may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and

binding upon the Corporation when authorized or ratified by action of the Board of Directors or the Executive Committee or such other committee and executed by an authorized person.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII

STOCK

Section 1. CERTIFICATES; REQUIRED INFORMATION. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be signed by the officers of the Corporation in the manner permitted by the MGCL and contain the statements and information required by the MGCL. In the event that the Corporation issues shares of stock without certificates, the Corporation shall provide to holders of such shares a written statement of the information required by the MGCL to be included on stock certificates.

Section 2. TRANSFERS WHEN CERTIFICATES ISSUED. Upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. The president, the secretary, the treasurer or any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition

precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he or she shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

Section 6. FRACTIONAL STOCK; ISSUANCE OF UNITS. The Board of Directors may issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the charter

or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII

ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve.

ARTICLE X

SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words “Incorporated Maryland.” The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word “(SEAL)” adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE XI

INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law and the Investment Company Act, in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of such corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. The Corporation may, with the approval of its Board of Directors or any duly authorized committee thereof, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation. The indemnification and payment of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment of expenses may be or may become entitled under any bylaw, regulation, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Bylaws or charter of the Corporation inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XII

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII

INSPECTION OF RECORDS

A stockholder who is otherwise eligible under the MGCL to inspect certain books and records of the Corporation shall have no right to inspect any such books and records if the Board of Directors determines that such stockholder has an improper purpose for such inspection.

ARTICLE XIV

INVESTMENT COMPANY ACT

If and to the extent that any provision of the MGCL, including, without limitation, Subtitle 6 and, if then applicable, Subtitle 7, of Title 3 of the MGCL, or any provision of the charter or these Bylaws conflicts with any provision of the Investment Company Act, the applicable provision of the Investment Company Act shall control.

ARTICLE XV

AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

DIVIDEND REINVESTMENT PLAN
OF
PENNANT INVESTMENT CORPORATION

Pennant Investment Corporation., a Maryland corporation (the "Corporation"), hereby adopts the following plan (the "Plan") with respect to net investment income dividends and capital gains distributions declared by its Board of Directors on shares of its Common Stock:

1. Unless a stockholder specifically elects to receive cash as set forth below, all net investment income dividends and all capital gains distributions hereafter declared by the Board of Directors shall be payable in shares of the Common Stock of the Corporation, and no action shall be required on such stockholder's part to receive a distribution in stock.

2. Such net investment income dividends and capital gains distributions shall be payable on such date or dates as may be fixed from time to time by the Board of Directors to stockholders of record at the close of business on the record date(s) established by the Board of Directors for the net investment income dividend and/or capital gains distribution involved.

3. The Corporation shall use primarily newly-issued shares of its Common Stock to implement the Plan, whether its shares are trading at a premium or at a discount to net asset value. However, the Corporation reserves the right to purchase shares in the open market in connection with the implementation of the plan. The number of shares to be issued to a stockholder shall be determined by dividing the total dollar amount of the distribution payable to such stockholder by the market price per share of the Corporation's Common Stock at the close of regular trading on the NASDAQ Global Market on the valuation date fixed by the Board of Directors for such distribution. Market price per share on that date shall be the closing price for such shares on the NASDAQ Global Market or, if no sale is reported for such day, at the average of their reported bid and asked prices.

4. A stockholder may, however, elect to receive his or its net investment income dividends and capital gains distributions in cash. To exercise this option, such stockholder shall notify [American Stock Transfer and Trust Company], the plan administrator and the Corporation's transfer agent and registrar (collectively the "Plan Administrator"), in writing so that such notice is received by the Plan Administrator no later than the record date fixed by the Board of Directors for the net investment income dividend and/or capital gains distribution involved.

5. The Plan Administrator will set up an account for shares acquired pursuant to the Plan for each stockholder who has not so elected to receive dividends and distributions in cash (each a "Participant"). The Plan Administrator may hold each Participant's shares, together with the shares of other Participants, in non-certificated form in the Plan Administrator's name or that of its nominee. Upon request by a Participant, received in writing no later than 10 days prior to the record date, the Plan Administrator will, instead of crediting shares to and/or carrying shares in a Participant's

account, issue, without charge to the Participant, a certificate registered in the Participant's name for the number of whole shares payable to the Participant and a check for any fractional share.

6. The Plan Administrator will confirm to each Participant each acquisition made pursuant to the Plan as soon as practicable but not later than 10 business days after the date thereof. Although each Participant may from time to time have an undivided fractional interest (computed to three decimal places) in a share of Common Stock of the Corporation, no certificates for a fractional share will be issued. However, [dividends and distributions on fractional shares will be credited to each Participant's account] OR [Participants will be sent a check for any dividends and distributions on fractional shares]. In the event of termination of a Participant's account under the Plan, the Plan Administrator will adjust for any such undivided fractional interest in cash at the market value of the Corporation's shares at the time of termination.

7. The Plan Administrator will forward to each Participant any Corporation related proxy solicitation materials and each Corporation report or other communication to stockholders, and will vote any shares held by it under the Plan in accordance with the instructions set forth on proxies returned by Participants to the Corporation.

8. In the event that the Corporation makes available to its stockholders rights to purchase additional shares or other securities, the shares held by the Plan Administrator for each Participant under the Plan will be added to any other shares held by the Participant in certificated form in calculating the number of rights to be issued to the Participant.

9. The Plan Administrator's service fee, if any, and expenses for administering the Plan will be paid for by the Corporation.

10. Each Participant may terminate his or its account under the Plan by so notifying the Plan Administrator via the Plan Administrator's website at www.amstock.com, by filling out the transaction request form located at the bottom of the Participant's Statement and sending it to American Stock Transfer & Trust Company, PO Box 922, Wall Street Station, New York, NY 10269-0560 or by calling the Plan Administrator's Interactive Voice Response System at 1-888-777-0324. Such termination will be effective immediately if the Participant's notice is received by the Plan Administrator at least 2 days prior to any dividend or distribution record date; otherwise, such termination will be effective only with respect to any subsequent dividend or distribution. The Plan may be terminated by the Corporation upon notice in writing mailed to each Participant at least 30 days prior to any record date for the payment of any dividend or distribution by the Corporation. Upon any termination, the Plan Administrator will cause a certificate or certificates to be issued for the full shares held for the Participant under the Plan and a cash adjustment for any fractional share to be delivered to the Participant without charge to the Participant. If a Participant elects by his or its written notice to the Plan Administrator in advance of termination to have the Plan Administrator sell part or all of his or its shares and remit the proceeds to the

Participant, the Plan Administrator is authorized to deduct a $15 transaction fee plus a $0.10 per share brokerage commission from the proceeds.

11. These terms and conditions may be amended or supplemented by the Corporation at any time but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to each Participant appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by each Participant unless, prior to the effective date thereof, the Plan Administrator receives written notice of the termination of his or its account under the Plan. Any such amendment may include an appointment by the Plan Administrator in its place and stead of a successor agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Administrator under these terms and conditions. Upon any such appointment of any agent for the purpose of receiving dividends and distributions, the Corporation will be authorized to pay to such successor agent, for each Participant's account, all dividends and distributions payable on shares of the Corporation held in the Participant's name or under the Plan for retention or application by such successor agent as provided in these. terms and conditions.

12. The Plan Administrator will at all times act in good faith and use its best efforts within reasonable limits to ensure its full and timely performance of all services to be performed by it under this Plan and to comply with applicable law, but assumes no responsibility and shall not be liable for loss or damage due to errors unless such error is caused by the Plan Administrator's negligence, bad faith, or willful misconduct or that of its employees or agents.

13. These terms and conditions shall be governed by the laws of the State of New York.

February 13, 2007

Interim Advisory Management Agreement
between
Pennant Investment Corporation
and
Pennant Investment Advisers, LLC

Agreement made this 18th day of January 2007 (this "Agreement"), by and between PENNANT INVESTMENT CORPORATION, a Maryland corporation (the "Corporation"), and PENNANT INVESTMENT ADVISERS, LLC, a Delaware limited liability company (the "Adviser").

WHEREAS, the Corporation is a newly organized corporation that will operate as a closed-end management investment company;

WHEREAS, the Corporation has filed a registration statement on Form N-2 (the "Registration Statement") to register shares of its common stock for issuance in an initial public offering (the "Offering");

WHEREAS, prior to the effectiveness of the Registration Statement, the Corporation intends to file an election to be treated as a business development company under the Investment Company Act of 1940;

WHEREAS, prior to and in anticipation of the Offering, the Corporation intends to acquire interests in senior secured loans and other debt obligations that will comprise a portion of the Corporation's initial investment portfolio;

WHEREAS, the Adviser is a newly organized investment adviser; and

WHEREAS, the Corporation desires to retain the Adviser to furnish investment advisory services to the Corporation prior to the Offering, on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Corporation hereby employs the Adviser to act as the investment adviser to the Corporation and to manage the investment and reinvestment of the assets of the Corporation, subject to the supervision of the Board of Directors of the Corporation, for the period and upon the terms herein set forth, in accordance with the investment objective, policies and restrictions that are set forth in the Registration Statement, as the same may be amended from time to time, and in accordance with all applicable federal and state laws, rules and regulations, and the Corporation's charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the

composition of the portfolio of the Corporation, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Corporation; (iii) close and monitor the Corporation's investments; (iv) determine the securities and other assets that the Corporation will purchase, retain, or sell; (v) perform due diligence on prospective portfolio companies; and (vi) provide the Corporation with such other investment advisory, research and related services as the Corporation may, from time to time, reasonably require for the investment of its funds. The Adviser shall have the power and authority on behalf of the Corporation to effectuate its investment decisions for the Corporation, including the execution and delivery of all documents relating to the Corporation's investments and the placing of orders for other purchase or sale transactions on behalf of the Corporation. In the event that the Corporation determines to acquire debt financing, the Adviser will arrange for such financing on the Corporation's behalf, subject to the oversight and approval of the Corporation's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Corporation through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein.

(c) The Adviser is hereby authorized to enter into one or more sub-advisory agreements with other investment advisers (each, a "Sub-Adviser") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific securities or other investments based upon the Corporation's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Corporation, subject to the oversight of the Adviser and the Corporation.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Corporation in any way or otherwise be deemed an agent of the Corporation.

(e) The Adviser shall keep and preserve, in the manner and for the period that would be applicable to investment companies registered under the Investment Company Act of 1940, any books and records relevant to the provision of its investment advisory services to the Corporation and shall specifically maintain all books and records with respect to the Corporation's portfolio transactions and shall render to the Corporation's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Corporation are the property of the Corporation and will surrender promptly to the Corporation any such records upon the Corporation's request, provided that the Adviser may retain a copy of such records.

2. Corporation's Responsibilities and Expenses Payable by the Corporation. The Corporation shall not pay to the Adviser any fee for the services to be provided by the Adviser hereunder; provided that the Corporation shall reimburse the Adviser for all reasonable expenses incurred by the Adviser in connection with the provision of services by the Adviser hereunder, promptly upon receipt by the Corporation of invoices documenting such expenses. The expenses referred to in the preceding sentence shall include, without limitation: (i) the allocable portion of any and all salaries of all investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services; provided, however, that Arthur Penn shall receive no salary or other form of compensation from the Adviser during the term hereof, and (ii) expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Corporation and in monitoring the Corporation's investments and performing due diligence on its prospective portfolio companies. The Corporation will bear all costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; calculating the Corporation's net asset value and the fair value of any assets acquired by the Corporation (including the cost and expenses of any independent valuation firm); interest payable on debt, if any, incurred to finance the Corporation's investments; offerings of the Corporation's common stock and other securities; administration fees payable under the Administration Agreement between the Corporation and Pennant Investment Advisers, LLC (the "Administrator"), the Corporation's administrator; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Corporation's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; the Corporation's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Corporation or the Administrator in connection with administering the Corporation's business, including payments under the Administration Agreement between the Corporation and the Administrator based upon the Corporation's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of the Corporation's chief compliance officer and chief financial officer and their respective staffs.

3. Covenants of the Adviser. The Adviser agrees that its activities will at all times be in compliance in all material respects with al applicable federal and state laws governing its operations and investments.

4. Limitations on the Employment of the Adviser. The services of the Adviser to the Corporation are not exclusive, and the Adviser may engage in any other business or render

similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Corporation, so long as its services to the Corporation hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Corporation's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Corporation, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Corporation are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Corporation as stockholders or otherwise.

5. Responsibility of Dual Directors, Officers and/or Employees. If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer and/or employee of the Corporation and acts as such in any business of the Corporation, then such manager, partner, officer and/or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Corporation, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if paid by the Adviser or the Administrator.

6. Limitation of Liability of the Adviser; Indemnification. The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator) shall not be liable to the Corporation for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Corporation, and the Corporation shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Corporation or its security holders) arising out of or otherwise based upon the performance of any of the Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of

the Corporation. Notwithstanding the preceding sentence of this Section 6 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Corporation or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement.

7. Effectiveness, Duration and Termination of Agreement. This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect until the effective date of the Registration Statement, unless earlier terminated as provided in the following sentence. This Agreement may be terminated at any time, without the payment of any penalty, upon 30 days' written notice, by the vote of the Corporation's Directors or by the Adviser. Notwithstanding the termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 2 through the date of termination or expiration, and the provisions of Section 6 shall remain in full force and effect and apply to the Adviser and its representatives.

8. Notices. Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

9. Amendments. This Agreement may be amended by mutual consent.

10. Entire Agreement; Governing Law. This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of New York.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date above written.

PENNANT INVESTMENT CORPORATION

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Chief Executive Officer

PENNANT INVESTMENT ADVISERS, LLC

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Manager

INVESTMENT ADVISORY MANAGEMENT AGREEMENT

BETWEEN

PENNANT INVESTMENT CORPORATION

AND

PENNANT INVESTMENT ADVISERS, LLC

Agreement made this _____day of 2007, by and between PENNANT INVESTMENT CORPORATION, a Maryland corporation (the "Corporation"), and PENNANT INVESTMENT ADVISERS, LLC, a Delaware limited liability company (the "Adviser").

WHEREAS, the Corporation is a newly organized corporation that will operate as a closed-end management investment company;

WHEREAS, the Corporation has filed a registration statement on Form N-2 (the "Registration Statement") to register shares of its common stock for issuance in an initial public offering (the "Offering");

WHEREAS, prior to the effectiveness of the Registration Statement, the Corporation intends to file an election to be treated as a business development company under the Investment Company Act of 1940;

WHEREAS, prior to and in anticipation of the Offering, the Corporation intends to acquire interests in senior secured loans and other debt obligations that will comprise a portion of the Corporation's initial portfolio;

WHEREAS, the Adviser is a newly organized investment adviser; and

WHEREAS, the Corporation desires to retain the Adviser to furnish investment advisory services to the Corporation prior to the Offering on the terms and conditions hereinafter set forth, and the Adviser wishes to be retained to provide such services.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the parties hereby agree as follows:

1. Duties of the Adviser.

(a) The Corporation hereby employs the Adviser to act as the investment adviser to the Corporation and to manage the investment and reinvestment of the assets of the Corporation, subject to the supervision of the Board of Directors of the Corporation, for the period and upon the terms herein set forth, (i) in accordance with the investment objective, policies and restrictions that are set forth in the Registration Statement, dated [_____], as the same may be amended from time to time , (ii) in accordance with the Investment Company Act and (iii) during

the term of this Agreement in accordance with all other applicable federal and state laws, rules and regulations, and the Corporation's charter and by-laws. Without limiting the generality of the foregoing, the Adviser shall, during the term and subject to the provisions of this Agreement, (i) determine the composition of the portfolio of the Corporation, the nature and timing of the changes therein and the manner of implementing such changes; (ii) identify, evaluate and negotiate the structure of the investments made by the Corporation; (iii) close and monitor the Corporation's investments; determine the securities and other assets that the Corporation will purchase, retain, or sell; perform due diligence on prospective portfolio companies; and (vi) provide the Corporation with such other investment advisory, research and related services as the Corporation may, from time to time, reasonably require for the investment of its funds. The Adviser shall have the power and authority on behalf of the Corporation to effectuate its investment decisions for the Corporation, including the execution and delivery of all documents relating to the Corporation's investments and the placing of orders for other purchase or sale transactions on behalf of the Corporation. In the event that the Corporation determines to acquire debt financing, the Adviser will arrange for such financing on the Corporation's behalf, subject to the oversight and approval of the Corporation's Board of Directors. If it is necessary for the Adviser to make investments on behalf of the Corporation through a special purpose vehicle, the Adviser shall have authority to create or arrange for the creation of such special purpose vehicle and to make such investments through such special purpose vehicle in accordance with the Investment Company Act.

(b) The Adviser hereby accepts such employment and agrees during the term hereof to render the services described herein for the compensation provided herein.

(c) Subject to the requirements of the Investment Company Act, the Adviser is hereby authorized to enter into one or more sub-advisory agreements with other investment advisers (each, a "Sub-Adviser") pursuant to which the Adviser may obtain the services of the Sub-Adviser(s) to assist the Adviser in fulfilling its responsibilities hereunder. Specifically, the Adviser may retain a Sub-Adviser to recommend specific securities or other investments based upon the Corporation's investment objective and policies, and work, along with the Adviser, in structuring, negotiating, arranging or effecting the acquisition or disposition of such investments and monitoring investments on behalf of the Corporation, subject to the oversight of the Adviser and the Corporation. The Adviser, and not the Corporation, shall be responsible for any compensation payable to any Sub-Adviser. Any sub-advisory agreement entered into by the Adviser shall be in accordance with the requirements of the Investment Company Act and other applicable federal and state law.

(d) The Adviser shall for all purposes herein provided be deemed to be an independent contractor and, except as expressly provided or authorized herein, shall have no authority to act for or represent the Corporation in any way or otherwise be deemed an agent of the Corporation.

(e) The Adviser shall keep and preserve, in the manner and for the period that would be applicable to investment companies registered under the Investment Company Act any books

and records relevant to the provision of its investment advisory services to the Corporation and shall specifically maintain all books and records with respect to the Corporation's portfolio transactions and shall render to the Corporation's Board of Directors such periodic and special reports as the Board may reasonably request. The Adviser agrees that all records that it maintains for the Corporation are the property of the Corporation and will surrender promptly to the Corporation any such records upon the Corporation's request, provided that the Adviser may retain a copy of such records.

2. Corporation's Responsibilities and Expenses Payable by the Corporation. All investment professionals of the Adviser and their respective staffs, when and to the extent engaged in providing investment advisory and management services hereunder, and the compensation and routine overhead expenses of such personnel allocable to such services, will be provided and paid for by the Adviser and not by the Corporation. The Corporation will bear all other costs and expenses of its operations and transactions, including (without limitation) those relating to: organization and offering; calculating the Corporation's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Corporation and in monitoring the Corporation's investments and performing due diligence (including related legal expenses) on its prospective portfolio companies; interest payable on debt, if any, incurred to finance the Corporation's investments and expenses related to unsuccessful portfolio acquisition efforts; offerings of the Corporation's common stock and other securities; investment advisory and management fees; administration fees payable under the Administration Agreement between the Corporation and Pennant Investment Advisers, LLC (the "Administrator"), the Corporation's administrator; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments, including costs associated with meeting potential financial sponsors; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Corporation's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the Securities and Exchange Commission; costs of any reports, proxy statements or other notices to stockholders, including printing costs; costs associated with individual or group stockholders; the Corporation's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and other staff, independent auditors and outside legal costs; and all other expenses incurred by the Corporation or the Administrator in connection with administering the Corporation's business, including payments under the Administration Agreement between the Corporation and the Administrator based upon the Corporation's allocable portion of the Administrator's overhead in performing its obligations under the Administration Agreement, including rent and the allocable portion of the cost of the Corporation's chief compliance officer and chief financial officer and their respective staffs.

3. Compensation of the Adviser. The Corporation agrees to pay, and the Adviser agrees to accept, as compensation for the services provided by the Adviser hereunder, a base

management fee ("Base Management Fee") and an incentive fee ("Incentive Fee") as hereinafter set forth. The Corporation shall make any payments due hereunder to the Adviser or to the Adviser's designee as the Adviser may otherwise direct. To the extent permitted by applicable law, the Adviser may elect, or adopt a deferred compensation plan pursuant to which it may elect, to defer all or a portion of its fees hereunder for a specified period of time.

(a) The Base Management Fee shall be calculated at an annual rate of 2.00% of the Corporation's gross assets. For services rendered during the period commencing from the closing of the Corporation's offering of its common stock, pursuant to the Registration Statement, through and including the first six months of operations, the Base Management Fee will be payable monthly in arrears. For services rendered after such time, the Base Management Fee will be payable quarterly in arrears. For the first quarter of the Corporation's operations, the Base Management Fee will be calculated based on the initial value of the Corporation's gross assets. Subsequently, the Base Management Fee will be calculated based on the average value of the Corporation's gross assets at the end of the two most recently completed calendar quarters, and appropriately adjusted for any share issuances or repurchases during the current calendar quarter. Base Management Fees for any partial month or quarter will be appropriately pro rated.

(b) The Incentive Fee shall consist of two parts, as follows:

(i) One part will be calculated and payable quarterly in arrears based on the pre-Incentive Fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-Incentive Fee net investment income means interest income, dividend income and any other income (including any other fees, such as commitment, origination, structuring, diligence and consulting fees and fees for providing significant managerial assistance or other fees that the Corporation receives from portfolio companies) earned by the Corporation during the calendar quarter, minus the Corporation's operating expenses for the quarter (including the Base Management Fee and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the Incentive Fee). Pre-Incentive Fee net investment income does not include any realized capital gains or unrealized capital gains, losses or depreciation. Pre-Incentive Fee net investment income, expressed as a rate of return on the value of the Corporation's net assets at the end of the immediately preceding calendar quarter, will be compared to a "hurdle rate" of 1.75% per quarter (7% annualized). The Corporation will pay the Adviser an Incentive Fee with respect to the Corporation's pre-Incentive Fee net investment income in each calendar quarter as follows; (1) no Incentive Fee in any calendar quarter in which the Corporation's pre-Incentive Fee net investment income does not exceed the hurdle rate; (2) 100% of the Corporation's pre-Incentive Fee net investment income with respect to that portion of such pre-Incentive Fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of the Corporation's pre-Incentive Fee net investment income, if any, that exceeds

2.1875% in any calendar quarter. These calculations will be appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the current quarter.

(ii) The second part of the Incentive Fee (the "Capital Gains Fee") will be determined and payable in arrears as of the end of each calendar year (or upon termination of this Agreement as set forth below), commencing on December 31, 2007, and will equal 20.0% of the Corporation's realized capital gains for the calendar year computed net of all unrealized capital losses and unrealized capital depreciation at the end of such year; provided that the Incentive Fee determined as of December 31, 2007 will be calculated for a period of shorter than twelve calendar months to take into account any realized capital gains computed net of all unrealized capital losses and unrealized capital depreciation for the period ending [_____]. In the event that this Agreement shall terminate as of a date that is not a calendar year end, the termination date shall be treated as though it were a calendar year end for purposes of calculating and paying a Capital Gains Fee.

4. Covenants of the Adviser. The Adviser covenants that it is registered as an investment adviser under the Advisers Act. The Adviser agrees that its activities will at all times be in compliance in all material respects with all applicable federal and state laws governing its operations and investments.

5. Excess Brokerage Commissions. The Adviser is hereby authorized, to the fullest extent now or hereafter permitted by law, to cause the Corporation to pay a member of a national securities exchange, broker or dealer an amount of commission for effecting a securities transaction in excess of the amount of commission another member of such exchange, broker or dealer would have charged for effecting that transaction, if the Adviser determines in good faith, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution, and operational facilities of the firm and the firm's risk and skill in positioning blocks of securities, that such amount of commission is reasonable in relation to the value of the brokerage and/or research services provided by such member, broker or dealer, viewed in terms of either that particular transaction or its overall responsibilities with respect to the Corporation's portfolio, and constitutes the best net results for the Corporation.

6. Limitations on the Employment of the Adviser. The services of the Adviser to the Corporation are not exclusive, and the Adviser may engage in any other business or render similar or different services to others including, without limitation, the direct or indirect sponsorship or management of other investment based accounts or commingled pools of capital, however structured, having investment objectives similar to those of the Corporation, so long as its services to the Corporation hereunder are not impaired thereby, and nothing in this Agreement shall limit or restrict the right of any manager, partner, officer or employee of the Adviser to engage in any other business or to devote his or her time and attention in part to any other

business, whether of a similar or dissimilar nature, or to receive any fees or compensation in connection therewith (including fees for serving as a director of, or providing consulting services to, one or more of the Corporation's portfolio companies, subject to applicable law). So long as this Agreement or any extension, renewal or amendment remains in effect, the Adviser shall be the only investment adviser for the Corporation, subject to the Adviser's right to enter into sub-advisory agreements. The Adviser assumes no responsibility under this Agreement other than to render the services called for hereunder. It is understood that directors, officers, employees and stockholders of the Corporation are or may become interested in the Adviser and its affiliates, as directors, officers, employees, partners, stockholders, members, managers or otherwise, and that the Adviser and directors, officers, employees, partners, stockholders, members and managers of the Adviser and its affiliates are or may become similarly interested in the Corporation as stockholders or otherwise.

7. Responsibility of Dual Directors, Officers and/or Employees. If any person who is a manager, partner, officer or employee of the Adviser or the Administrator is or becomes a director, officer and/or employee of the Corporation and acts as such in any business of the Corporation, then such manager, partner, officer and/or employee of the Adviser or the Administrator shall be deemed to be acting in such capacity solely for the Corporation, and not as a manager, partner, officer or employee of the Adviser or the Administrator or under the control or direction of the Adviser or the Administrator, even if paid by the Adviser or the Administrator.

8. Limitation of Liability of the Adviser; Indemnification. The Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator) shall not be liable to the Corporation for any action taken or omitted to be taken by the Adviser in connection with the performance of any of its duties or obligations under this Agreement or otherwise as an investment adviser of the Corporation, except to the extent specified in Section 36(b) of the Investment Company Act concerning loss resulting from a breach of fiduciary duty (as the same is finally determined by judicial proceedings) with respect to the receipt of compensation for services, and the Corporation shall indemnify, defend and protect the Adviser (and its officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with the Adviser, including without limitation its general partner and the Administrator, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Corporation or its security holders) arising out of or otherwise based upon the performance of any of the Adviser's duties or obligations under this Agreement or otherwise as an investment adviser of the Corporation. Notwithstanding the preceding sentence of this Paragraph 8 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Corporation or its

security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Adviser's duties or by reason of the reckless disregard of the Adviser's duties and obligations under this Agreement (as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the Securities and Exchange Commission or its staff thereunder).

9. Effectiveness, Duration and Termination of Agreement. This Agreement shall become effective as of the first date above written. This Agreement shall remain in effect for two years, and thereafter shall continue automatically for successive annual periods, provided that such continuance is specifically approved at least annually by (a) the vote of the Corporation's Board of Directors, or by the vote of a majority of the outstanding voting securities of the Corporation and (b) the vote of a majority of the Corporation's Directors who are not parties to this Agreement or "interested persons" (as such term is defined in Section 2(a)(19) of the Investment Company Act) of any such party, in accordance with the requirements of the Investment Company Act. This Agreement may be terminated at any time, without the payment of any penalty, upon 60 days' written notice, by the vote of a majority of the outstanding voting securities of the Corporation, or by the vote of the Corporation's Directors or by the Adviser. This Agreement will automatically terminate in the event of its "assignment" (as such term is defined for purposes of Section 15(a)(4) of the Investment Company Act). The provisions of Paragraph 8 of this Agreement shall remain in full force and effect, and the Adviser shall remain entitled to the benefits thereof, notwithstanding any termination of this Agreement. Further, notwithstanding the termination or expiration of this Agreement as aforesaid, the Adviser shall be entitled to any amounts owed under Section 3 through the date of termination or expiration and Section 8 shall continue in force and effect and apply to the Adviser and its representatives as and to the extent applicable.

10. Notices. Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

11. Amendments. This Agreement may be amended by mutual consent, but the consent of the Corporation must be obtained in conformity with the requirements of the Investment Company Act.

12. Entire Agreement; Governing Law. This Agreement contains the entire agreement of the parties and supersedes all prior agreements, understandings and arrangements with respect to the subject matter hereof. This Agreement shall be construed in accordance with the laws of the State of New York and the applicable provisions of the Investment Company Act. To the extent the applicable laws of the State of New York, or any of the provisions herein, conflict with the provisions of the Investment Company Act, the latter shall control.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date above written.

PENNANT INVESTMENT CORPORATION

By: _____

Name:
Title:

PENNANT INVESTMENT ADVISERS, LLC

By: _____

Name:
Title:

Exhibit (k)(1)

ADMINISTRATION AGREEMENT

AGREEMENT (this "Agreement") made as of [____], 2007 by and between Pennant Investment Corporation, a Maryland corporation (hereinafter referred to as the "Corporation"), and Pennant Investment Administration, LLC, a Delaware limited liability company, (hereinafter referred to as the "Administrator").

W I T N E S S E T H:

WHEREAS, the Corporation is a newly formed specialty finance company that has elected to become a business development company under the Investment Company Act of 1940 (hereinafter referred to as the "Investment Company Act");

WHEREAS, the Corporation desires to retain the Administrator to provide administrative services to the Corporation in the manner and on the terms hereinafter set forth;

WHEREAS, the Corporation's investment adviser is the Administrator's sole member; and

WHEREAS, the Administrator is willing to provide administrative services to the Corporation on the terms and conditions hereafter set forth.

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Corporation and the Administrator hereby agree as follows:

1. Duties of the Administrator

(a) Employment of Administrator. The Corporation hereby employs the Administrator to act as administrator of the Corporation, and to furnish, or arrange for others to furnish, the administrative services, personnel and facilities described below, subject to review by and the overall control of the Board of Directors of the Corporation, for the period and on the terms and conditions set forth in this Agreement. The Administrator hereby accepts such employment and agrees during such period to render, or arrange for the rendering of, such services and to assume the obligations herein set forth subject to the reimbursement of costs and expenses provided for below. The Administrator and such others shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized herein, have no authority to act for or represent the Corporation in any way or otherwise be deemed agents of the Corporation.

(b) Services. The Administrator shall perform (or oversee, or arrange for, the performance of) the administrative services necessary for the operation of the Corporation. Without limiting the generality of the foregoing, the Administrator shall provide the Corporation with office facilities, equipment, clerical, bookkeeping and record keeping services at such

facilities and such other services as the Administrator, subject to review by the Board of Directors of the Corporation, shall from time to time determine to be necessary or useful to perform its obligations under this Agreement. The Administrator shall also, on behalf of the Corporation, conduct relations with custodians, depositories, transfer agents, dividend disbursing agents, other stockholder servicing agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Administrator shall make reports to the Directors of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Corporation as it shall determine to be desirable; provided that nothing herein shall be construed to require the Administrator to, and the Administrator shall not, provide any advice or recommendation relating to the securities and other assets that the Corporation should purchase, retain or sell or any other investment advisory services to the Corporation. The Administrator shall be responsible for the financial and other records that the Corporation is required to maintain and shall prepare reports to stockholders, and reports and other materials filed with the Securities and Exchange Commission (the "SEC"). The Administrator will provide on the Corporation's behalf significant managerial assistance to those portfolio companies to which the Corporation is required to provide such assistance. In addition, the Administrator will assist the Corporation in determining and publishing the Corporation's net asset value, overseeing the preparation and filing of the Corporation's tax returns, and the printing and dissemination of reports to stockholders of the Corporation, and generally overseeing the payment of the Corporation's expenses and the performance of administrative and professional services rendered to the Corporation by others.

2. Records

The Administrator agrees to maintain and keep all books, accounts and other records of the Corporation that relate to activities performed by the Administrator hereunder and, if required by the Investment Company Act, will maintain and keep such books, accounts and records in accordance with that Act. In compliance with the requirements of Rule 31a-3 under the Investment Company Act, the Administrator agrees that all records which it maintains for the Corporation shall at all times remain the property of the Corporation, shall be readily accessible during normal business hours, and shall be promptly surrendered upon the termination of the Agreement or otherwise on written request. The Administrator further agrees that all records which it maintains for the Corporation pursuant to Rule 31a-1 under the Investment Company Act will be preserved for the periods prescribed by Rule 3la-2 under the Investment Company Act unless any such records are earlier surrendered as provided above. Records shall be surrendered in usable machine-readable form. The Administrator shall have the right to retain copies of such records subject to observance of its confidentiality obligations under this Agreement.

3. Confidentiality

The parties hereto agree that each shall treat confidentially the terms and conditions of this Agreement and all information provided by each party to the other regarding

its business and operations. All confidential information provided by a party hereto, including nonpublic personal information pursuant to Regulation S-P of the SEC, shall be used by any other party hereto solely for the purpose of rendering services pursuant to this Agreement and, except as may be required in carrying out this Agreement, shall not be disclosed to any third party, without the prior consent of such providing party. The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement, or that is required to be disclosed by any regulatory authority, any authority or legal counsel of the parties hereto, by judicial or administrative process or otherwise by applicable law or regulation.

4. Compensation; Allocation of Costs and Expenses

In full consideration of the provision of the services of the Administrator, the Corporation shall reimburse the Administrator for the costs and expenses incurred by the Administrator in performing its obligations and providing personnel and facilities hereunder. If requested to perform significant managerial assistance to portfolio companies of the Corporation, the Administrator will be paid an additional amount based on the services provided, which shall not exceed the amount the Corporation receives from the portfolio companies for providing this assistance.

The Corporation will bear all costs and expenses that are incurred in its operation and transactions and not specifically assumed by the Corporation's investment adviser (the "Adviser"), pursuant to that certain Investment Advisory Management Agreement, dated as of [____], 2007 by and between the Corporation and the Adviser. Costs and expenses to be borne by the Corporation include, but are not limited to, those relating to: organization and offering; calculating the Corporation's net asset value (including the cost and expenses of any independent valuation firm); expenses incurred by the Adviser payable to third parties, including agents, consultants or other advisors, in monitoring financial and legal affairs for the Corporation and in monitoring the Corporation's investments and performing due diligence (including related legal expenses) on its prospective portfolio companies and expenses related to unsuccessful portfolio acquisition efforts; interest payable on debt, if any, incurred to finance the Corporation's investments; offerings of the Corporation's common stock and other securities; investment advisory and management fees; administration fees payable under this Agreement; fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments, including costs associated with meeting potential financial sponsors; transfer agent and custodial fees; federal and state registration fees; all costs of registration and listing the Corporation's shares on any securities exchange; federal, state and local taxes; independent Directors' fees and expenses; costs of preparing and filing reports or other documents required by the SEC; costs of any reports, proxy statements or other notices to stockholders, including printing costs; costs associated with individual or groups of stockholders; the Corporation's allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums; direct costs and expenses of administration, including printing, mailing, long distance telephone, copying, secretarial and

other staff, independent auditors and outside legal costs; and all other expenses incurred by the Corporation or the Administrator in connection with administering the Corporation's business, including payments under this Agreement based upon the Corporation's allocable portion of the Administrator's overhead in performing its obligations under this Agreement, including rent and the allocable portion of the cost of the Corporation's chief compliance officer and chief financial officer and their respective staffs.

At its election, the Administrator may elect to receive payment under this Agreement in the form of a percentage of assets under management by the Corporation, rather than based on the sum of the actual expenses accrued. Such percentage shall be in an amount mutually agreed by the Administrator and the Corporation.

5. Limitation of Liability of the Administrator; Indemnification

The Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation its sole member, the Adviser) shall not be liable to the Corporation for any action taken or omitted to be taken by the Administrator in connection with the performance of any of its duties or obligations under this Agreement or otherwise as administrator for the Corporation, and the Corporation shall indemnify, defend and protect the Administrator (and its officers, managers, partners, agents, employees, controlling persons, members, and any other person or entity affiliated with the Administrator, including without limitation the Adviser, each of whom shall be deemed a third party beneficiary hereof) (collectively, the "Indemnified Parties") and hold them harmless from and against all damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) incurred by the Indemnified Parties in or by reason of any pending, threatened or completed action, suit, investigation or other proceeding (including an action or suit by or in the right of the Corporation or its security holders) arising out of or otherwise based upon the performance of any of the Administrator's duties or obligations under this Agreement or otherwise as administrator for the Corporation. Notwithstanding the preceding sentence of this Paragraph 5 to the contrary, nothing contained herein shall protect or be deemed to protect the Indemnified Parties against or entitle or be deemed to entitle the Indemnified Parties to indemnification in respect of, any liability to the Corporation or its security holders to which the Indemnified Parties would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of the Administrator's duties or by reason of the reckless disregard of the Administrator's duties and obligations under this Agreement (to the extent applicable, as the same shall be determined in accordance with the Investment Company Act and any interpretations or guidance by the SEC or its staff thereunder).

6. Activities of the Administrator

The services of the Administrator to the Corporation are not to be deemed to be exclusive, and the Administrator and each affiliate is free to render services to others. It is understood that directors, officers, employees and stockholders of the Corporation are or may

become interested in the Administrator and its affiliates, as directors, officers, members, managers, employees, partners, stockholders or otherwise, and that the Administrator and directors, officers, members, managers, employees, partners and stockholders of the Administrator and its affiliates are or may become similarly interested in the Corporation as stockholders or otherwise.

7. Duration and Termination of this Agreement

This Agreement shall become effective as of the date hereof, and shall remain in force with respect to the Corporation for two years thereafter, and thereafter continue from year to year, but only so long as such continuance is specifically approved at least annually by (i) the Board of Directors of the Corporation and (ii) a majority of those Directors who are not parties to this Agreement or "interested persons" (as defined in the Investment Company Act) of any such party.

This Agreement may be terminated at any time, without the payment of any penalty, by vote of the Directors of the Corporation, or by the Administrator, upon 60 days' written notice to the other party. This Agreement may not be assigned by a party without the consent of the other party.

8. Amendments of this Agreement

This Agreement may be amended pursuant to a written instrument by mutual consent of the parties.

9. Governing Law

This Agreement shall be construed in accordance with laws of the State of New York and the applicable provisions of the Investment Company Act, if any. To the extent that the applicable laws of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, if any, the latter shall control.

10. Entire Agreement

This Agreement contains the entire agreement of the parties and supercedes all prior agreements, understandings and arrangements with respect to the subject matter hereof.

11. Notices

Any notice under this Agreement shall be given in writing, addressed and delivered or mailed, postage prepaid, to the other party at its principal office.

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IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

PENNANT INVESTMENT CORPORATION

By: _____

Name:
Title:

PENNANT INVESTMENT ADMINISTRATION, LLC

By: _____

Name:
Title:

TRADEMARK LICENSE AGREEMENT

This TRADEMARK LICENSE AGREEMENT (this "Agreement") is made and effective as of January _____, 2007 (the "Effective Date"), by and between Pennant Investment Advisers, LLC a Delaware limited liability company (the "Licensor" or "Adviser"), and Pennant Investment Corporation, a corporation organized under the laws of the State of Maryland ("Corporation") (each a "party," and collectively, the "parties").

RECITALS

WHEREAS, Adviser is the owner of the trade name "PENNANT" (the "Licensed Mark") and has filed an application to register the mark in the United States of America (the "Territory") for investment management, investment consultation and investment advisory services.

WHEREAS, Corporation is a newly organized closed-end management investment company that has filed notice with the Securities and Exchange Commission that it intends to elect to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act");

WHEREAS, the Corporation is entering into an investment advisory and management agreement with Adviser (the "Advisory Agreement"), wherein Corporation will engage Adviser to act as the investment adviser to the Corporation; and

WHEREAS, Corporation desires to use the Licensed Mark in connection with the operation of its business, and Adviser is willing to permit Corporation to use the Licensed Mark, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1.
LICENSE GRANT

1.1. License. Subject to the terms and conditions of this Agreement, Adviser hereby grants to Corporation, and Corporation hereby accepts from Adviser, a personal, non-exclusive, royalty-free right and license to use the Licensed Mark solely and exclusively as an element of Corporation's own corporate name and in connection with marketing the investment management, investment consultation and investment advisory services that Adviser may provide to Corporation. During the term of this Agreement, Corporation shall use the Licensed Mark only to the extent permitted under this License, and except as provided above, neither Corporation nor any affiliate, owner, director, officer, employee, or agent thereof shall otherwise use the Licensed Mark or any derivative thereof in the Territory without the prior express written consent of Adviser in its sole and absolute discretion and shall not use the Licensed Mark for any purpose outside the Territory. All rights not expressly granted to Corporation hereunder shall remain the exclusive property of Adviser.

1.2. Licensor's Use. Nothing in this Agreement shall preclude Licensor or any of its successors or assigns from using or permitting other entities to use the Licensed Mark, whether or not such entity directly or indirectly competes or conflicts with Corporation's business in any manner.

ARTICLE 2.
OWNERSHIP

2.1. Ownership. Corporation acknowledges and agrees that Adviser is the owner of all right, title, and interest in and to the Licensed Mark, and all such right, title and interest shall remain with the Adviser. Corporation shall not contest, dispute, challenge, oppose or seek to cancel Adviser's right, title, and interest in and to the Licensed Mark. Corporation shall not prosecute any application for registration of the Licensed Mark, or seek to register the Licensed Mark as a domain name or part of any domain name.

2.2. Goodwill. Corporation acknowledges that Corporation shall not acquire any right, title, or interest in the Licensed Mark by virtue of this Agreement other than the license granted hereunder, and disclaims any such right, title, interest, or ownership. All goodwill and reputation generated by Corporation's use of the Licensed Mark shall inure to the exclusive benefit of Adviser. Corporation shall not by any act or omission use the Licensed Mark in any manner that disparages or reflects adversely on Adviser or its business or reputation. Corporation shall not take any action that would interfere with or prejudice Adviser's ownership or registration of the Licensed Mark, the validity of the Licensed Mark or the validity of the license granted by this Agreement.

ARTICLE 3.
COMPLIANCE

3.1. Quality Control. In order to preserve the inherent value of the Licensed Mark, Corporation agrees to use reasonable efforts to ensure that it maintains the quality of the Corporation's business and the operation thereof equal to the standards prevailing in the operation of Adviser's and Corporation's business as of the date of this Agreement. Adviser shall oversee the quality of the services provided under the Licensed Mark by virtue of its role as investment adviser to the Corporation, and shall approve, prior to their use, all prospectuses, advertisements, and other materials upon which Corporation uses the Licensed Mark. The Corporation further agrees to use the Licensed Mark in accordance with such quality standards as may be reasonably established by Licensor and communicated to the Corporation from time to time in writing, or as may be agreed to by Licensor and the Corporation from time to time in writing.

3.2. Compliance With Laws. Corporation agrees that the business operated by it in connection with the Licensed Mark shall comply with all laws, rules, regulations and requirements of any governmental body in the Territory or elsewhere as may be applicable to the operation, advertising and promotion of the business and shall notify Adviser of any action that must be taken by Corporation to comply with such law, rules, regulations or requirements.

3.3. Notification of Infringement. Each party shall immediately notify the other party and provide to the other party all relevant background facts upon becoming aware of (a) any registrations of, or applications for registration of, marks in the Territory that do or may conflict with any Licensed Mark, and (b) any infringements, imitations, or illegal use or misuse of the Licensed Mark in the Territory. Adviser shall have the exclusive right, but not the obligation, to prosecute, defend and/or settle in its sole discretion, all actions, proceedings and claims involving any Third Party Infringement or Third Party Claim, and to take any other action that it deems necessary or proper for the protection and preservation of its rights in the Licensed Mark. Corporation shall cooperate with Adviser in the prosecution, defense, or settlement of such actions, proceedings, or claims.

ARTICLE 4.
REPRESENTATIONS AND WARRANTIES

4.1. Corporation acknowledges that Adviser has applied for registration in the Territory of PENNANT, that Adviser's application for registration has not yet been examined or approved for registration, and that Corporation accepts this license on an "as is" basis. Corporation acknowledges that Adviser makes no explicit or implicit representation or warranty as to the registrability, validity, enforceability, or ownership of the Licensed Mark, or as to Corporation's ability to use the Licensed Mark without infringing or otherwise violating the rights of others, and Adviser has no obligation to indemnify Corporation with respect to any claims arising from Corporation's use of the Licensed Mark.

4.2. Mutual Representations. Each party hereby represents and warrants to the other party as follows:

(a) Due Authorization. Such party is a corporation duly incorporated and in good standing as of the Effective Date, and the execution, delivery and performance of this Agreement by such party have been duly authorized by all necessary action on the part of such party.

(b) Due Execution. This Agreement has been duly executed and delivered by such party and, with due authorization, execution and delivery by the other party, constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(c) No Conflict. Such party's execution, delivery and performance of this Agreement do not: (i) violate, conflict with or result in the breach of any provision of the charter or by-laws (or similar organizational documents) of such party; (ii) conflict with or violate any law or governmental order applicable to such party or any of its assets, properties or businesses; or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of any contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which it is a party.

ARTICLE 5.
TERM AND TERMINATION

5.1. Term. This Agreement shall expire (a) upon expiration or termination of the Advisory Agreement; (b) if the Adviser ceases to serve as investment adviser to Corporation; (c) by Adviser or Corporation upon sixty (60) days' written notice to the other party, or (d) by Adviser at any time in the event Corporation assigns or attempts to assign or sublicense this Agreement or any of Corporation's rights or duties hereunder without the prior written consent of Adviser.

5.2. Upon Termination. Upon expiration or termination of this Agreement, all rights granted to Corporation under this Agreement with respect to the Licensed Mark shall cease, and Corporation shall immediately discontinue all use of the Licensed Mark. Corporation shall immediately change its corporate name by deleting the term "PENNANT." For twenty-four (24) months following termination of this Agreement, Corporation shall specify on all public-facing materials in a prominent place and in prominent typeface that Corporation is no longer operating under the Licensed Mark and is no longer associated with Licensor.

ARTICLE 6.
MISCELLANEOUS

6.1. Assignment. Corporation will not sublicense, assign, pledge, grant or otherwise encumber or transfer to any third party all or any part of its rights or duties under this Agreement, in whole or in part, without the prior written consent from Adviser, which consent Adviser may grant or withhold in its sole and absolute discretion. Any purported transfer without such consent shall be void *ab initio*.

6.2. Independent Contractor. Except as expressly provided or authorized in the Advisory Agreement, neither party shall have, or shall represent that it has, any power, right or authority to bind the other party to any obligation or liability, or to assume or create any obligation or liability on behalf of the other party.

6.3. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service (with signature required), by facsimile, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses:

If to Adviser:

Pennant Investment Advisers, LLC
445 Park Avenue, 9th Floor
New York, NY 10022
Tel. No.: (212) 307-3280
Fax No.: (212) 515-3451
Attn: Chief Compliance Officer

If to Corporation:

Pennant Investment Corporation
445 Park Avenue, 9th Floor
New York, NY 10022
Tel. No.: (212) 307-3280
Fax No.: (212) 515-3451
Attn: Chief Compliance Officer

6.4. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York . The parties unconditionally and irrevocably consent to the exclusive jurisdiction of the courts located in the State of New York and waive any objection with respect thereto, for the purpose of any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

6.5. Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by each party hereto.

6.6. No Waiver. The failure of either party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such party thereafter to enforce such provisions, and no waiver shall be binding unless executed in writing by all parties hereto.

6.7. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

6.8. Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

6.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original instrument and all of which taken together shall constitute one and the same agreement.

6.10. Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, between the parties with respect to such subject matter.

6.11. Third party Beneficiaries. Nothing in this Agreement, either express or implied, is intended to or shall confer upon any third party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

IN WITNESS WHEREOF, each party has caused this Agreement to be executed as of the Effective Date by its duly authorized officer.

ADVISER:

PENNANT INVESTMENT ADVISERS, LLC

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Manager

CORPORATION:

PENNANT INVESTMENT CORPORATION

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Chief Executive Officer

CREDIT AGREEMENT

dated as of February 6, 2007

between

Pennant SPV Company, LLC,
as Borrower,

and

Bear Stearns Investment Products Inc.,
as Lender

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CREDIT AGREEMENT (this "**Agreement**"), dated as of February 6, 2007 between Pennant SPV Company, LLC, a limited liability company organized under the laws of Delaware (the "**Borrower**") and Bear Stearns Investment Products Inc. (the "**Lender**").

W I T N E S S E T H :

WHEREAS, the Borrower has requested that the Lender establish an uncommitted credit facility to extend Loans to finance the Borrower's purchase of certain identified Proposed Assets in accordance with the provisions of this Agreement; and

WHEREAS, the Lender is willing to provide such financing to the Borrower subject to and upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises, mutual covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Certain Definitions

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

"**Accounts**" means, collectively, the Securities Account, the Principal Collection Account and the Interest Collection Account.

"**Actual Knowledge**" means, with respect to the Borrower, the earlier of actual knowledge of, or receipt of written notice by, a director or an officer (or other employee whose responsibilities include the administration of any transactions contemplated by the Loan Documents) of the Borrower; provided that the Borrower shall be deemed to have "Actual Knowledge" if the subject of such knowledge is otherwise publicly known or available.

"**Adjusted Purchase Price**" means, for any Asset on a date of determination, the sum of (i) the original Purchase Price of such Asset minus (ii) the aggregate amount of any repayments of principal and payments with respect to Purchased Accrued Interest received by the Borrower with respect to such Asset on or before such date.

"**Adverse Proceeding**" means any action, suit, proceeding (whether administrative, judicial or otherwise), governmental investigation or arbitration (whether or not purportedly on behalf of the Borrower) at law or in equity, or before or by any Governmental Authority, domestic or foreign, whether pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any property of the Borrower.

"**Affiliate**" of a particular Person means, at any time, (a) any other Person directly or indirectly controlling, controlled by, or under common control with, such Person and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of securities having ordinary voting power for the election of directors or other members of the governing body of a corporation or other Person, or 10% or more of any partnership or other ownership interests of any other Person. For purposes of this definition, "**control**" when used with respect to any particular Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities or partnership or other ownership interests, by contract or otherwise, and the terms "**controlling**" "**controlled by**" and "**under common control with**" have meanings correlative to the foregoing; provided, however, that under no circumstances shall the Collateral Manager be considered to be an Affiliate of any Person solely because any Loan Document contemplates that it may request or act at the instruction of any such Person or such Person's Affiliate. For purposes of this definition, (i) the management of an account by one Person for the benefit of any other Person shall not constitute "control" of such other Person, (ii) no entity shall be deemed an Affiliate of any Person solely because the independent director of such Person or any Affiliate of such independent director acts as director for such Person, and (iii) no entity shall be deemed an Affiliate of any Person solely because (A) such entity is a Portfolio Investment of such Person or any of such Person's Affiliates or (B) debt securities or equity securities of such entity and of such Person are owned by the Collateral Manager, the Borrower or any of their respective Affiliates (in each case, in the form of a Portfolio Investment) or by a Financial Sponsor.

"**Agreement**" means this Credit Agreement.

"**Applicable Margin**" means 175 bps.

"**Asset**" means any Proposed Asset which is purchased and owned by the Borrower using the proceeds of a Loan in accordance with the terms hereof.

"**Authorized Officer**" of a Person means with respect to any act to be performed by or on behalf of such Person, any director or officer of such Person duly authorized in or pursuant to such Person's Organizational Documents to perform such act or such other representative of such Person that is approved by the Lender in writing. No Person shall be deemed to be an Authorized Officer unless named on a certificate of incumbency of such Person delivered to the Lender on or after the date of this Agreement.

"Available Loan Amount" means Two Hundred Million Dollars and no cents (US$200,000,000.00).

"Bankruptcy Code" means Title 11 of the United States Code (11 U.S.C. §§ 101 et seq.), as amended, and any successor statute and/or any bankruptcy, insolvency, reorganization or similar law that may be applicable to the Borrower.

"**Borrower**" has the meaning specified in the preamble to this Agreement.

"Borrowing Base" means, with respect to any Asset on the date of determination, an amount equal to the purchase price for such Asset (expressed as a percentage of the principal amount thereof) multiplied by the then current outstanding principal amount of such Asset.

"Borrowing Date" means the date on which a Loan is made hereunder.

"Borrowing Period" means the period from, and including, the Closing Date to, but excluding, the Maturity Date.

"Borrowing Request" means a request by the Borrower for the Loan in accordance with Section 2.1 hereof, substantially in the form of Exhibit A hereto.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City and Chicago, Illinois are authorized or required by law to remain closed; provided that, when used in connection with a Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Cash Equivalents" means as at any date of determination: (i) marketable securities (a) issued or directly and unconditionally guaranteed as to interest and principal by the United States Government or (b) issued by any agency of the United States the obligations of which are backed by the full faith and credit of the United States, in each case maturing within one year after such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after such date and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P and at least P-1 from Moody's; (iii) commercial paper maturing no more than one year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P and at least P-1 from Moody's; (iv) demand and time deposits in, certificates of deposit of, or bankers' acceptances issued by the Lender or by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator) and (b) has Tier 1 capital (as defined in such regulations) of not less than $100,000,000 and, in each case, maturing within one year; (v) shares of any money market mutual fund that (a) has substantially all of its assets invested continuously in the types of investments referred to in subclauses (i) through (iv) above, (b) has net assets of not less than $500,000,000, and (c) is rated "AAA" by S&P and "Aaa" by Moody's; and (vi) any Security or debt instrument as the Lender may approve from time to time; *provided*, that notwithstanding the foregoing, the maturity date for any Cash Equivalent shall not be later than the date specified in clause (ii) of the definition of Maturity Date.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date hereof or (c) compliance by the Lender (or, for purposes of Section 3.3(b), by any lending office of the Lender or by the Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date hereof.

"Claim" means any liability (including in respect of negligence (whether passive or active or other torts), strict or absolute liability in tort or otherwise, warranty, latent or other defects (regardless of whether or not discoverable), statutory liability, property damage, bodily injury or death), obligation, loss, settlement, damage, penalty, claim, action, suit, proceeding (whether civil or criminal), judgment, penalty, fine and other legal or administrative sanction, judicial or administrative proceeding, cost, expense or disbursement, including reasonable legal, investigation and expert fees, expenses and reasonable related charges, of whatsoever kind and nature.

"Closing Date" means the date as of which each of the parties signs this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor statute.

"Collateral" means the Assets and any and all real and personal property which is subject or intended or required to be subject to the security interests or Liens granted by any of the Security Documents.

"Collateral Manager" means Parent.

"Contest Claim" means any Tax, assessment, fee, government charge or levy or any Lien or other claim or payment of any nature.

"Control Agreement" means the Account Control Agreement dated as of the Closing Date among the Borrower, the Lender and the Securities Intermediary pursuant to which the Accounts shall be established.

"Default" means any event or occurrence, which, with the passage of time or the giving of notice or both, would become a Termination Event.

"Dollars" or the sign "**$**" means United States dollars or other lawful currency of the United States of America.

"Eligibility Criteria" means with respect to the purchase of a Proposed Asset using the proceeds of a Loan:

(a) such Proposed Asset is a senior secured loan or debt obligation, the primary obligor of which is a corporation organized and existing under the laws of the United States or any State thereof; provided that up to 30% (by aggregate principal amount) of all Assets purchased by the Borrower may be obligations of entities organized and existing under the laws of the United Kingdom or a country in the Euro Zone;

(b) such Proposed Asset is permitted by its terms to be purchased by the Borrower and pledged to the Lender;

(c) such Proposed Asset is denominated and payable in U.S. Dollars; provided that up to 30% (by aggregate principal amount) of all Assets purchased by the Borrower

may be denominated in either Sterling or Euros and that the Borrower has entered into currency exchange or protection transactions acceptable to Lender in its sole and absolute discretion with respect to such non-Dollar denominated Assets;

(d) such Proposed Asset does not require the holder thereof to make any future advances thereon;

(e) such Proposed Asset, together with all other Assets issued or incurred by the obligor thereof or its Affiliates, has an aggregate principal amount not exceeding (i) $10,000,000 in the case of any Asset rated in the "B" or "B-" rating category (or its equivalent, in each case without regard to subcategories) by Standard & Poor's or higher; provided that with respect to any one obligor, the Lender may, in its sole discretion and at the Borrower's request, permit this $10,000,000 threshold to be increased to an amount determined by the Lender, and such increased threshold amount for such obligor shall apply for all purposes hereunder or (ii) $20,000,000, in the case of any Asset rated in the "BB" or "BB-" rating category (or its equivalent) or higher by Standard & Poor's.

(f) such Proposed Asset bears interest at a floating rate determined by reference to the London interbank rate for U.S. Dollar deposits, the prime rate, the applicable rate on U.S. Treasury bills, the federal funds rate or other customary index; provided that up to 25% of the Assets purchased by the Borrower may bear interest at a fixed rate, and the Borrower has entered into interest rate exchange or protection transactions acceptable to Lender in its sole and absolute discretion with respect to such fixed rate Assets;

(g) such Proposed Asset is not an Ineligible Asset;

(h) such Proposed Asset is not an obligation with respect to which taxes are required to be withheld by any relevant jurisdiction on payments to the Borrower, unless the related obligor is required to make additional payments to the Borrower to compensate the Borrower fully for such withholding taxes (taking into account any withholding taxes on such additional payments);

(i) such Proposed Asset has a stated final maturity date not more than ten (10) years after the date of purchase by Borrower;

(j) such Proposed Asset is rated (including a shadow rating to the extent evidence of such shadow rating satisfactory to the Lender has been provided to the Lender) at least B- by Standard & Poor's or at least B3 by Moody's; and

(k) such Proposed Asset is a type that banks or other institutional purchasers regularly purchase in primary or secondary market transactions.

Notwithstanding the foregoing, the Lender may, in its sole discretion and at the Borrower's request, permit any Proposed Asset failing to satisfy one or more of the foregoing Eligibility Criteria to be purchased using the proceeds of a Loan. After any such Asset is purchased by the Borrower, it shall be deemed to be an Eligible Asset and not be required to satisfy any Eligibility

Criteria that were not satisfied at the time of purchase, but shall otherwise be subject to each of the other Eligibility Criteria for all purposes hereunder.

"Eligible Assets" means any Asset that is not an Ineligible Asset.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Excluded Taxes**" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower under any Loan Document, (a) income or franchise taxes imposed on (or measured by) such recipient's net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) any withholding tax that is imposed on amounts payable to an assignee of the Lender or new lending office designated by the Lender, in each case, based on the law in effect as of the time such assignee becomes a party to the Credit Agreement (or designates a new lending office) or is attributable to the Lender's failure to comply with Section 3.1(e), except to the extent that the Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 3.1(a).

"**Federal Reserve Bank**" means the Federal Reserve Bank of the United States of America.

"**Federal Reserve Board**" means the Board of Governors of the Federal Reserve System of the United States of America.

"**Financial Sponsor**" means any Person whose principal business is (including through one or more direct or indirect subsidiaries) acquiring, holding and selling investments (including controlling interests) in otherwise unrelated companies that are distinct legal entities with separate management, books and records and bank accounts, whose operations are not integrated with one another, and whose financial condition and creditworthiness are independent of the other companies so owned by such Person and/or the subsidiaries of such Person.

"**GAAP**" means generally accepted accounting principles in the United States in effect from time to time.

"**Governmental Authority**" means any nation, state, sovereign, or government, any federal, regional, state, local or political subdivision and any other entity exercising executive, legislative, judicial, regulatory or administrative powers or functions of or pertaining to government.

"**Guarantee Obligations**" means, for any Person, without duplication, any financial obligation, contingent or otherwise, of such Person guaranteeing or otherwise supporting any Indebtedness or other obligation of any other Person in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay

(or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Indebtedness, (ii) to purchase property, securities or services for the purposes of assuring the owner of such Indebtedness of the payment of such Indebtedness, (iii) to maintain working capital, equity capital, available cash or other financial statement condition of the primary obligor so as to enable the primary obligor to pay such Indebtedness, (iv) to provide equity capital under or in the respect of equity subscription arrangements (to the extent that such obligation to provide equity capital does not otherwise constitute Indebtedness), or (v) to perform, or arrange for the performance of, any non-monetary obligations or non-funded debt payment obligations of the primary obligor.

"**Indebtedness**" of any Person means (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, (iv) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (v) all capitalized lease obligations of such Person, (vi) all obligations, contingent or otherwise, of such Person under acceptances issued or created for the account of such Person, (vii) all unconditional obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock or other equity interests of such Person or any warrants, rights or options held by others to acquire such capital stock or other equity interests, (viii) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (i) through (vii) above, and (ix) all Indebtedness of the type referred to in clauses (i) through (viii) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

"**Indemnified Taxes**" means Taxes other than Excluded Taxes.

"**Indemnitee**" has the meaning specified in Section 9.3(a) of this Agreement.

"**Ineligible Asset**" means (a) any Asset which is subject to or affected by an "event of default," a "termination event" or similar event under the applicable credit or loan agreement, indenture, or any other document or instrument governing or establishing the terms of such asset, (b) any Asset as to which the related obligor has failed to deliver any required financial statements (whether audited or unaudited) for a period of at least 30 days after the date when due under the applicable agreement or at any time thereafter, (c) any Asset which at any time fails to satisfy the Eligibility Criteria; and (d) any Asset which is likely to decline in credit quality and, with the passage of time fail to satisfy the Eligibility Criteria or is otherwise identified by the Borrower or the Lender in good faith as an Ineligible Asset.

"**Interest Collection Account**" means an account established with the Securities Intermediary pursuant to the Account Control Agreement to which Interest Proceeds shall be credited from time to time.

"Interest Period" means, for each Loan, (i) initially the period commencing on the date of the borrowing of such Loan and ending on the immediately succeeding Business Day and (ii) thereafter, each period commencing on the Business Day immediately succeeding the last day of the preceding Interest Period and ending on the immediately succeeding Business Day.

"Interest Proceeds" means at any time prior to the Maturity Date, (i) all payments of interest, fees and any other amounts (except for principal) received by the Borrower under or with respect to the Assets, (ii) without duplication, the total aggregate amount of any Cash Equivalents (including earnings thereon) in which any proceeds received by Borrower pursuant to clause (i) above have been invested, and (iii) proceeds from the disposition of any Asset in an aggregate amount equal to accrued and unpaid interest on the Assets.

"Legal Requirement" means any statute, law, regulation, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement, directive, guideline, policy requirement or other governmental restriction or any similar form of decision of or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, which is applicable to the Borrower or its assets and properties, whether now or hereafter in effect.

"Lender" has the meaning set forth in the preamble of this Agreement.

"LIBOR" means, with respect to a Loan, for each Interest Period:

(a) the rate per annum equal to the rate determined by the Lender to be the offered rate that appears on the page of the Telerate Screen that displays an average British Bankers Association Interest Settlement Rate (such page currently being page number 3750) for deposits in Dollars (for delivery on the first day of such Interest Period) with a term of one month, determined as of approximately 11:00 a.m. (London time) on the first day of such Interest Period; or

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum (carried out to the fifth decimal place) equal to the rate determined by Lender (after consultation with the Borrower) to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term of one month, determined as of approximately 11:00 a.m. (London time) on the first day of such Interest Period; or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum determined by the Lender as the rate of interest at which dollar deposits (for delivery on the first day of such Interest Period) in same day funds in the approximate amount of the applicable Loan and with a 30-day term would be offered by its London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) on the first day of such Interest Period.

"Lien" means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any sale-leaseback arrangement, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing, and the filing of any financing statement or similar instrument under the Uniform Commercial Code or comparable Legal Requirement.

"Loan" has the meaning specified in Section 2.1 hereof.

"Loan Documents" means this Agreement, any Notes, the Security Documents and each other document or instrument relating to or effecting the transactions contemplated hereby or thereby.

"Material Adverse Effect" means a materially adverse change in (a) the portfolio of Assets or the business, property, prospects, financial condition or results of operation of the Borrower, (b) the ability of the Borrower to perform or comply with any of its material obligations under any of the Loan Documents to which it is a party or (c) the validity, perfection or priority of the liens on the Collateral in favor of the Lender.

"Material Contracts" means any contract or other arrangement to which the Borrower is a party (other than the Loan Documents) for which breach, nonperformance, cancellation or failure to renew could reasonably be expected to have a Material Adverse Effect.

"Maturity Date" means the earliest of (i) the Parent Offering Closing Date, (ii) June 30, 2007, (iii) the Termination Date and (iv) a date mutually agreed by the parties hereto, as such date may be extended at the request of the Borrower with the consent of the Lender, in its sole and absolute discretion.

"Moody's" means Moody's Investors Service, Inc. and any successor thereto which is a nationally recognized rating agency.

"Note" means a promissory note issued by the Borrower in favor of the Lender evidencing Loans made by the Lender, substantially in the form of Exhibit B hereto.

"Obligations" means all obligations, liabilities and indebtedness of every nature of the Borrower from time to time owing to the Lender under any Loan Document including, without limitation, (i) all principal, interest, and fees, (ii) any amounts (including, without limitation, insurance premiums, licensing fees, recording and filing fees, and Taxes) the Lender expends on behalf of the Borrower because the Borrower fails to make any such payment when required under the terms of any Loan Document, and (iii) all amounts required to be paid under any indemnification, cost reimbursement or similar provision.

"Organizational Documents" means, (i) with respect to any limited liability company or corporation, its memorandum and articles of association and (if applicable) its operating agreement, or its certificate or articles of incorporation or organization, and its by-laws, in each case as amended from time to time, or (ii) with respect to any limited or general partnership, its certificate of limited partnership, as amended, and its partnership agreement and (if applicable)

its certificate of limited partnership, in each case as amended from time to time. In the event any term or condition of this Agreement or any other Loan Document requires any Organizational Document to be certified by a secretary of state or similar governmental official, the reference to any such "Organizational Document" shall only be to a document of a type customarily certified by such governmental official.

"**Other Taxes**" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under this Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"**Parent**" means Pennant Investment Corporation, a Delaware corporation.

"**Parent Offering Closing Date**" means the date when the Parent Offering Transaction is completed and the proceeds from the issuance of the securities by the Parent are received in connection therewith.

"**Parent Offering Transaction**" means the initial public offering or private placement of equity securities of the Parent pursuant to the Securities Act and the rules and regulations promulgated thereunder.

"**Payment Date**" means the Maturity Date or any other date when any payment may be due in accordance with the terms hereof.

"**Person**" means any individual, corporation, cooperative, partnership, joint venture, association, joint-stock company, limited liability company, other entity, trust, unincorporated organization or Governmental Authority or other entity of whatever nature.

"**Portfolio Investment**" means an investment made by the Collateral Manager, the Borrower or any of their respective Affiliates in the ordinary course of business of such Person in another Person, which investment is accounted for under GAAP as a portfolio investment of the Collateral Manager, the Borrower or such Affiliate, as applicable.

"**Principal Collection Account**" means an account established with the Securities Intermediary pursuant to the Account Control Agreement to which Principal Proceeds shall be credited from time to time.

"**Principal Proceeds**" means at any time prior to the Maturity Date (a) the proceeds of any repayment of principal of any Assets received, (b) the proceeds (other than accrued interest) of any sale of an Ineligible Asset received, net of any reasonable expenses of such sale incurred by the Borrower, and (c) proceeds from the Parent Offering Transaction in an aggregate amount that includes, for each Eligible Asset, the Adjusted Purchase Price of such Asset as of the Maturity Date.

"**Proceeds**" means "proceeds" as such term is defined in the UCC or under other relevant law and, in any event, shall include, but shall not be limited to, (i) any and all proceeds of, or amounts (in whatsoever form, whether cash, securities, property or other assets) received under

or with respect to, any insurance, indemnity, warranty or guaranty payable to the Borrower from time to time, and claims for insurance, indemnity, warranty or guaranty effected or held for the benefit of the Borrower, in each case with respect to any of the Collateral, (ii) any and all payments (in any form whatsoever, whether cash, securities, property or other assets) made or due and payable to the Borrower from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any person acting under color of Governmental Authority), and (iii) any and all other amounts (in any form whatsoever, whether cash, securities, property or other assets) from time to time paid or payable under or in connection with any of the Collateral (whether or not in connection with the sale, lease or other disposition of the Collateral).

"Proposed Asset" means any asset identified by the Borrower (or the Collateral Manager on the Borrower's behalf) that the Borrower proposes to purchase, including any Purchased Accrued Interest and any interest rate or other hedging arrangement with respect to any such asset.

"Purchase Price" means, with respect to a Proposed Asset, the net aggregate amount (including any Purchased Accrued Interest) paid or to be paid by the Borrower to purchase such Proposed Asset, including all upfront fees payable by or paid to the Borrower, including any assignment fees payable by the Borrower, in connection therewith.

"Purchase Request" means a request by the Borrower or the Collateral Manager to the Lender to purchase a Proposed Asset in accordance with Section 2.1 hereof, such request in the form reasonably acceptable to the Lender.

"Purchased Accrued Interest" means, with respect to any Asset, an amount equal to the amount of Loan proceeds, if any, applied towards the purchase of accrued and unpaid interest on such Asset.

"Register" has the meaning specified in Section 6.18.

"Responsible Officer" means, when used with respect to the parties hereto, any officer, including any vice president, assistant vice president, treasurer, assistant treasurer, secretary, assistant secretary, director, manager or any other officer of such party who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively.

"Secured Party" means the Lender.

"Securities Account" has the meaning specified in the Control Agreement.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Intermediary" means LaSalle Bank National Association.

"Security Agreement" means, the Pledge and Security Agreement between the Borrower as grantor and the Lender as secured party dated as of the date hereof and in form and substance satisfactory to the Lender.

"Security Documents" means, if applicable, any Security Agreement, the Account Control Agreement and each other document or instrument designated as such by the Lender from time to time, including any applicable UCC financing statement filed in connection with any Security Agreement.

"**S&P**" or "**Standard & Poor's**" means Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc. or any successor thereto.

"**Tax**" or "**Taxes**" means all present or future fees, taxes (including, without limitation, income taxes, sales taxes, use taxes, stamp taxes, value-added taxes, excise taxes, *ad valorem* taxes and property taxes (personal and real, tangible and intangible)), levies, assessments, withholdings and other charges and impositions of any nature, including pursuant to any Contest Claim, plus all related interest, penalties, fines and additions to tax, now or hereafter imposed by any federal, state, local or foreign government or other taxing authority.

"**Termination Date**" means any date on which the entire unpaid principal amount of the Loan (and certain other amounts) become due and payable pursuant to Section 8.2 of this Agreement.

"**Termination Event**" means any of the events specified in Section 8.1 of this Agreement.

"**Trade Ticket**" means, with respect to any Proposed Asset, a fully completed trade ticket substantially in the form of Schedule 1 to the form of Borrowing Request set forth in Exhibit A.

"**Uniform Commercial Code**" or "**UCC**" means the New York Uniform Commercial Code, as in effect from time to time.

Section 1.2 Interpretation

Any of the terms defined herein may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. References herein to any Section, Appendix, Exhibit or Schedule shall be to a Section, an Appendix an Exhibit or a Schedule, as the case may be, of this Agreement unless otherwise specifically provided. The words "hereof," "herein," "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of such document unless specified otherwise. The use herein of the word "include" or "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation" or "but not limited to" or words of similar import) is used with reference thereto, but rather shall be deemed

to refer to all other items or matters that fall within the broadest possible scope of such general statement, term or matter.

ARTICLE II

THE CREDIT FACILITY

Section 2.1 Available Loan Amount; Use of Proceeds

(a) During the Borrowing Period, subject to the terms and conditions set forth herein, the Lender hereby establishes an uncommitted credit facility pursuant to which the Lender may extend revolving loans to the Borrower from time to time (each a "**Loan**" and collectively the "**Loans**") in an aggregate principal amount not to exceed at any time the Available Loan Amount. Amounts borrowed pursuant to this Section 2.1(a) may be repaid and reborrowed during the Borrowing Period. The facility provided hereby shall expire at the end of the Borrowing Period. The Borrower unconditionally promises to pay to the Lender the total outstanding principal amount of the Loans, all accrued and unpaid interest thereon and all other amounts owed to the Lender hereunder on the Maturity Date.

(b) The proceeds of the Loans shall be used solely to fund the Purchase Price of Proposed Assets and shall be so applied by the Borrower on each Borrowing Date or not later than the second Business Day thereafter.

(c) (i) Whenever the Borrower desires to purchase a Proposed Asset and incur a Loan to finance such purchase, the Borrower or the Collateral Manager shall submit a Purchase Request to the Lender identifying such Proposed Asset and the maximum principal amount thereof to be purchased. Each Purchase Request delivered to the Lender shall be accompanied by the following with respect to each Proposed Asset:

(A) electronic copies of all related information memoranda, the most recent annual and quarterly financial statements and the most recent covenant compliance certificates of the related obligor, that have been delivered by or on behalf of such obligor or any applicable agent bank, and

(B) such information and underlying instruments relating to the corresponding Proposed Asset and the obligors thereon as the Lender may reasonably require.

(ii) Within three Business Days after the date when the Borrower submits a Purchase Request, the Lender shall notify the Borrower whether it accepts or rejects such Purchase Request. Failure by the Lender to respond to a Purchase Request shall be deemed to be a rejection thereof. The Lender shall have sole and absolute discretion to accept or reject any Purchase Request submitted pursuant to this Section 2.1(c)(i); provided that the Borrower may resubmit any rejected or deemed rejected Purchase Request to the Lender for reconsideration in accordance with the terms hereof.

(iii) If the Lender notifies the Borrower that a Purchase Request is accepted, the Borrower or the Collateral Manager may deliver to the Lender a Borrowing Request including a Trade Ticket with respect to each Proposed Asset. Any Borrowing Request must be received by the Lender no later than seven (7) calendar days after the date on which the Lender notifies the Borrower of its acceptance of the related Purchase Request. The Lender shall be entitled to rely on any Borrowing Request delivered by email purporting to be from the Borrower or the Collateral Manager, and such delivery by email shall be deemed to constitute the due execution thereof. Failure by the Borrower to deliver a Borrowing Request within such seven (7) day period shall be deemed to be a rejection thereof. The Borrower hereby acknowledges and agrees that the Lender may, on the Borrower's behalf, complete the Borrowing Request by inserting the requested Borrowing Date and the aggregate amount of the Loan to be incurred as contemplated by the applicable Trade Ticket, to the extent such information is not available to the Borrower at the time such Borrowing Request is delivered to the Lender.

(iv) Upon satisfaction of the applicable conditions precedent set forth in Section 4.2, the Lender will make the requested Loan available to the Borrower on the applicable Borrowing Date by wire transfer of immediately available funds in Dollars, applied directly to consummate the purchase of each Proposed Asset for which a Trade Ticket was included with the applicable Borrowing Request.

Section 2.2 Use of Proceeds

On each Borrowing Date, the Borrower shall apply proceeds of the applicable Loan to pay the purchase price of Proposed Assets to be acquired by the Borrower on or promptly after such date, and the proceeds of the initial Loan shall also be applied to pay certain expenses of the Borrower. All Assets purchased by the Borrower shall be credited to the Securities Account. Pending any such use, the Borrower shall invest the proceeds of any Loans in Cash Equivalents. No portion of the proceeds of the Loans shall be used in any manner that causes or might cause the Loans or the application of proceeds of the Loans to violate Regulation T, Regulation U or Regulation X (or any other regulation) of the Board of Governors of the Federal Reserve Bank or to violate the Securities Act or the Exchange Act. All Assets purchased with the proceeds of Loans shall be reflected in the records of the Lender and the Securities Intermediary; provided that the failure to so record any such Asset shall not affect the Lender's rights with respect thereto.

Section 2.3 Interest

(a) Each Loan shall bear interest on the unpaid principal amount thereof at a rate per annum equal to LIBOR plus the Applicable Margin from the related Borrowing Date through the date of repayment (whether by acceleration or otherwise).

(b) Notwithstanding the foregoing, if any principal of or interest on the Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, both before and after judgment, at a rate per annum equal to 2% plus the rate otherwise applicable to the

Loan as provided in the preceding paragraph of this Section, and unpaid interest on past due amounts shall be due and payable on demand.

(c) Accrued interest on the Loan shall be payable to the Lender in arrears on the Maturity Date and at such other times as may be specified herein.

(d) All interest hereunder shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed in each Interest Period (including the first day but excluding the last day). The applicable LIBOR shall be determined by the Lender, and such determination shall be conclusive absent manifest error.

Section 2.4 Repayment of Loan; Priority of Payments

(a) On the Maturity Date, any Termination Date or as may be otherwise specified herein, the Borrower shall repay to the Lender the aggregate principal amount of the Loans outstanding; provided, that the Borrower shall pay principal of the Loans by application of all amounts held in the Principal Collection Account and in the Interest Collection Account in accordance with the priority of payments set forth in subsections 2.4(b) and (c). The parties hereto acknowledge and agree that, except as expressly provided in Sections 2.4(b) and (c), no costs or expenses of the Borrower shall be paid with amounts held in the Principal Collection Account or the Interest Collection Account except for assignment fees included in the Purchase Price of any Asset and as provided in Section 2.4(b)(ii)(C) or Section 2.4(c)(iii).

(b) Amounts held in the Principal Collection Account will be applied on the Maturity Date or as may be otherwise specified herein:

(i) to repay the outstanding principal amount of the Loans,

(ii) to the extent any amounts payable under Subsection 2.4(c)(i) or (ii) are not paid in full after application of all amounts held in the Interest Collection Account, in accordance with the following priorities:

(A) to pay interest accrued under the Loans and any other amounts owing to the Lender hereunder (other than the outstanding principal amount of the Loans);

(B) to pay any fees, expenses and indemnities of the Securities Intermediary, but only to the extent that such fees relate to services provided by the Control Agreement in connection with the Loan Documents or the Assets ; and

(C) [reserved], and.

(iii) the remaining amount, if any, to the Borrower.

(c) Amounts held in the Interest Collection Account will be applied on the Maturity Date or as may be otherwise specified herein:

(i) to pay interest accrued under the Loans and any other amounts owing to the Lender hereunder (other than the outstanding principal amount of any Loans);

(ii) to pay any fees, expenses and indemnities of the Securities Intermediary, but only to the extent that such fees relate to services provided by the Control Agreement in connection with the Loan Documents or the Assets;

(iii) [reserved];

(iv) to repay the outstanding principal amount of the Loans until fully repaid, but only to the extent any such outstanding principal amount is not paid in full after payment is applied in accordance with subsection 2.4(b)(i) as a result of defaults, delinquencies or losses on the Assets; and

(v) the remaining amount, if any, to the Borrower, to be retained in the Principal Collection Account until the Maturity Date and the payment of all amounts owed to the Lender hereunder.

Section 2.5 Prepayments

(a) Optional Prepayments**.** The Borrower may voluntarily prepay any Loan in whole or in part at any time prior to the Maturity Date upon one (1) prior Business Day's notice to Lender.

(b) Mandatory Prepayments.

(i) If any change occurs after the date hereof in any Legal Requirement or in the interpretation or application thereof by any authority charged with the interpretation or administration thereof or by any court of competent jurisdiction which shall make it unlawful for the Lender to maintain any or all of the outstanding Loans as contemplated by this Agreement, such Loans shall be prepaid on the Business Day following receipt by the Borrower of notice from the Lender or, if allowed by the relevant Legal Requirement, on the last day of the then current Interest Period. Any accrued interest on the amount being prepaid pursuant to this Subsection 2.5(b)(i) shall be paid on the Maturity Date. If, as a result of such change in a Legal Requirement or in the interpretation or application thereof, any prepayment of the Loan must occur on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to the Lender such amounts, if any, as may be required pursuant to Section 3.4 with respect to such prepayment.

(ii) Any Principal Proceeds resulting from

(A) the sale of any Asset prior to the Maturity Date or

(B) a repayment of principal of any Asset prior to the Maturity Date, shall be deposited in the Principal Collection Account and shall be applied one Business Day thereafter to repay a portion of the outstanding principal amount of the related Loans as set forth in Section 2.4(b).

(iii) In addition, the Borrower shall repay the principal amount of the Loans, in whole or in part, in an amount equal to the excess of the principal amount of the Loans outstanding over 100% of the then current Borrowing Base, which payment shall be made not later than the 15th day after the occurrence of such deficiency. Any accrued interest on the amount being prepaid pursuant to this Subsection 2.5(b)(iii) shall be paid on the next following Payment Date.

Section 2.6 Payments Generally

(a) Each payment by the Borrower hereunder (whether of principal, interest, fees or any other amount) shall be made prior to 12:00 noon, New York City time, on the date when due, in Dollars in immediately available funds, without condition or deduction for any counterclaim, defense, recoupment or setoff. Any amounts received after such time on any date may, in the discretion of the Lender, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the account of the Lender as follows:

CITIBANK, N.A.
ABA number 021-000-089
A/C: Bear Stearns Securities, Corp.
Account number 0925-3186
For Further Credit To: 096-00220-28
Attn: Evan Kaufman

or such other account as may hereafter be designated by the Lender in writing. The Lender shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly upon receipt thereof, in like funds as received.

(b) If any payment to be made by the Borrower under any Loan Document becomes due and payable on a day other than a Business Day, the date for payment shall be extended to the next succeeding Business Day, and such extension of time shall be reflected in computing interest or fees.

Section 2.7 Evidence of Indebtedness; Notes

The Loans shall be evidenced by one or more accounts or records maintained by the Lender in the ordinary course of business. The accounts or records maintained by the Lender shall be conclusive absent manifest error of the amount of each Loan made by the Lender to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. Upon the request of the Lender, the Borrower shall execute and deliver to the Lender a Note, which shall evidence the Lender’s Loans in

addition to such accounts or records. The Lender may attach schedules to its Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

ARTICLE III

TAXES AND YIELD PROTECTION

Section 3.1 Taxes

(a) Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of, and without deduction or withholding for, any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Legal Requirements. If any amounts are payable in respect of Indemnified Taxes or Other Taxes pursuant to the preceding sentence, then the Borrower shall be obligated to reimburse the Lender, upon the written request of such Lender, for taxes imposed on or measured by the net income of such Lender pursuant to the laws of the jurisdiction in which such Lender is organized or in which the principal office or applicable lending office of such Lender is located and for any withholding of taxes as such Lender shall determine are payable by, or withheld from, such Lender in respect of such amounts so paid to or on behalf of such Lender pursuant to the preceding sentence and in respect of any amounts paid to or on behalf of such Lender pursuant to this sentence.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Legal Requirements.

(c) The Borrower shall indemnify the Lender, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Lender, on or with respect to any payment by or on account of any obligation of the Borrower hereunder or under any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(e) Any Lender or assignee that is not a United States person (within the meaning of Section 7701(a) of the Code shall deliver to the Borrower, prior to receipt of any payment subject to withholding under the Code, a duly signed completed copy of either IRS Form W-8BEN or any successor thereto (relating to the Lender and entitling it to an exemption from, or reduction of, withholding tax on all payments to be made to it by the Borrower pursuant to this Agreement)) or IRS Form W 8ECI or any successor thereto (relating to all payments to be made to the Lender by the Borrower pursuant to this Agreement) or such other evidence satisfactory to the Borrower that the Lender is entitled to an exemption from, or reduction of, U.S. withholding tax, including any exemption pursuant to Section 881(c) of the Code. Thereafter and from time to time, the Lender shall (A) promptly submit to the Borrower such additional duly completed and signed copy of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to the Borrower of any available exemption from or reduction of, United States withholding taxes in respect of all payments to be made to the Lender by the Borrower pursuant to this Agreement, and (B) promptly notify the Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

Section 3.2 Alternate Rate of Interest

If prior to the commencement of any Interest Period, (a) the Lender determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining LIBOR for such Interest Period or (b) the Lender estimates that LIBOR determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to the Lender of making or maintaining the Loan for such Interest Period, the Lender shall give notice thereof to the Borrower by telephone or telecopy as promptly as practicable thereafter. The rate of interest on the Loan for each Interest Period thereafter will be the average cost of funds for the Lender, as reasonably determined by the Lender, plus the Applicable Margin.

Section 3.3 Increased Costs

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender (including any reserve established by the Federal Reserve Board) or change the basis of taxation of payments made under this Agreement (other than a change in the rate of tax based on the net income of the Lender or assignee); or

(ii) impose on the Lender or the London interbank market any other condition affecting this Agreement or the Loan made by the Lender;

and the result of any of the foregoing shall be to increase the cost to the Lender of making or maintaining the Loan (or of maintaining its obligation to make the Loan) or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or

otherwise), then the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(b) If the Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement or the Loan made by the Lender, to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

(c) A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of the Lender to demand compensation pursuant to this Section shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to this Section for any increased costs or reductions incurred more than 180 days prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of the Lender's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 3.4 Funding Losses

The Borrower agrees to indemnify the Lender and to hold the Lender harmless from any loss or expense which the Lender may sustain or incur as a consequence of any failure by the Borrower (for a reason other than the wrongful failure of the Lender to make the Loan) to borrow or prepay the Loan on the date or in the amount notified by the Borrower. The Lender demanding indemnification for any loss or expense sustained or incurred by it pursuant to this Section 3.4 shall, at the time of such demand, deliver to the Borrower a certificate specifying in reasonable detail the additional amount to be paid to it for any such loss or expense. Each determination by the Lender of the amounts owing to it pursuant to this Section 3.4 shall be conclusive and binding in the absence of manifest error.

Section 3.5 Duty to Mitigate

If the Borrower is required to pay any additional amount to the Lender or any Governmental Authority for the account of the Lender pursuant to Section 3.1, or if the Lender requests compensation under Section 3.3, or if the Borrower would be required to prepay the Loan of the Lender pursuant to Section 2.5(b)(i), then the Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loan hereunder or to assign its

rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of the Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.1 or 3.3 or avoid the prepayment under Section 2.5(b)(i), as the case may be, in the future and (ii) would not subject the Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to the Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by the Lender in connection with any such designation or assignment.

Section 3.6 Survival

All of the Borrower's obligations under this Article 3 shall survive the payment in full of all Obligations.

ARTICLE IV

CONDITIONS PRECEDENT

Section 4.1 Conditions Precedent on the Closing Date

The Lender may advance the initial Loan hereunder on or after the Closing Date subject to the satisfaction of each of the following requirements on or before the Closing Date:

(a) Loan Documents**.** The Lender shall have received each Loan Document originally executed and delivered by the Borrower and, to the extent applicable, the Parent.

(b) Organizational Documents; Incumbency. The Lender shall have received

(i) a certificate of a director or officer of each of the Borrower and the Parent in a form reasonably satisfactory to the Lender, certifying as appropriate as to:

(A) copies of its organizational or constitutional documents, including its limited liability company operating agreement or articles of incorporation, as applicable, as in effect on the Closing Date certified by the appropriate governmental official, if applicable;

(B) resolutions approving all actions taken by the Borrower or the Parent, as applicable, in connection with this Agreement and the other Loan Documents ; and

(C) the names of the directors or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of each such director or officer and specifying the Authorized Officers permitted to act on behalf of the Borrower or the Parent, as applicable, for purposes of this Agreement and the Loan Documents and the true signatures of such officers, on which the Lender may conclusively rely ; and

(ii) such other documents as the Lender may reasonably request.

(c) Governmental Authorizations and Consents**.** Each of the Borrower and the Parent shall have obtained all Governmental Authorizations, and all consents and waivers of other Persons, in each case that are necessary or advisable in connection with the transactions contemplated by the Loan Documents, and each Loan Document shall be in full force and effect and in form and substance reasonably satisfactory to the Lender.

(d) Opinion of Counsel to the Company. The Lender shall have received originally executed copies of the written opinion of Dechert LLP, New York counsel to the Borrower, dated as of the Closing Date and covering certain corporate matters, perfection of the security interest in the Assets, non-consolidation of the Borrower and certain other matters, in form and substance reasonably satisfactory to such Lender (and the Borrower hereby instructs such counsel to deliver such opinion to the Lender).

(e) Opinion of Counsel to the Securities Intermediary**.** The Lender shall have received originally executed copies of the written opinion of Kaye Scholer LLP, Illinois counsel to the Securities Intermediary, dated as of the Closing Date and covering the perfection of the security interest in the Assets, in form and substance reasonably satisfactory to such Lender.

(f) Borrower Equity. The Lender shall have received evidence satisfactory to it that the Borrower shall have equity capital in an amount at least equal to $1,000,000, and that such amount shall have been deposited in the Principal Collection Account.

Section 4.2 Conditions to each Borrowing

The Lender may, in its sole and absolute discretion, extend any Loan on any Borrowing Date, including the Closing Date, subject to the satisfaction of each of the following conditions precedent:

(a) Purchase Request. The Lender shall have received a Purchase Request in accordance with Section 2.1(c)(i), and all related documents, materials and information contemplated in subsections (A) and (B) thereof.

(b) Borrowing Request**.** The Lender shall have received a Borrowing Request in accordance with Section 2.1(c)(ii).

(c) Bring-Down**.** As of the Borrowing Date, the Borrower shall have confirmed in the Borrowing Request that the representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects on and as of the Borrowing Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date.

(d) No Default**.** As of the Borrowing Date, the Borrower shall have confirmed in the Borrowing Request that no event shall have occurred and be continuing or would result from the consummation of the Loan that would constitute a Default or a Termination Event;

(e) No Termination Event**.** No Termination Event shall have occurred and be continuing or shall occur as a result of the Loan.

(f) No Material Adverse Effect**.** Since the Closing Date, no event or circumstances shall have occurred which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect.

(g) Perfected Security Interest**.** The Lender shall have perfected first priority security interests in the Collateral pursuant to the Security Documents.

(h) Eligibility Criteria. The Proposed Assets described in the applicable Borrowing Request shall satisfy the Eligibility Criteria on the applicable Borrowing Date.

(i) Lender Acceptance. The Lender shall, in its absolute and sole discretion, accept the Purchase Request and consent to extending the Loan for the Purchase Price of the Proposed Assets in accordance therewith and with the corresponding Borrowing Request.

The Lender shall be entitled, but not obligated to request and receive, prior to extending any Loan, additional information reasonably satisfactory to the Lender confirming the satisfaction of any of the requirements set forth in Section 4.1 if, in the good faith judgment of the Lender such request is warranted under the circumstances.

Section 4.3 Notices

Any notice shall be executed by an Authorized Officer in a writing delivered to the Lender. In lieu of delivering a notice, the Borrower may give the Lender facsimile notice by the required time for any proposed Loan; provided each such notice shall be promptly confirmed in writing by delivery of the applicable Borrowing Request to the Lender on or before the applicable Borrowing Date. The Lender shall not incur any liability to the Borrower in acting upon any facsimile notice referred to above that the Lender believes in good faith to have been given by a duly Authorized Officer or other person authorized on behalf of the Borrower or for otherwise acting in good faith.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce the Lender to enter into this Agreement and to make the Loan to be made thereby, the Borrower represents and warrants to the Lender, on the Closing Date and the Borrowing Date, that the following statements are true and correct:

Section 5.1 Organization; Requisite Power and Authority; Qualification

The Borrower (a) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into the Loan Documents and to carry out the transactions contemplated thereby and (c) is qualified to do business and in good standing wherever necessary to carry out its business and operations, except in jurisdictions where the failure to be so qualified or in good standing has not had, and could not be reasonably expected to have, a Material Adverse Effect.

Section 5.2 Due Authorization

The execution, delivery and performance of the Loan Documents have been duly authorized by all necessary action on the part of the Borrower, and to the extent applicable, the Parent.

Section 5.3 No Conflict

The execution, delivery and performance by the Borrower of the Loan Documents and the consummation of the transactions contemplated by the Loan Documents do not and will not (a) violate any provision of any law or any governmental rule or regulation applicable to the Borrower, any of the Organizational Documents of the Borrower, or any order, judgment or decree of any court or other agency of government binding on the Borrower or (to the best of the Borrower's knowledge or belief) to which the Collateral is subject; (b) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any of the terms, conditions or provisions of any Obligation of the Borrower (or to the best of the Borrower's knowledge or belief) to which the Collateral is subject; (c) result in or require the creation or imposition of any Lien upon any of the properties or assets of the Borrower (other than any Liens created under any of the Loan Documents in favor of the Lender or (d) require any approval of stockholders, members or partners or any approval or consent of any Person under any Obligation of the Borrower, except for such approvals or consents which will be obtained on or before the Closing Date, except, in each case, where the failure to so comply could not be reasonably expected to have, a Material Adverse Effect.

Section 5.4 Governmental Consents

The execution, delivery and performance by the Borrower of the Loan Documents and the consummation of the transactions contemplated by the Loan Documents do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority, except (i) for any UCC filing made or to be made on the Closing Date and any UCC continuation statement that will be required to be filed.

Section 5.5 Binding Obligation

Each Loan Document has been duly executed and delivered by the Borrower and, when executed and delivered by the other parties thereto, is the legally valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its respective terms, except

as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

Section 5.6 No Employee

The Borrower has never had any employees.

Section 5.7 No Material Adverse Effect

Since the formation of the Borrower, no event, circumstance or change has occurred that has caused or evidences, either in any case or in the aggregate, a Material Adverse Effect, including (without limitation) with respect to any Material Contracts to which the Borrower or any of its Affiliates is a party.

Section 5.8 Adverse Proceedings, etc

There are no Adverse Proceedings, individually or in the aggregate, that could reasonably be expected to have a Material Adverse Effect. The Borrower is not (a) in violation of any applicable laws that individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect or (b) subject to or in default with respect to any final judgments, writs, injunctions, decrees, rules or regulations of any court or any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9 Payment of Taxes

All tax returns and reports of the Borrower required to be filed have been timely filed, and all taxes shown on such tax returns to be due and payable and all assessments, fees and other governmental charges upon the Borrower and upon its properties, assets, income, businesses and franchises which are due and payable have been paid when due and payable. The Borrower knows of no proposed tax assessment against the Borrower. The Borrower is not subject to United States federal, state or local income or franchise tax on a net income basis or to United States federal branch profits tax.

Section 5.10 No Liens

The Borrower owns all of the Collateral free and clear of any Lien or any equity or participation interest or any restrictions on transferability (other than those restrictions included in the terms of such instruments), except for the Liens created under this Agreement and the other Loan Documents.

Section 5.11 No Defaults

The Borrower is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any of its Obligations, and no condition exists which, with the giving of notice or the lapse of time or both, could constitute such a default,

except where the consequences, direct or indirect, of such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

Section 5.12 Governmental Regulation

The Borrower is not required to register as an investment company under the Investment Company Act of 1940, as amended.

Section 5.13 Margin Stock

The Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any Margin Stock, as defined in regulation U of the Federal Reserve Board. No part of the proceeds of the Loan made to the Borrower will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock or for any purpose that violates, or is inconsistent with, the provisions of Regulation T, U or X of the Federal Reserve Board.

Section 5.14 No Debt

The Borrower has not incurred any Indebtedness or other material liabilities except with respect to amounts owed under this Agreement and the other Loan Documents.

Section 5.15 No Subsidiaries

The Borrower has no subsidiaries or Affiliates.

Section 5.16 Special Purpose Entity

The Organizational Documents of the Borrower do not permit it to engage in any business or activity other than incurring the indebtedness comprising the Loans and acquiring, owning, managing, holding and pledging to the Lender the Assets (and engaging in any other activities that are incidental to the foregoing), require it to maintain proper books of account and require it to maintain at all times at least one director who is independent of the Parent or any of its Affiliates.

Section 5.17 Real Estate Assets

The Borrower does not own any interest (fee, leasehold or otherwise) in any real property other than security interests in real estate collateral with respect to the Assets.

Section 5.18 Compliance with Statutes

The Borrower is in compliance in all material respects with all applicable statutes, regulations and orders of, and all applicable restrictions imposed by, all Governmental Authorities, in respect of the conduct of its business and the ownership of its property and assets.

ARTICLE VI

AFFIRMATIVE COVENANTS

Section 6.1 Notices

The Borrower shall, as soon as practicable and in any event, unless otherwise specified, within five (5) Business Days after the Borrower obtains Actual Knowledge of any of the following, give written notice to the Lender of:

(a) Any litigation, action or proceeding pending or threatened against the Borrower;

(b) Any Termination Event;

(c) Any matter which has or, in the Borrower's reasonable judgment, would reasonably be expected to have, a Material Adverse Effect; or

(d) Any termination, revocation, suspension or material modification of any Legal Requirement, or any action or proceeding which would reasonably be expected to result in any of the foregoing, that could reasonably be expected to have a Material Adverse Effect.

Section 6.2 Maintenance of Existence and of Licenses

The Borrower shall, to the maximum extent permitted by applicable law, at all times preserve and maintain in full force and effect (i) its legal existence as a limited liability company and its good standing under the laws of the State of Delaware, (ii) its qualification to do business in each other jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business as conducted or proposed to be conducted makes such qualification necessary and where the failure to be so qualified, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect and (iii) all material rights, franchises, privileges, licenses, permits, charters, registrations and consents necessary for the maintenance of its existence.

Section 6.3 Daily Reports

The Borrower will deliver or cause to be delivered a daily report to the Lender which are provided to the Borrower by the Securities Intermediary pursuant to the Account Control Agreement. In the case of any sale by the Borrower of an Asset or Cash Equivalents, such daily report will provide information with respect to the allocation of the proceeds resulting from such sale between Interest Proceeds and Principal Proceeds; provided that such allocation of sale proceeds will be conducted in a commercially reasonable manner.

Section 6.4 Compliance with Documents

The Borrower shall comply with the terms and conditions of each other Loan Document, and use all reasonable efforts to enforce its rights under this Agreement and each other Loan Document to which it is a party, and shall provide the Lender with written notice promptly upon its becoming aware of any breach by it of the provisions of any such document; and, to the extent any action is to be taken by the Borrower under any such document to which it is a party at the direction of the Lender, the Borrower shall promptly take such action in accordance with such direction.

Section 6.5 Minimize Taxes and Costs

The Borrower shall use its commercially reasonable efforts to minimize taxes and any other costs arising in connection with its activities.

Section 6.6 Taxes

The Borrower shall pay and discharge all Taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or in respect of any of its property prior to the date on which penalties, fines or interest attach thereto and all lawful Claims which, if unpaid, might become a Lien on the property of the Borrower.

Section 6.7 Accounts

The Borrower shall at all times maintain the Accounts in accordance with the Security Documents and other accounts as may be required by applicable law.

Section 6.8 Inspections

The Borrower will permit any authorized representatives designated by the Lender to inspect, copy and take extracts from its financial and accounting records, and to discuss its affairs, finances and accounts with its officers and independent public accountants, all upon reasonable notice and at such reasonable times during normal business hours and as often as may reasonably be requested.

Section 6.9 Compliance with Laws

The Borrower will comply with the requirements of all applicable laws, rules, regulations and orders of any Governmental Authority applicable to it and its property, including, without limitation, any fiscal and accounting rules and regulations and any foreign or domestic law, rule or regulation, including without limitation, in connection with the making of any Loan hereunder, noncompliance with which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 6.10 Special Purpose Entity

(a) The Borrower shall conduct its business solely in its own name as a limited liability company so as not to mislead others as to the identity of the Borrower with which others are concerned. The Borrower shall take no action or conduct its affairs in a manner that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with the Parent or any other person in a bankruptcy, reorganization or other insolvency proceeding. Without limiting the generality of the foregoing, the Borrower agrees that: (i) it will maintain all of its books, records and bank accounts separate from those of any other Person; (ii) it will hold itself out to the public as a limited liability company distinct from any other Person; (iii) it will not share any common logo with or hold itself out as or be considered as a department or division of the Lender or any other Person and (iv) except as otherwise contemplated by this Agreement, all oral and written communications will be made solely in the name of the Borrower.

(b) The Borrower shall not pay any expenses or make any payment with respect to any obligations to any party other than the Lender or other third parties in connection with financing arrangements relating to the Borrower's purchase of Assets or in respect of administrative and regulatory fees and taxes, without the prior written consent of the Lender.

(c) The resolutions, agreements and other documents underlying the transactions described in this Agreement shall be maintained by the Borrower in its official books and records.

(d) The Borrower shall not enter into any agreement, contract or any amendment thereto unless such agreement, contract or amendment contain "non-petition" and "limited recourse" provisions, except with respect to any agreements involving the purchase and sale of Assets having customary purchase or sale terms and documented with customary trading documentation.

Section 6.11 Preservation of Security Interests

The Borrower shall preserve and undertake all actions necessary to maintain the security interests granted under the Security Documents in full force and effect (including the priority thereof).

Section 6.12 Maintenance of Liens of the Security Documents

The Borrower shall promptly upon the request of the Lender and at the Borrower's expense, execute and deliver, or cause the execution and delivery of, and thereafter register, file or record in each appropriate governmental office, any document or instrument supplemental to or confirmatory of the Security Documents or otherwise necessary or reasonably deemed by the Lender to be desirable for the creation or perfection of any liens and security interests purported to be created by any Security Document.

Section 6.13 Maintenance of Records

The Borrower shall maintain and implement administrative and operating procedures reasonably necessary in the performance of its obligations hereunder and the Borrower shall keep and maintain at all times, or cause to be kept and maintained at all times, all documents, books, records, accounts and other information reasonably necessary for the performance of its obligations hereunder.

Section 6.14 Performance of Obligations

(a) The Borrower shall not take any action, and will use its reasonable commercial efforts not to permit any action to be taken by others, that would release any Person from any of such Person's covenants or obligations under any instrument included in the Collateral, if such action would have a Material Adverse Effect, except in the case of any enforcement action taken with respect to any defaulted or impaired Asset and as otherwise required hereby.

(b) The Borrower may contract with other Persons for the performance of actions and obligations to be performed by the Borrower hereunder by such Persons. The Borrower may designate the Collateral Manager to act on its behalf as its authorized representative for all purposes under this Agreement. Notwithstanding any such arrangement, the Borrower shall remain solely liable with respect thereto. Without limiting the generality of the foregoing, the Collateral Manager shall have no liability for the Borrower's obligations hereunder, including the repayment of the Loan. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Borrower; and the Borrower will punctually perform, and use its best efforts to cause such other Person to perform, all of their obligations and agreements contained in such other agreement.

Section 6.15 Compliance with Eligibility Criteria

If at any time prior to the Maturity Date any Asset is designated as an Ineligible Asset, the Borrower shall sell such asset and the proceeds thereof shall be applied in accordance with Section 6.16.

Section 6.16 Sales of Assets; Principal Proceeds and Interest Proceeds

(a) The Borrower shall use its commercially reasonable efforts to sell any Ineligible Asset at a price not less than the Adjusted Purchase Price for such Asset as of the date of such sale. If the Borrower is unable to arrange for such sale of any Ineligible Asset, then it shall cause the Collateral Manager to use its commercially reasonable efforts to sell such Ineligible Asset. The Principal Proceeds resulting from the sale of any Asset prior to the Maturity Date shall be deposited in the Principal Collection Account and applied in accordance with Subsection 2.5(b)(ii). Any Principal Proceeds received by the Borrower on the Maturity Date in connection with the Parent Offering Transaction or the sale of any Ineligible Assets shall be deposited in the Principal Collection Account and applied in accordance with the priority of payments set forth in Section 2.4.

(b) To the extent any interest is received by the Borrower prior to the Maturity Date with respect to any Asset, such interest shall be deposited in the Interest Collection Account for amounts representing interest accrued from the Borrowing Date until the date of receipt thereof. Any interest accrued on or after the Maturity Date with respect to Assets held by the Borrower pursuant to Section 6.16(c) shall be deposited in the Interest Collection Account for distribution according to the priority of payments set forth in subsection 2.4(c) hereof.

(c) In the event either (i) the Parent Offering Transaction is not completed on the Maturity Date or (ii) one or more Ineligible Assets are not sold pursuant to Section 6.16(a), then the Borrower shall hold each such Asset or Ineligible Asset, as the case may be, until the Lender requires the transfer thereof to the Lender in satisfaction of the outstanding principal amount of the Loan corresponding to any such Assets; provided that the Lender shall exercise its right to require any such transfer no later than 90 days after the Maturity Date.]

(d) Any Principal Proceeds or Interest Proceeds hereunder shall be deposited in the Principal Collection Account and the Interest Collection Account, respectively and applied in accordance with the terms hereof. Any amounts on deposit in the Accounts at any time prior to the Maturity Date may be invested in or used to purchase Cash Equivalents, as directed by the Lender, subject to any requirement that such amounts be applied to repay the outstanding Loan or any other obligations hereunder. On the Maturity Date or any Termination Date, all amounts contained in the Accounts shall be disbursed in accordance with the priority of payments set forth in Section 2.4.

Section 6.17 Further Assurances

(a) The Borrower shall, at its own expense, promptly take or cause to be taken such actions as may be necessary or desirable, in the reasonable judgment of and at the request of the Lender, (i) to maintain the Security Documents as a valid and perfected Lien covering the Collateral and (ii) to preserve and protect fully any perfected security interest of the Lender with respect to the Collateral, including, without limitation, the execution and filing of all necessary instruments, necessary to be kept and filed in such manner and in such places as may be required by law to preserve, protect and perfect fully the lien of the Lender with respect to the Collateral.

(b) Without limiting the foregoing, at any time or from time to time upon the reasonable request of the Lender, the Borrower will, at its expense, promptly execute, acknowledge and deliver a Security Agreement and such amendments or supplements to the Security Documents and such further documents and do such other acts and things as the Lender may reasonably request in order to effect fully the purposes of the Loan Documents. In furtherance and not in limitation of the foregoing, the Borrower shall take such actions as the Lender may reasonably request from time to time to protect the interests of the Lender in the Collateral free and clear of all Liens and restrictions on transferability (other than restrictions in instruments governing the Collateral).

Section 6.18 Register

The Borrower hereby designates the Lender, and the Lender agrees, to serve as the Borrower's agent, solely for purposes of this Section 6.18, to maintain a register at one of its offices in New York, New York (the "**Register**") on which it will record the Loans made by the Lender (or any assignee thereof) and each repayment of the principal amount of any Loan. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations in respect of the Loans. The transfer of the Loans made by the Lender (or any commitment to make Loans) shall not be effective until such transfer is recorded on the Register. The registration of an assignment or transfer of all or any part of any Loan (or any commitment to make Loans) shall be recorded on the Register only upon receipt of an executed assignment in form and substance satisfactory to Lender. If any Note is issued hereunder, coincident with the delivery of such assignment for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assignor shall surrender such Note evidencing such Loan and thereupon one or more new Notes in the same aggregate principal amount may be issued (if requested) to the assignor and/or the assignee.

ARTICLE VII

NEGATIVE COVENANTS

Section 7.1 Prohibition of Fundamental Changes; Sale of Assets, etc

(a) Except as otherwise provided in the Loan Documents or pursuant to other financing arrangements for the purchase of assets by the Borrower or the Parent Offering Transaction, the Borrower shall not (i) enter into any transaction of merger or consolidation, change its form of organization or its business, or liquidate, wind up or dissolve itself, or suffer any liquidation or dissolution, (ii) convey, sell, lease, assign, transfer or otherwise dispose of any of its property, assets or business, whether now owned or hereafter acquired or (iii) acquire any equity interest in any Person.

(b) The Borrower shall not change its name, its principal place of business or its fiscal year.

(c) The Borrower shall not issue any shares of capital stock or other equity interest of the Borrower, nor any options, warrants, rights or notes representing any obligation of or right with respect to the Borrower, except to the Parent.

Section 7.2 Distributions; Restricted Payments

The Borrower shall not, directly or indirectly, make or declare any dividend or other distribution (in cash, property or obligation) on, or other payment on account of, any interest in the Borrower or any payment of principal or interest in respect of any Indebtedness to a Person other than the Lender except as otherwise provided herein.

Section 7.3 Conduct of Business

The Borrower shall not engage at any time in any business other than the businesses contemplated by the Loan Documents and the Organizational Documents of the Borrower. The Borrower shall not form or caused to be formed any Affiliate.

Section 7.4 Liens

The Borrower shall not create, incur, assume or permit to exist any Lien upon or with respect to any of its property, assets or revenues, whether now owned or hereafter acquired, except for Liens created pursuant to the Security Documents.

Section 7.5 Purchase of Assets; Investments; Loans

The Borrower shall not make any investment or capital contribution to, or purchase stocks, bonds, notes or other securities of, or make any other investment in, any other Person, other than Assets as contemplated by this Agreement. Except for the Assets it holds as contemplated by this Agreement, the Borrower shall not advance or extend any credit to any Person.

Section 7.6 Indebtedness; Guarantees

Except for the Loan incurred and any other amounts owed hereunder, the Borrower shall not create, incur, assume or permit to exist any Indebtedness. The Borrower shall not directly or indirectly create, assume, be or become liable with respect to any guarantee.

Section 7.7 Issuance of Additional Interests

The Borrower shall not issue any notes, rights, warrants or options in respect of obligations of the Borrower other than as permitted by this Agreement.

Section 7.8 Impairment of Rights

The Borrower shall not permit the validity or effectiveness of the obligations under this Agreement or the other Loan Documents to be impaired, or permit the Lien of the Security Documents to be amended, hypothecated, subordinated, terminated or discharged other than in accordance with the terms of the Security Documents.

Section 7.9 Security Interest

The Borrower shall not permit the Lien of the Security Documents not to constitute a valid security interest in the Collateral securing amounts due to the Lender as set forth in this Agreement (and, to the extent required by the Lender, such security interest shall be perfected) or take or fail to take any action that would result in the Lender not having exclusive and continuous “control” over the Collateral (within the meaning of Articles 8 and 9 of the UCC).

Section 7.10 Subsidiaries

The Borrower shall not form, or caused to be formed, any Subsidiaries.

Section 7.11 Preservation of Collateral

Without the consent of the Lender, the Borrower shall not take any action, or fail to take any action, if such action or failure to take action would interfere with the enforcement of the Borrower's rights under the agreements or instruments relating to any Collateral, including (but not limited to) any amendment of the terms and conditions of any Collateral or any consent to any waiver of rights or to any other action under or in respect of the Collateral.

Section 7.12 Accounts

The Borrower shall not cause to be maintained any bank or securities accounts other than the Accounts.

ARTICLE VIII

TERMINATION EVENTS; REMEDIES

Section 8.1 Termination Events

Any one or more of the following events shall constitute a Termination Event:

(a) the Borrower fails to pay any principal, interest, fees or other amounts under the Loan Documents on the date when due; or

(b) the Borrower fails to comply with any covenant or agreement contained in Section 6.7 (Accounts), Section 7.1 (Prohibition of Fundamental Changes, etc.), Section 7.2 (Distributions, Restricted Payments), Section 7.3 (Conduct of Business), Section 7.4 (Liens), Section 7.5 (Purchase of Assets, Investments; Loans) or Section 7.6 (Indebtedness, Guarantees); or

(c) at any time, funds on deposit in any Account are used by or on behalf of the Borrower other than for the purposes expressly specified in this Agreement or are withdrawn by or at the direction of the Borrower other than as expressly permitted pursuant to this Agreement; or

(d) the Borrower fails to comply with any covenant or agreement under this Agreement or under any other Loan Document (other than those specified in subsections (a), (b) or (c) above), and such failure is not remedied within 30 days after notice thereof from the Lender to the Borrower; or

(e) any representation or warranty made by the Borrower in any Loan Document, or in any certificate or document delivered to the Lender by the Borrower pursuant to any Loan Document, proves to have been incorrect when made or deemed

made and such failure is not remedied within 10 days after notice thereof from the Lender to the Borrower; or

(f) (1) the Borrower or the Collateral Manager shall commence any case or other proceeding (A) under the Bankruptcy Code or any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, shall make a general assignment for the benefit of its creditors; or (2) there shall be commenced against the Borrower any case or other proceeding of a nature referred to in clause (1) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (3) there shall be commenced against the Borrower any case or other proceeding seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (4) the Borrower shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (1), (2) or (3) above; or (5) the Borrower shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) The Collateral Manager’s business or financial condition undergoes a Material Adverse Effect, other than as described in Section 8.1(f), or the Collateral Management Agreement shall be terminated or cease to be in full force and effect; or

(h) any Loan Document to which the Borrower is a party ceases, for any reason, to be in full force and effect or any party thereto shall so assert in writing and any such event continues for ten days after the earlier of the Lender giving notice and the Borrower becoming aware of such event; or (ii) any Security Document to which the Borrower is a party ceases, except in accordance with its terms, to be effective to grant a perfected Lien on the Collateral described therein (other than on an immaterial portion thereof) with the priority purported to be created thereby.

Section 8.2 Remedies Upon Termination Event

If any Termination Event occurs and is continuing, the Lender may: (i) declare the entire unpaid principal amount of the Loan (together with all accrued and unpaid interest thereon and any other amount then due under the Loan Documents) and all other Obligations to be forthwith due and payable, whereupon such amounts shall become and be forthwith due and payable, and without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived by the Borrower, provided, in the case of Section 8.1(g) such termination shall occur and such amounts shall become due and payable five Business Days after the Lender so notifies the

Borrower; and/or (ii) foreclose on any or all of the Collateral and proceed to enforce all remedies available to the Lender pursuant to the Loan Documents or otherwise as a matter of law. Notwithstanding the foregoing, if a Termination Event referred to in Section 8.1(f) shall occur with respect to the Borrower or the Collateral Manager, the actions described in clauses (i) and (ii) of this Section 8.2 shall be deemed to have occurred automatically and without notice

Section 8.3 Last Look Rights

In connection with any sale or liquidation of any Asset to be effected by the Lender pursuant to Section 8.2, the Lender shall:

(a) notify the Borrower and the Collateral Manager (or its designee) of its intention to sell such Asset and the anticipated date and time of such sale (the "Sale Deadline");

(b) as soon as practicable after receipt of any bids for such Asset, notify the Borrower and the Collateral Manager of such bids and allow the Collateral Manager (or its designee) to match the highest bid; provided that any such matching bid must be received by the Lender prior to the Sale Deadline; and

(c) sell, or direct the Borrower to sell such Asset to the Person submitting the highest bid for such Asset or (ii) the Collateral Manager (or its designee) if it has matched the highest bid pursuant to Section 8.3(b); provided that the Lender must be reasonably assured that the Collateral Manager (or its designee) will have sufficient funds to complete the purchase of such Asset.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Amendments; Waivers

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower therefrom, shall be effective unless in writing signed by the Lender and the Borrower and approved by the Collateral Manager.

(b) No failure or delay by the Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Lender hereunder are cumulative and are not exclusive of any rights or remedies that it would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (a) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Termination

Event, regardless of whether the Lender may have had notice or knowledge of such Termination Event at the time.

Section 9.2 Notices

(a) Unless otherwise expressly provided herein, (and subject to paragraph (c) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy or electronic mail ("email"), as follows:

(i) if to the Borrower:

445 Park Avenue, 9th Floor
New York, NY 10022
Attention: Arthur Penn
Phone: (212) 515-3317
Email: penn@pennantinvestments.com

(ii) if to the Lender:

383 Madison Avenue
New York, NY 10179 Attention: Evan Kaufman
Phone: (212) 272-0920
Facsimile: (917) 849-0792
Email: ekaufman@bear.com

(b) Loan Documents may be transmitted and/or signed by facsimile or email. The effectiveness of any such documents and signatures shall, subject to applicable Legal Requirements, have the same force and effect as manually-signed originals and shall be binding on the Borrower and the Lender. The Lender may also require that any such documents and signatures be confirmed by a manually-signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any facsimile or email document or signature.

(c) Except as otherwise provided herein, electronic mail and internet and intranet websites may be used only to distribute routine communications, such as financial statements and other information as provided in Section 6.3, and to distribute Loan Documents for execution by the parties thereto, and may not be used for any other purpose.

(d) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the Borrower and the Lender. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 9.3 Indemnity; Damage Waiver

(a) The Borrower shall indemnify the Lender, and each of the officers, directors, employees, agents, attorneys-in-fact and Affiliates of any of the foregoing Persons (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated thereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the transactions contemplated thereby, (ii) any Loan or the use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(b) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document, or any agreement or instrument contemplated hereby or arising out of the activities in connection herewith or therewith.

(c) All amounts due under this Section shall be payable not later than ten Business Days after written demand therefor.

(d) The agreements in this Section shall survive the repayment of all other Obligations.

Section 9.4 Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of the Borrower and the Lender and its respective successors and permitted assigns. Neither this Agreement nor any interest or obligation in or under this Agreement may be assigned (whether by way of security or otherwise) by the Borrower without the prior written consent of the Lender. The parties hereto agree that the Lender may assign or pledge all or part of its interest in the Loan and the Loan Documents to any third party without the consent of the Borrower. Any purported transfer that is not in compliance with this Section will be void.

Section 9.5 Confidentiality

The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the

confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement or any other Loan Document, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder or with respect to any collateral, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or its advisers, or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (g) with the consent of the Borrower, (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Lender on a non-confidential basis from a source other than the Borrower. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Lender on a non-confidential basis from a source other than the Borrower. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Notwithstanding anything in this Agreement to the contrary, the Lender (and each employee, representative or other agent of the Lender) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of Loans and all materials of any kind (including opinions or other tax analyses) that are provided to the Lender relating to such tax treatment and tax structure, except to the extent that such disclosure is subject to restrictions reasonably necessary to comply with securities laws. For these purposes, the tax treatment of Loans means the purported or claimed U.S. federal, state and local income tax treatment of a Loan.

Section 9.6 Limitation on Interest

Notwithstanding anything to the contrary contained in any Loan Document, the interest and fees paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Legal Requirement (the "**Maximum Rate**"). If the Lender shall receive interest or a fee in an amount that exceeds the Maximum Rate, the excessive interest or fee shall be applied to the principal of the outstanding Obligations or, if it exceeds the unpaid principal, refunded to Borrower. In determining whether the interest or a fee contracted for, charged, or received by the Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Legal Requirement, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

Section 9.7 Right of Setoff

If a Termination Event shall have occurred and be continuing, the Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by the Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by the Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of the Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which the Lender may have.

Section 9.8 Nonliability of Lender

The Borrower acknowledges and agrees that the relationship between the Borrower and the Lender is, and shall at all times remain, solely that of borrower and lender; the Lender shall under no circumstance be construed to be a partner or joint venturer of Borrower or its Affiliates; the Lender shall under no circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with the Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; the Lender does not undertake or assume any responsibility or duty to the Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform the Borrower or its Affiliates of any matter in connection with the operations of the Borrower or its Affiliates; the Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Lender in connection with such matters is solely for the protection of the Lender and neither Borrower nor any other Person is entitled to rely thereon.

Section 9.9 Integration

This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Lender in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

Section 9.10 Survival of Representations and Warranties

All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and any Notes.

Section 9.11 Governing Law

This Agreement shall be governed by and construed in accordance with the law of the State of New York.

Section 9.12 Submission To Jurisdiction; WAIVER OF JURY TRIAL

(a) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(b) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in Section 9.12(a). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.2. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(d) EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY (WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE). EACH PARTY HERETO ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

Section 9.13 Severability

If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as

possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.14 Headings

The table of contents and the headings of Articles, Sections and Exhibits have been included herein for convenience of reference only, are not part of this Agreement, and shall not be taken into consideration in interpreting this Agreement.

Section 9.15 Counterparts

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be maintained by the Borrower and the Lender.

Section 9.16 Collateral Management

(a) The Borrower hereby appoints the Collateral Manager and the Collateral Manager hereby accepts such appointment as its portfolio manager and attorney in fact for purposes of performing all actions permitted or required to be performed by the Borrower under any Loan Document, including without limitation: (i) determining specific Proposed Assets to be purchased or Assets to be sold by the Borrower (and executing trades on behalf of the Borrower), taking into consideration the provisions of the Loan Documents and the Borrower's Organizational Documents and the expected funding of the Borrower from the proceeds of the Parent Offering Transaction on the Maturity Date, and in the event the Parent Offering Transaction does not occur, to preserve and maximize the value of the Collateral such that the liquidation thereof would satisfy in full all Obligations in accordance with the terms hereof; (ii) acting upon requests for waiver, modification or amendment of the terms of the Assets; and (iii) consulting and negotiating with the Lender in connection with any sale of Assets hereunder including pursuant to Section 6.16.

(b) The Collateral Manager shall, in rendering its services hereunder, use a degree of skill and attention no less than that which the Collateral Manager exercises with respect to comparable assets that it manages for itself and for others having similar investment objectives and restrictions and, to the extent not inconsistent with the foregoing, in accordance with its existing practices and procedures relating to assets of the nature and character of the Collateral, except as expressly provided otherwise in this Agreement. The Collateral Manager shall follow its customary standards, policies and procedures relating to the management of structured vehicles comparable to the Borrower in performing its duties hereunder. The Collateral Manager shall comply with and perform all the duties and functions that have been specifically delegated to it under this Agreement. The Collateral Manager shall cause any purchase or sale of any Assets to be conducted on an arm's length basis or on terms that would be obtained in an arm's length transaction. All purchases and sales of Assets by the Collateral Manager on behalf of the Borrower shall be in accordance with reasonable and customary business practices and in

compliance with applicable laws. Notwithstanding anything contained herein to the contrary, the Collateral Manager shall not have liability for any act or omission performed or omitted in connection with its role as Collateral Manager unless the Collateral Manager shall have acted in bad faith or with reckless disregard of its duties hereunder.

(c) The Collateral Manager shall not receive a fee for its services hereunder.

(d) Unless otherwise required by any provision of this Agreement or by applicable law, the Collateral Manager shall not intentionally take any action, which it knows or should know, in the exercise of reasonable judgment consistent with the standard of care set forth in this Section 9.16, would (a) materially adversely affect the Borrower for purposes of United States federal or state law or any other law known to the Collateral Manager to be applicable to the Borrower, (b) not be permitted under the Borrower's Organizational Documents or (c) require registration of the Borrower or the Collateral as an "investment company" under the Investment Company Act, it being understood that in connection with the foregoing the Collateral Manager will not be required to make any independent investigation of any facts or laws not otherwise known to it in connection with its obligations under this Agreement or the conduct of its business generally. The Collateral Manager covenants that it shall comply in all material respects with all laws and regulations applicable to it in connection with the performance of its duties under the Loan Documents and the Borrower's Organizational Documents. Notwithstanding anything herein, the Collateral Manager shall not take any discretionary action that would reasonably be expected to cause a Termination Event. The Collateral Manager covenants that it shall comply in all material respects with all laws and regulations applicable to it in connection with the performance of its duties hereunder.

(e) The Borrower and the Collateral Manager are not partners or joint venturers with each other and nothing herein shall be construed to make them such partners or joint venturers or impose any liability as such on either of them. The Collateral Manager's relation to the Borrower shall be deemed to be that of an independent contractor.

(f) The Collateral Manager shall not assign any of its rights or obligations hereunder to any other Person without the prior written consent of the Lender.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective Authorized Officers thereunto duly authorized as of the day and year first above written.

PENNANT SPV COMPANY, LLC

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Chief Executive Officer

BEAR STEARNS INVESTMENT
PRODUCTS INC.,
as Lender

By: /s/ Laura L. Torrado
Name: Laura L. Torrado
Title: Authorized Signatory

For purposes of Section 9.16 only:

PENNANT INVESTMENT INCORPORATION,
as Collateral Manager

By: /s/ Arthur H. Penn
Name: Arthur H. Penn
Title: Chief Executive Officer

EXHIBIT A

FORM OF BORROWING REQUEST

Bear Stearns Investment Products Inc.
383 Madison Avenue
New York, NY 10179
Attention: Evan Kaufman

Re: Borrowing Request

This Borrowing Request is delivered pursuant to Section 2.1 of the Agreement dated as of February 6, 2007 (the "**Credit Agreement**"), between Pennant SPV Company, LLC (the "**Borrower**") and the Lender. All capitalized terms used but not defined herein shall have the meanings specified in the Agreement.

The Borrower hereby irrevocably requests a borrowing of the Loan as follows:

1.	Requested Date of Borrowing:	[_____], 2007
2.	Aggregate Amount of Requested Borrowing / Purchase Price for Proposed Assets:	US$[_____]
3.	Trade Tickets:	See Schedule 1 hereto

The Borrower hereby certifies to the Lender that (a) the proceeds of the requested Loan will be applied to fund the aggregate Purchase Price of the Proposed Assets, (b) as of the date of this Borrowing Request, all of the requirements set forth in Section 4.2 of the Agreement have been satisfied or waived by the Lender, and on the date specified in Item 1 above, the Borrower will have satisfied all such requirements for the incurrence of the Loan requested hereby, (c) as of the date of this Borrowing Request, each of the representations and warranties of the Borrower set forth in Article V of the Agreement is true and correct to the extent provided therein and each such representation and warranty will be true and correct on and as of the date of the Loan requested hereby as if made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date, in which case such representations and warranties were true and correct on and as of such date), and (d) no Default or Termination Event has occurred and is continuing or will result from consummation of the Loan.

Please wire transfer the proceeds of the Loan to the each respective seller of the each Proposed Asset to apply the purchase price as directed by each such seller.

This Borrowing Request shall be deemed to be executed and delivered upon delivery by the Borrower or the Collateral Manager to the Lender.

Dated:_____

PENNANT SPV COMPANY, LLC

SCHEDULE 1

Trade Ticket

1. Trade Number (to be filled out by Bear): _____
2. Trade Date: _____
3. a. Counterparty: _____
   b. Contact Info: _____
4. Type of Trade (circle one): Penn Buy Penn Sell
5. Issuer/Credit Name: _____
6. Trade Type (circle one): Primary Secondary
7. Purchase Rate and Description:
   a. Purchase Rate(s) (Price): _____
   b. Facility/Tranche(s): _____
   c. Amount: _____
8. Type of Purchase (circle one): Assignment Participation Net-off
9. Assignment Fees (circle one): Split one Fee Pay one fee Fee Waived
10. Additional Information:

EXHIBIT B

FORM OF NOTE

$[_____]

New York, New York
_____,
200__

FOR VALUE RECEIVED, the undersigned, PENNANT SPV COMPANY, LLC, a limited liability company incorporated in the State of Delaware (the "**Borrower**"), hereby unconditionally promises to pay to the order of BEAR STEARNS INVESTMENT PRODUCTS INC. (the "**Lender**"), on the dates and in the amounts specified in the Agreement (as hereinafter defined), the principal amount of [_____] DOLLARS ($_____) or such lesser amount as shall equal the principal amount of the Loans made by the Lender pursuant to the Credit Agreement dated as of February __, 2007 (the "**Agreement**") between the Borrower and the Lender. Capitalized terms used but not defined in this Note have the meanings assigned to them in the Agreement.

The Borrower promises to pay interest on the unpaid principal amount of each Loan from the date such Loan is made until such principal amount is paid in full, at such interest rates and on such dates as provided in the Agreement. All payments of principal and interest shall be made to the Lender in Dollars in immediately available funds at the Lender's office at 383 Madison Avenue, New York, NY 10179, or such other address as the Lender may from time to time notify the Borrower.

The holder of this Note is authorized to record the date and amount of each Loan made by the Lender, the date and amount of each repayment of principal thereof, the amount of unpaid principal with respect thereto, and the length of each Interest Period with respect thereto, on Schedule I annexed hereto and constituting a part hereof, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded in the absence of manifest error, provided that the failure of the holder of this Note to make such recordation or any error therein shall not limit or otherwise affect the obligations of the Borrower hereunder or under the Agreement in respect of any Loan made by the Lender.

This Note is one of the Notes referred to in the Agreement and is entitled to the benefits thereof. This Note is secured by and entitled to the benefits of the Security Documents.

The obligations of the Borrower under this Note and the Agreement are limited recourse obligations of the Borrower payable solely from the Collateral pledged by the Borrower in accordance with the Credit Agreement.

This Note may be required to be prepaid in whole or in part as provided in the Agreement. Upon the occurrence of any one or more Termination Events, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, as provided in the Agreement.

The Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and nonpayment of this Note.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

PENNANT SPV COMPANY, LLC

By: _____

Name:
Title:

Exhibit (n)

Consent of Independent Registered Public Accounting Firm

The Audit Committee of
Pennant Investment Corporation:

We consent to the reference to our firm under the heading "*Independent Registered Public Accounting Firm*" in the prospectus and to the use of our report dated March 2, 2007 included herein.

KPMG LLP
New York, New York
March 5, 2007

Exhibit (r)

CODE OF ETHICS
FOR
PENNANT INVESTMENT CORPORATION
PENNANT INVESTMENT ADVISERS, LLC

SectionI Statement of General Fiduciary Principles

This Code of Ethics (the "Code") has been adopted by each of Pennant Investment Corporation (the "Corporation"), and Pennant Investment Advisers, LLC, the Corporation's investment adviser (the "Adviser"), in compliance with Rule 17j-1 under the Investment Company Act of 1940 (the "Act"). The purpose of the Code is to establish standards and procedures for the detection and prevention of activities by which persons having knowledge of the investments and investment intentions of the Corporation may abuse their fiduciary duty to the Corporation, and otherwise to deal with the types of conflict of interest situations to which Rule 17j-1 is addressed.

The Code is based on the principle that the directors and officers of the Corporation, and the managers, partners, officers and employees of the Adviser, who provide services to the Corporation, owe a fiduciary duty to the Corporation to conduct their personal securities transactions in a manner that does not interfere with the Corporation's transactions or otherwise take unfair advantage of their relationship with the Corporation. All directors, managers, partners, officers and employees of the Corporation, and the Adviser ("Covered Personnel") are expected to adhere to this general principle as well as to comply with all of the specific provisions of this Code that are applicable to them. Any Covered Personnel who is affiliated with another entity that is a registered investment adviser is, in addition, expected to comply with the provisions of the code of ethics that has been adopted by such other investment adviser.

Technical compliance with the Code will not automatically insulate any Covered Personnel from scrutiny of transactions that show a pattern of compromise or abuse of the individual's fiduciary duty to the Corporation. Accordingly, all Covered Personnel must seek to avoid any actual or potential conflicts between their personal interests and the interests of the Corporation and its shareholders. In sum, all Covered Personnel shall place the interests of the Corporation before their own personal interests.

All Covered Personnel must read and retain this Code of Ethics.

SectionII Definitions

(A) "Access Person" means any director, officer, general partner or Advisory Person (as defined below) of the Corporation or the Adviser.

(B) An "Advisory Person" of the Corporation or the Adviser means: (i) any employee of the Corporation or the Adviser, or any company in a Control (as defined below) relationship to the Corporation or the Adviser, who in connection with his or her regular functions or duties makes, participates in, or obtains information regarding the purchase or sale of any Covered Security (as defined below) by the Corporation, or whose functions relate to the making of any

recommendation with respect to such purchases or sales; and (ii) any natural person in a Control relationship to the Corporation or the Adviser, who obtains information concerning recommendations made to the Corporation with regard to the purchase or sale of any Covered Security by the Corporation.

(C) "Beneficial Ownership" is interpreted in the same manner as it would be under Rule 16a-1(a)(2) under the Securities Exchange Act of 1934 (the "1934 Act") in determining whether a person is a beneficial owner of a security for purposes of Section 16 of the 1934 Act and the rules and regulations thereunder.

(D) "Chief Compliance Officer" means the Chief Compliance Officer of the Corporation (who also may serve as the compliance officer of the Adviser and/or one or more affiliates of the Adviser). Corporation shall initially have no Chief Compliance Officer. Prior to the completion of the Corporation's initial public offering, the Corporation will appoint a Chief Compliance Officer or appoint a company to act in that capacity.

(E) "Control" shall have the same meaning as that set forth in Section 2(a)(9) of the Act.

(F) "Covered Security" means a security as defined in Section 2(a)(36) of the Act, which includes: any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, pre-organization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security (including a certificate of deposit) or on any group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing.

Except that "Covered Security" does not include: (i) direct obligations of the Government of the United States; (ii) bankers' acceptances, bank certificates of deposit, commercial paper and high quality short-term debt instruments, including repurchase agreements; and (iii) shares issued by open-end investment companies registered under the Act. References to a Covered Security in this Code (e.g., a prohibition or requirement applicable to the purchase or sale of a Covered Security) shall be deemed to refer to and to include any warrant for, option in, or security immediately convertible into that Covered Security, and shall also include any instrument that has an investment return or value that is based, in whole or in part, on that Covered Security (collectively, "Derivatives"). Therefore, except as otherwise specifically provided by this Code: (i) any prohibition or requirement of this Code applicable to the purchase or sale of a Covered Security shall also be applicable to the purchase or sale of a Derivative relating to that Covered Security; and (ii) any prohibition or requirement of this Code applicable to the purchase or sale of a Derivative shall also be applicable to the purchase or sale of a Covered Security relating to that Derivative.

(G) “Independent Director” means a director of the Corporation who is not an “interested person” of the Corporation within the meaning of Section 2(a)(19) of the Act.

(H) “Initial Public Offering” means an offering of securities registered under the Securities Act of 1933 (the “1933 Act”), the issuer of which, immediately before the registration, was not subject to the reporting requirements of Sections 13 or 15(d) of the 1934 Act.

(I) “Investment Personnel” of the Corporation or the Adviser means: (i) any employee of the Corporation or the Adviser (or of any company in a Control relationship to the Corporation or the Adviser) who, in connection with his or her regular functions or duties, makes or participates in making recommendations regarding the purchase or sale of securities by the Corporation; and (ii) any natural person who controls the Corporation or the Adviser and who obtains information concerning recommendations made to the Corporation regarding the purchase or sale of securities by the Corporation.

(J) “Limited Offering” means an offering that is exempt from registration under the 1933 Act pursuant to Section 4(2) or Section 4(6) thereof or pursuant to Rule 504, Rule 505, or Rule 506 thereunder.

(K) “Security Held or to be Acquired” by the Corporation means: (i) any Covered Security which, within the most recent 15 days: (A) is or has been held by the Corporation; or (B) is being or has been considered by the Corporation or the Adviser for purchase by the Corporation; and (ii) any option to purchase or sell, and any security convertible into or exchangeable for, a Covered Security described in Section II (K)(i).

(L) “17j-1 Organization” means the Corporation or the Adviser, as the context requires.

SectionIII Objective and General Prohibitions

Covered Personnel may not engage in any investment transaction under circumstances in which the Covered Personnel benefits from or interferes with the purchase or sale of investments by the Corporation. In addition, Covered Personnel may not use information concerning the investments or investment intentions of the Corporation, or their ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of the Corporation.

Covered Personnel may not engage in conduct that is deceitful, fraudulent or manipulative, or mat involves false or misleading statements, in connection with the purchase or sale of investments by the Corporation. In this regard, Covered Personnel should recognize that Rule 17j-1 makes it unlawful for any affiliated person of the Corporation, or any affiliated person of an investment adviser for the Corporation, in connection with the purchase or sale, directly or indirectly, by the person of a Security Held or to be Acquired by the Corporation to:

(i) employ any device, scheme or artifice to defraud the Corporation;

(ii) make any untrue statement of a material fact to the Corporation or omit to state to the Corporation a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading;

(iii) engage in any act, practice or course of business that operates or would operate as a fraud or deceit upon the Corporation; or

(iv) engage in any manipulative practice with respect to the Corporation.

Covered Personnel should also recognize that a violation of this Code or of Rule 17j-1 may result in the imposition of: (1) sanctions as provided by Section VIII below; or (2) administrative, civil and, in certain cases, criminal fines, sanctions or penalties.

SectionIV Prohibited Transactions

(A) An Access Person may not purchase or otherwise acquire direct or indirect Beneficial Ownership of any Covered Security, and may not sell or otherwise dispose of any Covered Security in which he or she has direct or indirect Beneficial Ownership, if he or she knows or should know at the time of entering into the transaction that: (1) the Corporation has purchased or sold the Covered Security within the last 15 calendar days, or is purchasing or selling or intends to purchase or sell the Covered Security in the next 15 calendar days; or (2) the Adviser has within the last 15 calendar days considered purchasing or selling the Covered Security for the Corporation or within the next 15 calendar days intend to consider purchasing or selling the Covered Security for the Corporation.

(B) Investment Personnel of the Corporation or the Adviser must obtain approval from the Corporation or the Adviser, as the case may be, before directly or indirectly acquiring Beneficial Ownership in any securities in an Initial Public Offering or in a Limited Offering. Such approval must be obtained from the Chief Compliance Officer, unless he is the person seeking such approval, in which case it must be obtained from the President of the 17j-1 Organization.

(C) No Access Person shall recommend any transaction in any Covered Securities by the Corporation without having disclosed to the Chief Compliance Officer his or her interest, if any, in such Covered Securities or the issuer thereof, including: the Access Person’s Beneficial Ownership of any Covered Securities of such issuer; any contemplated transaction by the Access Person in such Covered Securities; any position the Access Person has with such issuer; and any present or proposed business relationship between such issuer and the Access Person (or a party which the Access Person has a significant interest).

SectionV Reports by Access Persons

(A) Personal Securities Holdings Reports.

All Access Persons shall within 10 days of the date on which they become Access Persons, and thereafter, within 30 days after the end of each calendar year, disclose the title, number of shares and principal amount of all Covered Securities in which they have a Beneficial Ownership as of the date the person became an Access Person, in the case of such person’s initial report, and as of the last day of the year, as to annual reports. A form of such report, which is hereinafter called a “Personal Securities Holdings Report,” is attached as Schedule A. Each Personal Securities Holdings Report must also disclose the name of any broker, dealer or bank with whom the Access Person maintained an account in which any securities were held for the direct or indirect benefit of the Access Person as of the date the person became an Access Person

or as of the last day of the year, as the case may be. Each Personal Securities Holdings Report shall state the date it is being submitted.

(B) Quarterly Transaction Reports.

Within 10 days after the end of each calendar quarter, each Access Person shall make a written report to the Chief Compliance Officer of all transactions occurring in the quarter in a Covered Security in which he or she had any Beneficial Ownership. A form of such report, which is hereinafter called a "Quarterly Securities Transaction Report," is attached as Schedule B.

A Quarterly Securities Transaction Report shall be in the form of Schedule B or such other form approved by the Chief Compliance Officer and must contain the following information with respect to each reportable transaction:

(1) Date and nature of the transaction (purchase, sale or any other type of acquisition or disposition);

(2) Title, interest rate and maturity date (if applicable), number of shares and principal amount of each Covered Security involved and the price of the Covered Security at which the transaction was effected;

(3) Name of the broker, dealer or bank with or through whom the transaction was effected; and

(4) The date the report is submitted by the Access Person.

(C) Independent Directors.

Notwithstanding the reporting requirements set forth in this Section V, an Independent Director who would be required to make a report under this Section V solely by reason of being a director of the Corporation is not required to file a Personal Securities Holding Report upon becoming a director of the Corporation or an annual Personal Securities Holding Report. Such an Independent Director also need not file a Quarterly Securities Transaction Report unless such director knew or, in the ordinary course of fulfilling his or her official duties as a director of the Corporation, should have known that during the 15-day period immediately preceding or after the date of the transaction in a Covered Security by the director such Covered Security is or was purchased or sold by the Corporation or the Corporation or the Adviser considered purchasing or selling such Covered Security.

(D) Access Persons of the Adviser.

An Access Person of the Adviser need not make a Quarterly Transaction Report if all of the information in the report would duplicate information required to be recorded pursuant to Rules 204-2(a)(12) or (13) under the Investment Advisers Act of 1940, as amended.

(E) Brokerage Accounts and Statements.

Access Persons, except Independent Directors, shall:

(1) within 10 days after the end of each calendar quarter, identify the name of the broker, dealer or bank with whom the Access Person established an account in which any securities were held during the quarter for the direct or indirect benefit of the Access Person and identify any new account(s) and the date the account(s) were established. This information shall be included on the appropriate Quarterly Securities Transaction Report.

(2) instruct the brokers, dealers or banks with whom they maintain such an account to provide duplicate account statements to the Chief Compliance Officer.

(3) on an annual basis, certify that they have complied with the requirements of (1) and (2) above.

(F) Form of Reports.

A Quarterly Securities Transaction Report may consist of broker statements or other statements that provide a list of all personal Covered Securities holdings and transactions in the time period covered by the report and contain the information required in a Quarterly Securities Transaction Report.

(G) Responsibility to Report.

It is the responsibility of each Access Person to take the initiative to comply with the requirements of this Section V. Any effort by the Corporation, or by the Adviser and its affiliates, to facilitate the reporting process does not change or alter that responsibility. A person need not make a report hereunder with respect to transactions effected for, and Covered Securities held in, any account over which the person has no direct or indirect influence or control.

(H) Where to File Reports.

All Quarterly Securities Transaction Reports and Personal Securities Holdings Reports must be filed with the Chief Compliance Officer.

(I) Disclaimers.

Any report required by this Section V may contain a statement that the report will not be construed as an admission that the person making the report has any direct or indirect Beneficial Ownership in the Covered. Security to which the report relates.

SectionVI Additional Prohibitions

(A) Confidentiality of the Corporation’s Transactions.

Until disclosed in a public report to shareholders or to the Securities and Exchange Commission in the normal course, all information concerning the securities “being considered for purchase or sale” by the Corporation shall be kept confidential by all Covered

Personnel and disclosed by them only on a “need to know” basis. It shall be the responsibility of the Chief Compliance Officer to report any inadequacy found in this regard to the directors of the Corporation.

(B) Outside Business Activities and Directorships.

Access Persons may not engage in any outside business activities that may give rise to conflicts of interest or jeopardize the integrity or reputation of the Corporation. Similarly, no such outside business activities may be inconsistent with the interests of the Corporation. All directorships of public or private companies held by Access Persons shall be reported to the Chief Compliance Officer.

(C) Gratuities.

Corporation Personnel shall not, directly or indirectly, take, accept or receive gifts or other consideration in merchandise, services or otherwise of more than nominal value from any person, firm, corporation, association or other entity other than such person’s employer that does business, or proposes to do business, with the Corporation.

SectionVII Annual Certification

(A) Access Persons.

Access Persons who are directors, managers, officers or employees of the Corporation or the Adviser shall be required to certify annually that they have read this Code and that they understand it and recognize that they are subject to it. Further, such Access Persons shall be required to certify annually that they have complied with the requirements of this Code.

(B) Board Review.

No less frequently than annually, the Corporation and the Adviser must furnish to the Corporation’s board of directors, and the board must consider, a written report that: (A) describes any issues arising under this Code of Ethics or procedures since the last report to the board, including, but not limited to, information about material violations of the Code or procedures and sanctions imposed in response to material violations; and (B) certifies that the Corporation or the Adviser, as applicable, has adopted procedures reasonably necessary to prevent Access Persons from violating the Code.

SectionVIII Sanctions

Any violation of this Code shall be subject to the imposition of such sanctions by the 17j-1 Organization as may be deemed appropriate under the circumstances to achieve the purposes of Rule 17j-1 and this Code. The sanctions to be imposed shall be determined by the board of directors, including a majority of the Independent Directors, provided, however, that with respect to violations by persons who are directors, managers, officers or employees of the Adviser (or of a company that controls the Adviser), the sanctions to be imposed shall be determined by the Adviser (or the controlling person thereof). Sanctions may include, but are not limited to, suspension or termination of employment, a letter of censure and/or restitution of

an amount equal to the difference between the price paid or received by the Corporation and the more advantageous price paid or received by the offending person.

SectionIX Administration and Construction

(A) The administration of this Code shall be the responsibility of the Chief Compliance Officer.

(B) The duties of the Chief Compliance Officer are as follows:

(1) Continuous maintenance of a current list of the names of all Access Persons with an appropriate description of their title or employment, including a notation of any directorships held by Access Persons who are officers or employees of the Adviser or of any company that controls the Adviser, and informing all Access Persons of their reporting obligations hereunder;

(2) On an annual basis, providing all Covered Personnel a copy of this Code and informing such persons of their duties and obligations hereunder including any supplemental training that may be required from time to time;

(3) Maintaining or supervising the maintenance of all records and reports required by this Code;

(4) Preparing listings of all transactions effected by Access Persons who are subject to the requirement to file Quarterly Securities Transaction Reports and reviewing such transactions against a listing of all transactions effected by the Corporation;

(5) Issuance either personally or with the assistance of counsel as may be appropriate, of any interpretation of this Code that may appear consistent with the objectives of Rule 17j-1 and this Code;

(6) Conduct such inspections or investigations as shall reasonably be required to detect and report, with recommendations, any apparent violations of this Code to the board of directors of the Corporation;

(7) Submission of a report to the board of directors of the Corporation, no less frequently than annually, a written report that describes any issues arising under the Code since the last such report, including but not limited to the information described in Section VII (B); and

(C) The Chief Financial Officer shall maintain and cause to be maintained in an easily accessible place at the principal place of business of the 17j-1 Organization, the following records:

(1) A copy of all codes of ethics adopted by the Corporation or the Adviser and its affiliates, as the case may be, pursuant to Rule 17j-1 that have been in effect at any time during the past five (5) years;

(2) A record of each violation of such codes of ethics and of any action taken as a result of such violation for at least five (5) years after the end of the fiscal year in which the violation occurs;

(3) A copy of each report made by an Access Person for at least two (2) years after the end of the fiscal year in which the report is made, and for an additional three (3) years in a place that need not be easily accessible;

(4) A copy of each report made by the Chief Compliance Officer to the board of directors for two (2) years from the end of the fiscal year of the Corporation in which such report is made or issued and for an additional three (3) years in a place that need not be easily accessible;

(5) A list of all persons who are, or within the past five (5) years have been, required to make reports pursuant to the Rule and this Code of Ethics, or who are or were responsible for reviewing such reports;

(6) A copy of each report required by Section VII (B) for at least two (2) years after the end of the fiscal year in which it is made, and for an additional three (3) years in a place that need not be easily accessible; and

(7) A record of any decision, and the reasons supporting the decision, to approve the acquisition by Investment Personnel of securities in an Initial Public Offering or Limited Offering for at least five (5) years after the end of the fiscal year in which the approval is granted.

(D) This Code may not be amended or modified except in a written form that is specifically approved by majority vote of the Independent Directors.

This Code of Ethics initially was adopted and approved by the Board of Directors of the Corporation, including a majority of the Independent Directors, at a meeting on February 13, 2007.

SCHEDULE A

PERSONAL SECURITIES HOLDINGS REPORT

(1) I have read and understand the Code of Ethics of each of Pennant Investment Corporation and Pennant Investment Advisers, LLC (the "Code"), recognize that the provisions of the Code apply to me and agree to comply in all respects with the procedures described therein. Furthermore, if during the past calendar year I was subject to the Code, I certify that I complied in all respects with the requirement of the Code as in effect during that year. Without limiting the generality of the foregoing, I certify that I have identified all new securities accounts established during each calendar quarter.

(2) I also certify that the following securities brokerage and commodity trading accounts are the only brokerage or commodity accounts in which I trade or hold Covered Securities in which I have a direct or indirect Beneficial Ownership interest, as such terms are defined by the Code, and that I have requested that the firms at which such accounts are maintained send duplicate account statements to the Chief Compliance Officer.

Title of Covered Security	Number of Shares	Principal Amount	Broker, Dealer or Bank	Date Opened

Date of Report:_____ Print Name:_____

Date Submitted:_____ Signature:_____

SCHEDULE B

QUARTERLY SECURITIES TRANSACTION REPORT

The following lists all transactions in Covered Securities, in which I had any direct or indirect Beneficial Ownership interest, that were effected during the last calendar quarter and required to be reported by Section V (A) of the Code. (If no such transactions took place write "NONE") Please sign and date this report and return it to the Chief Compliance Officer no later than the 10th day of the month following the end of the quarter. Use reverse side if additional space if needed.

PURCHASES AND ACQUISITIONS

Trade Date	No. of Shares or Principal Amount	Interest Rate and Maturity Date	Name of Security	Unit Price	Total Price	Broker, Dealer, or Bank

SALES AND OTHER DISPOSITIONS

Trade Date	No. of Shares or Principal Amount	Interest Rate and Maturity Date	Name of Security	Unit Price	Total Price	Broker, Dealer, or Bank

NEW ACCOUNTS ESTABLISHED DURING THE QUARTER

Name of Broker, Dealer or Bank	Name of Account and Account Number	Date Established

Date of Report:_____ Name(please print):_____

Date Submitted:_____ Signature:_____

Pennant Investment Corporation

To: Board of Directors of Pennant Investment Corporation
From: Pennant Investment Corporation
Date: [___]
Re: Certification of Code of Ethics

Pennant Investment Corporation hereby certifies that it has adopted procedures reasonably necessary to prevent its "access persons" (as defined in Rule 17j-1 under the Investment Company Act of 1940, as amended) from violating its Code of Ethics.

By: _____
Name:
Title:

Pennant Investment Advisers, LLC

To: Board of Directors of Pennant Investment Corporation
From: Pennant Investment Advisers, LLC
Date: [___]
Re: Certification of Code of Ethics

Pennant Investment Advisers, LLC hereby certifies that it has adopted procedures reasonably necessary to prevent its "access persons" (as defined in Rule 17j-1 under the Investment Company Act of 1940, as amended) from violating its Code of Ethics.

By: _____
Name:
Title: