PENNANTPARK INVESTMENT CORP
Form DEF 14A
December 08, 2017

SCHEDULE 14A

(RULE 14a-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Material
Soliciting Material Pursuant to Rule 14a-12

PennantPark Investment Corporation

PennantPark Floating Rate Capital Ltd.

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(4) Proposed maximum aggregate value of transaction:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing party:

(4) Date filed:

December 8, 2017

Dear Stockholder:

You are cordially invited to attend the 2018 Joint Annual Meeting of Stockholders of PennantPark Investment Corporation ("PNNT") and PennantPark Floating Rate Capital Ltd. ("PFLT" and PNNT each, a "Company" and together, the "Companies") to be held on February 6, 2018 at 9:30 a.m., Eastern Time, at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York.

The Notice of Joint Annual Meeting of Stockholders and the Joint Proxy Statement of the Companies, which is accessible on the Internet or by request, provides an outline of the business to be conducted at the Joint Annual Meeting of Stockholders. At the meeting, you will be asked to: (1) elect two directors for PNNT and/or two directors for PFLT and (2) ratify the selection of RSM US LLP to serve as your Company's independent registered public accounting firm for the fiscal year ending September 30, 2018. I will also report on the progress of the Companies during the past year and respond to stockholders' questions.

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

Your vote and participation in the governance of your Company is very important to us.

Sincerely yours,

Arthur H. Penn

Chief Executive Officer

PennantPark Investment Corporation

PennantPark Floating Rate Capital Ltd.

590 Madison Avenue, 15th Floor

New York, New York 10022

212-905-1000

PENNANTPARK INVESTMENT CORPORATION

PENNANTPARK FLOATING RATE CAPITAL LTD.

NOTICE OF JOINT ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON February 6, 2018

December 8, 2017

Notice is hereby given to the owners of shares of common stock (the “Stockholders”) of PennantPark Investment Corporation (“PNNT”) and PennantPark Floating Rate Capital Ltd. (“PFLT” and PNNT each, a “Company” and together, the “Companies”) that:

The 2018 Joint Annual Meeting of Stockholders of the Companies (the “Annual Meeting”) will be held at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York, on February 6, 2018 at 9:30 a.m., Eastern Time, for the following purposes, as to each Company:

1. To elect two directors to the Board of the Company, who will each serve until the 2021 annual meeting of stockholders and until a successor is duly elected and qualifies; and
2. To ratify the selection of RSM US LLP to serve as the Company’s independent registered public accounting firm for the fiscal year ending September 30, 2018.

You have the right to receive notice of, and to vote at, the Annual Meeting if you were a stockholder of record of PNNT and/or a stockholder of record of PFLT at the close of business on November 17, 2017. The Companies are furnishing a Joint Proxy Statement and proxy card(s) to their Stockholders on the Internet, rather than mailing printed copies of those materials to each Stockholder. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the Joint Proxy Statement and proxy card(s) unless you request them. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the Joint Proxy Statement, and vote your proxy, on the Internet.

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

EACH COMPANY’S BOARD OF DIRECTORS, INCLUDING THE INDEPENDENT DIRECTORS, UNANIMOUSLY RECOMMENDS THAT YOU VOTE “FOR” EACH OF THE PROPOSALS.

By Order of the Boards of Directors,

Thomas J. Friedmann

Secretary

PennantPark Investment Corporation

PennantPark Floating Rate Capital Ltd.

590 Madison Avenue, 15th Floor

New York, New York 10022

212-905-1000

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

PENNANTPARK INVESTMENT CORPORATION

PENNANTPARK FLOATING RATE CAPITAL LTD.

590 Madison Avenue, 15th Floor

New York, New York 10022

(212) 905-1000

JOINT PROXY STATEMENT

for

2018 Joint Annual Meeting of Stockholders

To be held on February 6, 2018

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

This Joint Proxy Statement is furnished in connection with the solicitation of proxies by the Boards of Directors (each, a "Board" and together, the "Boards") of PennantPark Investment Corporation ("PNNT") and PennantPark Floating Rate Capital Ltd. ("PFLT" and PNNT each, a "Company" and together, the "Companies," "we," "us" or "our") for use at the Compa 2018 Joint Annual Meeting of Stockholders (the "Meeting") to be held on Tuesday, February 6, 2018 at 9:30 a.m., Eastern Time, at the offices of Dechert LLP, located at 1095 Avenue of the Americas, New York, New York, and at any postponements or adjournments thereof. This Joint Proxy Statement and each Company's Annual Report for the fiscal year ended September 30, 2017 are being provided to the stockholders thereof (the "Stockholders") via the Internet on or about December 11, 2017. In addition, a Notice of Annual Meeting and a Notice of Internet Availability of Proxy Materials are being sent to Stockholders of record of PNNT and Stockholders of record of PFLT as of November 17, 2017 (the "Record Date").

Although each Company is a separate business development company that holds an annual meeting of stockholders, the Companies' Proxy Statements have been combined into this Joint Proxy Statement to reduce expenses of each of the Companies of soliciting proxies for the Meeting.

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

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

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

Purpose of Meeting

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

1. To elect two directors to the Board of the Company, who will serve until the 2021 annual meeting of stockholders and until a successor is duly elected and qualifies ("Proposal 1"); and
2. To ratify the selection of RSM US LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2018 ("Proposal 2").

Voting Securities

You may vote your shares at the Meeting only if you were a Stockholder of record of PNNT and/or a Stockholder of record of PFLT at the close of business on November 17, 2017. There were 71,060,836 shares of PNNT common stock and 38,480,074 shares of PFLT common stock (the “Common Stock”) outstanding on the Record Date. Stockholders are entitled to one vote for each share of Common Stock of their Company held. Stockholders can vote only on matters affecting a Company in which they hold shares of Common Stock. Because the proposals stated above and in the Notice of Annual Meeting are separate for each Company, it is essential that Stockholders who own shares in both Companies vote by Internet, telephone or mail in accordance with the instructions on the proxy card(s), with respect to each proxy card they receive.

Quorum Required

For a Company to conduct business at the Meeting, a quorum of Stockholders of that Company must be present at the Meeting. The presence at the Meeting, in person or by proxy, of the holders of a majority of the shares of Common Stock of a Company outstanding on the Record Date will constitute a quorum of such Company. Abstentions and Broker Non-Votes (as defined below) will be treated as shares present at the Meeting for quorum purposes. If there are not enough votes for a quorum of a Company, the chairman of the Meeting will adjourn the Meeting with respect to that Company to permit the further solicitation of proxies.

Votes Required

Election of Directors

For PNNT, the election of a director to the Board of the Company requires the affirmative vote of a majority of the Company’s outstanding shares of Common Stock. If you vote “Withhold Authority” with respect to a nominee, your shares will not be voted with respect to the person indicated. Because a director is elected by a majority of the votes of the outstanding Common Stock of PNNT, votes to withhold authority, as well as abstentions and Broker Non-Votes, will have the effect of a vote against the nominee.

For PFLT, the election of a director to the Board of the Company requires the affirmative vote of a majority of the votes cast for and affirmatively withheld at the Meeting in person or by proxy. If you vote “Withhold Authority” with respect to a nominee, your shares will not be voted with respect to the person indicated. Votes to withhold authority with respect to a nominee will be included in determining the number of votes cast and, as a result, will have the effect of a vote against the nominee. Abstentions and Broker Non-Votes will have no effect on the result of the vote.

Stockholders of a Company may not cumulate their votes.

Ratification of Independent Registered Public Accounting Firm

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

Broker Non-Votes

“Broker Non-Votes” are votes that are not cast by a broker, bank or other nominee (the “Broker”) on a non-routine matter because the shares entitled to cast the vote are held in “street name”, the Broker lacks discretionary authority to vote the shares and the Broker has not received voting instructions from the beneficial owner. Proposal 1 is a non-routine matter for both Companies. As a result, if you hold shares of a Company's Common Stock in street name, your Broker will not be permitted to exercise voting discretion with respect to Proposal 1 for that Company. Thus, if you are a Stockholder of PNNT and you do not vote or give your Broker specific instructions on how to vote for you, your shares will have the effect of a vote against Proposal 1.

For this reason, it is imperative that Stockholders of PNNT vote or provide instructions to their Brokers as to how to vote with respect to Proposal 1.

Proposal 2 is a routine matter for both Companies. As a result, if you beneficially own shares of Common Stock of a Company and you do not vote or provide your Broker with proxy instructions, your Broker will be able to vote your shares for you on
Proposal 2.

Adjournment and Additional Solicitation

As to each Company, if there appears not to be enough votes to approve a proposal at the Meeting, the chairman of the Meeting may adjourn the Meeting with respect to that Company to permit further solicitation of proxies.

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

Information Regarding This Solicitation

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

In addition to the solicitation of proxies by the use of the Internet, proxies may be solicited in person and/or by telephone, mail or facsimile transmission by directors or officers of the Companies, officers or employees of PennantPark Investment Advisers, LLC, the Companies' investment adviser (the "Adviser"), PennantPark Investment Administration, LLC, the Companies' administrator (the "Administrator"), and/or by a retained solicitor. No additional compensation will be paid to such directors, officers or regular employees for such services. If the Companies retain a solicitor, the Companies have estimated that they will pay an aggregate of approximately $60,000 for such services. If the Companies engage a solicitor, you could be contacted by telephone on behalf of your Company and be urged to vote. The solicitor will not attempt to influence how you vote your shares, but will only ask that you take the time to cast a vote. You may also be asked if you would like to vote over the telephone and to have your vote transmitted to our proxy tabulation firm. The address of each of the Adviser and the Administrator is 590 Madison Avenue, 15th Floor, New York, New York 10022.

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

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

Any proxy authorized pursuant to this solicitation may be revoked by notice from the person giving the proxy at any time before it is exercised. A revocation may be effected by (i) resubmitting voting instructions via the Internet voting site, by telephone, by obtaining and properly completing another proxy card that is dated later than the original proxy and returning it, by mail, in time to be received before the Meeting, (ii) by attending the Meeting and voting in person or (iii) by a notice, provided in writing and signed by the Stockholder, delivered to the Companies' Secretary on any business day before the date of the Meeting.

Security Ownership of Certain Beneficial Owners and Management

As of the Record Date, to our knowledge, no person would be deemed to "control" (as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act")) either Company.

Each Company's Board is composed of the same individuals. Our directors consist of an interested director and four independent directors. An interested director is an "interested person" of the Companies, as defined in the 1940 Act, and independent directors are all other directors (the "Independent Directors").

The following table sets forth, as of December 1, 2017, certain ownership information with respect to each Company's Common Stock for those persons who directly or indirectly own, control or hold with the power to vote, five percent or more of a Company's outstanding Common Stock and all officers and directors of the Companies, as a group.

Name and address(1)	Type of ownership(3)	Shares Owned		Percentage of Common Stock Outstanding	
		PNNT	PFLT	PNNT	PFLT
Independent directors					
Adam K. Bernstein	Record/Beneficial	46,430	5,000	*	*
Marshall Brozost	Record/Beneficial	21,678	—	*	*
Jeffrey Flug	Record/Beneficial	320,560	15,500	*	*
Samuel L. Katz	Record/Beneficial	189,291	120,100	*	*
Interested director					
Arthur H. Penn(2)	Record/Beneficial	795,333	149,209	1 %	*
Executive officer					
Aviv Efrat	Record/Beneficial	96,103	28,750	*	*
All directors and executive officer as a group (6 persons)		1,469,395	318,559	2 %	1 %

(1) The address for each officer and director is c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022.

(2) Mr. Penn is the Managing Member of the Adviser and may therefore be deemed to own beneficially the 589,923 shares of PNNT and 149,209 shares of PFLT held by the Adviser.

(3) Sole voting power.

* Less than 1 percent.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), each Company’s directors and other executive officer and any persons holding more than 10% of that Company’s Common Stock are required to report their beneficial ownership and any changes therein to the SEC and the Company. Specific due dates for those reports have been established, and the Companies are required to report herein any failure to file such reports by those due dates. Based on the Companies’ review of Forms 3, 4 and 5 filed by such persons and information provided by the Companies’ directors and other executive officer, the Companies believe that, during the fiscal year ended September 30, 2017, all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

Dollar Range of Securities Beneficially Owned by Directors

The following table sets forth the dollar range of each Company’s Common Stock beneficially owned by each of our directors as of December 1, 2017. Information as to beneficial ownership is based on information furnished to the Companies by such persons.

Directors of the Companies	Dollar Range of the Common Stock of the Companies(1)		
	PNNT	PFLT	Total
Independent directors			
Adam K. Bernstein	\$100,001 - \$500,000	\$50,001 - \$100,000	\$100,001 - \$500,000
Marshall Brozost	\$100,001 - \$500,000	None	\$100,001 - \$500,000
Jeffrey Flug	Over \$1,000,000	\$100,001 - \$500,000	Over \$1,000,000
Samuel L. Katz	Over \$1,000,000	Over \$1,000,000	Over \$1,000,000
Interested director			
Arthur H. Penn(2)	Over \$1,000,000	Over \$1,000,000	Over \$1,000,000

(1) Dollar ranges are as follows: None; \$1-\$10,000; \$10,001-\$50,000; \$50,001-\$100,000; \$100,001-\$500,000; \$500,001-\$1,000,000 or over \$1,000,000.
(2) Also reflects holdings of the Adviser.

PROPOSAL 1: ELECTION OF DIRECTORS

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

Companies	Class I	Class II	Class III
PennantPark Investment Corporation	2020	2021	2019
PennantPark Floating Rate Capital Ltd.	2021	2019	2020

A Stockholder can vote for, or withhold his or her vote from, any nominee for his or her Company's Board. In the absence of instructions to the contrary, it is the intention of the person named as proxy to vote such proxy FOR the election of each nominee named below. If a nominee should decline or be unable to serve as a director, it is intended that the proxy will be voted for the election of such person as is nominated by the relevant Board as a replacement. Neither Board has reason to believe that its nominee(s) will be unable or unwilling to serve.

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

Information about the Nominees and Directors

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

Each of Mr. Adam Bernstein and Mr. Jeffrey Flug has been nominated for election as a Class II director of PNNT for a three-year term expiring in 2021. Neither Mr. Bernstein nor Mr. Flug is being proposed for election pursuant to any agreement or understanding between either Mr. Bernstein or Mr. Flug and PNNT.

Each of Mr. Marshall Brozost and Mr. Samuel L. Katz has been nominated for election as a Class I director of PFLT for a three-year term expiring in 2021. Neither Mr. Brozost nor Mr. Katz is being proposed for election pursuant to any agreement or understanding between either Mr. Brozost or Mr. Katz and PFLT.

Name, Address and Age[1]	Position(s) held with Company	Company, Term of Office and Length of Time Served	Principal Occupation(s) During, at least, the Past 5 Years	Other Directorships Held by Director or Nominee for Director During the Past 5 Years[2]
Independent Directors				
Adam K. Bernstein (54)	Director Nominee Director	PNNT - Class II Director since February 2007; Term Expires, if elected, 2021 PFLT - Class II Director since October 2010; Term Expires 2019	President of The Bernstein Companies, a Washington, D.C.-based real estate investment and development firm, since 1995 and President and Chief Executive Officer of Consortium Atlantic Realty Trust, Inc., a private real estate investment trust operating in the Mid-Atlantic region, from 2006. Also, Mr. Bernstein has served on the Board of Overseers of the School of Arts and Sciences at the University of Pennsylvania since 2012.	None.
Marshall Brozost (50)	Director Director	PNNT - Class I Director since February 2007; Term Expires 2020 PFLT - Class I	Partner at Orrick, Herrington & Sutcliffe LLP, where he practices in the real estate and private equity groups, since July 2016. Prior to Orrick, Herrington & Sutcliffe LLP Mr. Brozost practiced law at Schulte Roth & Zabel from May 2012 to July 2016 and at Dewey & LeBoeuf LLP from 2005 to 2012.	None.

	Nominee	Director since October 2010; Term Expires, if elected, 2021		
Jeffrey Flug (55)	Director Nominee	PNNT - Class II Director since February 2007; Term Expires, if elected, 2021	Mr. Flug was President of Union Square Hospitality Group, an exclusive chain of restaurants, from 2009 to June 2015. Mr. Flug served as Chief Executive Officer and Executive Director of Millennium Promise Alliance, Inc., a non-profit organization whose mission is to eradicate extreme global poverty, from 2006 to 2008. From 2000 to 2006, Mr. Flug was a Managing Director and Head of North American Institutional Sales at JP Morgan's Investment Bank.	Shake Shack Inc, since September 2014; Sears Hometown and Outlet Stores, Inc., from October 2012 to September 2015.
	Director	PFLT - Class II Director since October 2010; Term Expires 2019		
Samuel L. Katz (52)	Director	PNNT - Class I Director since February 2007; Term Expires 2020	Managing Partner of TZP Group LLC, a private equity fund, since 2007. Before joining TZP Group, Mr. Katz was Chief Executive Officer of MacAndrews & Forbes Acquisition Holdings, Inc. from 2006 to 2007. Prior to that position, Mr. Katz was Chairman and Chief Executive Officer of the Cendant Travel Distribution Services Division from 2001 to 2005.	None.
	Director Nominee	PFLT - Class I Director since October 2010; Term Expires, if elected, 2021		

Name, Address and Age[1]	Position(s) held with Company	Company, Term of Office and Length of Time Served	Principal Occupation(s) During, at least, the Past 5 Years	Other Directorships Held by Director or Nominee for Director During the Past 5 Years[2]
Interested Director				
Arthur H. Penn (54)[3]	Director Chief Executive Officer and Chairman of the Board of Directors Director Chief Executive Officer and Chairman of the Board of Directors	PNNT - Class III Director since February 2007; Term Expires 2019 PFLT - Class III Director since October 2010; Term Expires 2020	Founder, Chairman and Chief Executive Officer of PNNT and of PFLT from their inception in 2007 and 2010, respectively. Mr. Penn also is the Founder and Managing Member of the Adviser. Before founding PNNT, Mr. Penn was the Co-Founder of Apollo Investment Management, where he was a Managing Partner from 2004 to 2006. He also served as Chief Operating Officer of Apollo Investment Corporation from inception in 2004 to 2006 and served as President and Chief Operating Officer in 2006. He formerly was a Managing Partner of Apollo Value Fund L.P. (formerly Apollo Distressed Investment Fund, L.P.) from 2003 to 2006.	None.

(1) The address for each officer and director is c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022.
(2) No director otherwise serves as a director of an investment company subject to the 1940 Act.
(3) Mr. Penn is an interested director due to his position as an officer of each Company and of the Adviser.

Corporate Governance

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

Director Independence

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

Boards' Oversight Role in Management

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

As described below in more detail under "Audit Committees", "Nominating and Corporate Governance Committees", and "Compensation Committees", each Board's Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee assist the Board in fulfilling its risk oversight responsibilities. Each Audit Committee's risk oversight responsibilities include overseeing the Company's accounting and financial reporting processes, including the annual audit of the Company's financial statements, the Company's systems of internal controls regarding finance and accounting, pre-approving the engagement of an independent registered public accounting firm to render audit and/or permissible non-audit services and evaluating the qualifications, performance and independence of the independent registered public accounting firm. Each Nominating and Corporate Governance Committee's risk oversight responsibilities include selecting, researching and nominating directors for election by the Company's Stockholders, developing and recommending to its Board a set of corporate governance principles and overseeing the evaluation of the Board and the Company's management. Each Compensation Committee's risk oversight responsibilities include determining, or recommending to its Board for determining, the compensation of the Company's chief executive officer and all other executive officers, paid directly by the Company, if any, and assisting its Board with matters related to compensation, as directed by each Board. Each of the Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee consists solely of Independent Directors.

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

Each Company believes that its Board's role in risk oversight is effective and appropriate given the extensive regulation to which it is already subject as a business development company. Specifically, as a business development company, each Company must comply with certain regulatory requirements that control the levels of risk in its business and operations. For example, the ability of each Company to incur indebtedness is limited by the asset coverage ratio set forth in the 1940 Act (as modified by any exemptive relief granted by the SEC) and each Company generally must invest at least 70% of its total assets in "qualifying assets." Each Company also has elected to be treated as a regulated investment company (a "RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended. As a RIC, each Company must, among other things, meet certain income source and asset diversification requirements.

Each Company believes that the extent of its Board's and its committees' roles in risk oversight complements the Board's leadership structure. Because they are comprised solely of Independent Directors, the Audit Committees, the Nominating and Corporate Governance Committees and Compensation Committees are able to exercise their oversight responsibilities without any conflict of interest that might discourage critical questioning and review. Through regular executive session meetings with the Companies' independent registered public accounting firm, their

CCO and their Chief Executive Officer, the Independent Directors have similarly established direct communication and oversight channels that the Boards believe foster open communication and early detection of issues of concern.

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

Boards' Composition and Leadership Structure

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

Information about Each Director's Experience, Qualifications, Attributes or Skills

Each Board believes that the significance of each director's experience, qualifications, attributes and/or skills is an individual matter (meaning that experience that is important for one director may not have the same value for another) and that these factors are best evaluated at the Board level, with no single director, or particular factor, being indicative of Board effectiveness. However, each Board believes that directors need to have the ability to review, evaluate, question and discuss critical information provided to them, and to interact effectively with management, service providers and counsel, in order to exercise effective business judgment in the performance of their duties. Each Board believes that its members satisfy this standard. Experience relevant to having this ability may be achieved through a director's educational background, business or professional training or practice (e.g., finance, accounting or law), public service or academic positions, experience from service as a board member (including the Boards of the Companies) or as an executive of investment companies, public companies or significant private or not-for-profit entities or other organizations and/or other life experiences. To assist them in evaluating matters under federal and state law, the Independent Directors have their own independent legal counsel, who participates in Board meetings and interacts with the Adviser and the Companies' counsel. Both the Independent Directors' and the Companies' counsels have significant experience advising funds and fund board members. Each of the Boards and its committees has the ability to engage other experts as appropriate. Each Board evaluates its performance on an annual basis.

Role of the Chairman and Chief Executive Officer

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

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

Each Board believes that, collectively, the directors have balanced and diverse experience, qualifications, attributes and skills, which allow the Board to operate effectively in governing the Company and protecting the interests of its

Stockholders. Below is additional information about each director (supplementing the information provided in the table above) that describes some of the specific experiences, qualifications, attributes and/or skills that each director possesses, and which each Board believes has prepared each director to be an effective director.

Arthur H. Penn

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

Adam K. Bernstein

Mr. Bernstein brings to the Boards 30 years of experience at a real estate development, investment and management business in the Mid-Atlantic region of the United States. Mr. Bernstein affords the Boards his vast experience in the area of strategic and financial planning and capital and risk management. Mr. Bernstein is currently President of The Bernstein Companies, a Washington, D.C.-based real estate investment and development firm which he joined in 1986. Mr. Bernstein runs a diversified company that includes a Hotel division, a Private Real Estate Investment Trust, and a structured financed group that focuses on tax credit syndication and project lending for community development projects nationwide. In 2012, Mr. Bernstein was appointed to the Board of Overseers of the School of Arts and Sciences at the University of Pennsylvania.

Marshall Brozost

Mr. Brozost brings to the Boards 22 years of experience in the areas of finance, private equity, mergers and acquisitions and restructurings. Since July 2016, Mr. Brozost has been a Partner at Orrick, Herrington & Sutcliffe LLP, where he practices in the real estate and private equity groups. Prior to Orrick, Herrington & Sutcliffe LLP, Mr. Brozost practiced law at Schulte Roth & Zabel, LLP from May 2012 to July 2016, from Dewey & LeBoeuf LLP from 2005 to 2012, at Solomon & Weinberg LLP from 2004 to 2005 and at O'Melveny & Myers LLP from 2001 to 2004. Mr. Brozost also served as a Vice President of Nomura Asset Capital Corporation from 1997 through 2000.

Jeffrey Flug

Mr. Flug brings to the Boards expertise in fixed income, investment banking, accounting and business operations. From 2009 to June 2015, Mr. Flug held a variety of senior positions, including, most recently, President, with Union Square Hospitality Group, an exclusive chain of restaurants. Since September 2014, Mr. Flug has served as a director of Shake Shack, Inc. From October 2012 to September 2015, Mr. Flug was a director of Sears Hometown and Outlet Stores, Inc. Mr. Flug was Chief Executive Officer and Executive Director of Millennium Promise Alliance, Inc. from 2006 to 2008. Millennium Promise is a non-profit organization whose mission is to eradicate extreme global poverty. Mr. Flug was Managing Director and Head of North American Institutional Sales at JP Morgan's Investment Bank from 2000 to 2006. From 1988 to 2000, Mr. Flug was Managing Director for Goldman Sachs & Co. in its Fixed

Income Division.

Samuel L Katz

Mr. Katz brings to the Boards a diverse knowledge of business and finance as a result of his career over the past 30 years. Mr. Katz is the Managing Partner of TZP Group LLC, a private equity fund he formed in 2007. Prior to joining TZP Group, Mr. Katz was Chief Executive Officer of MacAndrews & Forbes Acquisition Holdings, Inc.

from 2006 through 2007. From 1996 through 2005, Mr. Katz held a variety of senior positions at Cendant Corporation, including, most recently, Chairman and Chief Executive Officer of the Cendant Travel Distribution Services Division from 2001 to 2005. From 1992 to 1995, Mr. Katz invested in private and public equity as Co-Chairman of Saber Capital, Inc. and Vice President of Dickstein Partners Inc. From 1988 to 1992, Mr. Katz was an Associate and Vice President at The Blackstone Group, where he worked on numerous private equity transactions, including the initial leveraged buyouts of several hotel franchise brands which created the predecessor to Cendant Corporation. From 1986 to 1988, Mr. Katz was a Financial Analyst at Drexel Burnham Lambert.

Committees of the Boards

Each Board has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. For the fiscal year ended September 30, 2017, the Board of PNNT held five board meetings, four Audit Committee meetings, one Nominating and Corporate Governance Committee meeting and one Compensation Committee meeting and the Board of PFLT held six board meetings, four Audit Committee meetings, one Nominating and Corporate Governance Committee meeting and one Compensation Committee meeting. All directors attended at least 75% of the aggregate number of meetings of the respective Board and of the respective committees on which they served. The Companies require each director to make a diligent effort to attend all Board and committee meetings, and encourage directors to attend the Companies' joint annual stockholders' meetings. Last year, three members of each Board attended the joint annual stockholders' meeting.

Audit Committees

The members of the Audit Committee of each Company are Messrs. Bernstein, Brozost, Flug and Katz, each of whom is independent for purposes of the 1940 Act and the NASDAQ corporate governance rules. Messrs. Flug and Katz serve as Co-Chairmen of the Audit Committees. Each Audit Committee operates pursuant to a separate Audit Committee Charter approved by its Board. Each charter sets forth the responsibilities of the Audit Committee, which include: selecting or retaining each year an independent registered public accounting firm (the "auditors") to audit the accounts and records of the Company; reviewing and discussing with management and the auditors the annual audited financial statements of the Company, including disclosures made in management's discussion and analysis of financial condition and results of operations, and recommending to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K; reviewing and discussing with management and the auditors the Company's quarterly financial statements prior to the filings of their quarterly reports on Form 10-Q; pre-approving the auditors' engagement to render audit and/or permissible non-audit services; reviewing and approving all related party transactions; and evaluating the qualifications, performance and independence of the auditors. The Audit Committees are also responsible for aiding the Boards in fair valuing the Companies' portfolio securities that are not publicly traded or for which current market values are not readily available. Such investments are valued at fair value as determined in good faith by or under the direction of the Boards using a documented valuation policy and a consistently applied valuation process. The Boards and Audit Committees use the services of nationally recognized independent valuation firms to help them determine the fair value of certain securities held by the Companies. Each Board has determined that each of Messrs. Flug and Katz is an "audit committee financial expert" as that term is defined under Item 407 of Regulation S-K under the Exchange Act. Each Audit Committee Charter is available on the Companies' website (http://www.pennantpark.com).

Nominating and Corporate Governance Committees

The members of the Nominating and Corporate Governance Committee of each Company are Messrs. Bernstein, Brozost, Flug and Katz, each of whom is independent for purposes of the 1940 Act and the NASDAQ corporate governance rules. Messrs. Bernstein and Brozost serve as Co-Chairmen of the Nominating and Corporate Governance Committees. Each Nominating and Corporate Governance Committee is responsible for selecting, researching and nominating directors for election by the Company's 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 the Company's management. The Nominating and Corporate Governance Committee of each Company has adopted a written Nominating and Corporate Governance Committee Charter that is available on the Companies' website (http://www.pennantpark.com).

Each Nominating and Corporate Governance Committee will consider Stockholder recommendations for possible nominees for election as directors when such recommendations are submitted in accordance with the Company's bylaws, the Nominating and Corporate Governance Committee Charter and any applicable law, rule or regulation regarding director nominations. Nominations should be sent to Thomas J. Friedmann, Secretary, c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022. When submitting a nomination to a Company for consideration, a Stockholder must provide all information that would be required under applicable SEC rules to be disclosed in connection with election of a director, including the following minimum information for each director nominee: full name, age and address; principal occupation during the past five years; directorships on publicly held companies and investment companies during the past five years; number of shares of the Company's Common Stock owned, if any; and a written consent of the individual to stand for election if nominated by the Board and to serve if elected by the Stockholders.

Criteria considered by the Nominating and Corporate Governance Committees in evaluating the qualifications of individuals for election as director of the Boards include: compliance with the independence and other applicable requirements of the NASDAQ corporate governance rules and the 1940 Act, and all other applicable laws, rules, regulations and listing standards; the criteria, policies and principles set forth in the Companies' Nominating and Corporate Governance Committee Charters; and the ability to contribute to the effective management of the Companies, taking into account the needs of the Companies and such factors as the individual's experience, perspective, skills and knowledge of the industry in which the Companies operate. The Nominating and Corporate Governance Committee has adopted a formal policy with regard to the consideration of diversity in identifying individuals for election as members of the Board, but the Nominating and Corporate Governance Committees will consider such factors as they may deem are in the best interests of the Companies and their Stockholders. Those factors may include a person's differences of viewpoint, professional experience, education and skills, as well as his or her race, gender and national origin. In addition, as part of each Board's annual-self assessment, the members of the Nominating and Corporate Governance Committee evaluate the membership of the Board and whether the Board maintains satisfactory policies regarding membership selection.

Compensation Committees

The Compensation Committee is responsible for determining, or recommending to the Board for determining, the compensation of the Company's chief executive officer and all other executive officers, paid directly by the Company, if any. The Compensation Committee also assists each Board with all matters related to compensation, as directed by each Board. The current members of the Compensation Committee are Messrs. Bernstein, Brozost, Flug and Katz, each of whom is independent for purposes of the 1940 Act and the NASDAQ corporate governance rules. As discussed below, none of our executive officers are directly compensated by either Company and, as a result, the Compensation Committees do not produce and/or review and report on executive compensation practices. Each Compensation Committee Charter is available on the Companies' website (http://www.pennantpark.com).

Communication with the Boards of Directors

Stockholders with questions about a Company are encouraged to contact the Companies' Investor Relations Department at 590 Madison Avenue, 15th Floor, New York, New York 10022 or by visiting the investor relations web page on our website (http://www.pennantpark.com). However, if Stockholders believe that their questions have not been addressed, they may communicate with the relevant Board by sending their communications to Thomas J. Friedmann, Secretary, c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022. All Stockholder communications received in this manner will be delivered to one or more members of the relevant Board.

Information about the Executive Officer Who is Not a Director

The following information pertains to our executive officer who is not a director of the Companies.

Name, Address and Age[1]	Position(s) held with the Companies	Principal Occupation(s) During, at least, the Past 5 Years
Aviv Efrat (53)	PNNT and PFLT - Chief Financial Officer and Treasurer	Chief Financial Officer and Treasurer of PNNT and PFLT from their inception in 2007 and 2010, respectively. Managing Director of the Administrator from inception in 2007. Mr. Efrat was a Director at BlackRock, Inc., where he was responsible for a variety of administrative, operational, and financial aspects of closed-end and open-end registered investment companies from 1997 to 2007. 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.

(1) The business address of the executive officer is c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022.

Information about Chief Compliance Officer

The following information pertains to our CCO who is not a director of the Companies.

Name, Address and Age[1]	Position held with the Companies	Principal Occupation(s) During the Past 5 Years
Guy F. Talarico (62)	PNNT and PFLT - Chief Compliance Officer	Chief Compliance Officer of PNNT and PFLT from May 2008 and March 2011, respectively. Mr. Talarico has held the position of Chief Compliance Officer for a number of investment advisers, private funds and investment companies from 2004 when he founded Alaric Compliance Services, LLC, of which he is chief executive officer.

(1) The business address of the CCO is c/o PennantPark, 590 Madison Avenue, 15th Floor, New York, New York 10022.

Code of Conduct and Code of Ethics

We expect each of our officers and directors, as well as any person affiliated with our operations, to act in accordance with the highest standards of personal and professional integrity at all times, and to comply with the Companies' policies and procedures and all laws, rules and regulations of any applicable international, federal, provincial, state or local government. To this effect, each Company has adopted a Joint Code of Conduct, which is posted on the Companies' website (http://www.pennantpark.com). The Joint Code of Conduct applies to the directors, officers and their respective staffs.

As required by the 1940 Act, each Company maintains a Joint Code of Ethics with the Adviser that establishes procedures that apply to the Companies' directors, officers, their respective staffs and the employees of the Adviser with respect to their personal investments and investment transactions. The Joint Code of Ethics generally does not permit investments by a Company's directors, officers or any other covered person in securities that may be purchased or held by the Company. PNNT and PFLT each filed its Joint Code of Ethics as Exhibit 14.1 to its Annual Report on Form 10-K, filed with the SEC on November 29 and 30, 2017, respectively. You may access the Joint Codes of Ethics via the Internet site of the SEC (http://www.sec.gov) or our website (http://www.pennantpark.com). Each Company intends to disclose any material amendments to or waivers of required provisions of its Joint Code of Conduct or its Joint Code of Ethics on Form 8-K.

Compensation of Independent Directors

For PNNT, each Independent Director receives an annual payment of $110,000 for services performed on behalf of PNNT as a director. The Independent Directors also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Board meeting and receive $1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting (unless combined with a Board meeting). In addition, each Co-Chairman of the Audit Committee receives an annual fee of $12,500 and each Co-Chairman of any other committee receives an annual fee of $2,500 for his additional services in these capacities. Also, PNNT has purchased directors' and officers' liability insurance on behalf of its directors and officers and indemnifies such persons against certain losses. Independent Directors have the option to receive their directors' fees paid in shares of PNNT's 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" (as defined in the 1940 Act).

For PFLT, each Independent Director receives an annual payment of $50,000, and effective August 2017 $70,000, for services performed on behalf of PFLT as a director. The Independent Directors also receive $2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each Board meeting and receive $500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each committee meeting (unless combined with a Board meeting). In addition, each Co-Chairman of the Audit Committee receives an annual fee of $3,750 and each Co-Chairman of any other committee receives an annual fee of $1,250 for his additional services in these capacities. Also, PFLT has purchased directors' and officers' liability insurance on behalf of its directors and officers and indemnifies such persons against certain losses. Independent Directors have the option to receive their directors' fees paid in shares of PFLT's 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" (as defined in the 1940 Act).

Compensation of Directors and Executive Officer

The following table shows information regarding the compensation paid by the Companies to our directors for the fiscal year ended September 30, 2017. No compensation is paid directly by either Company to any interested director or executive officer of the Companies.

	PNNT			PFLT		
Name	Aggregate compensation from the Company	Pension or retirement benefits accrued as part of our expense(1)	Total paid to director/officer	Aggregate compensation from the Company	Pension or retirement benefits accrued as part of our expense(1)	Total paid to director/officer
Independent directors						
	$125,000	None	$ 125,000	$68,750	None	$ 68,750

Adam K. Bernstein						
Marshall Brozost	$125,000	None	$ 125,000	$68,750	None	$ 68,750
Jeffrey Flug	$135,000	None	$ 135,000	$71,250	None	$ 71,250
Samuel L. Katz	$135,000	None	$ 135,000	$71,250	None	$ 71,250
Interested director						

Earnings Per Share

Basic earnings per share were computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the three and nine month periods. Accumulated preferred dividends, which were unpaid as of October 31, 2007, were subtracted from net income to arrive at income available to common shareholders.

Diluted earnings per share were computed by dividing income available to common shareholders plus assumed conversions by the weighted-average common shares outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted earnings per share in the current period ending October 31, 2007.

The components of basic earnings per share are as follows:

	Three Months Ended October 31, 2007	Three Months Ended October 31, 2006	Nine Months Ended October 31, 2007	Nine Months Ended October 31, 2006
Basic - Earnings Per Share				
Net Income	$ 2,714,347	$ 827,217	$ 4,943,144	$ 2,256,954
Less: Amortization of syndication fees	(5,296)	(5,296)	(15,889)	(15,889)
Less: Preferred stock dividends - unpaid	(25,594)	(25,594)	(76,782)	(76,782)
Income available to common shareholders	$ 2,683,457	$ 796,327	$ 4,850,473	$ 2,164,283
Basic weighted-average shares outstanding	4,345,710	4,344,753	4,345,391	4,344,753
Basic - Earnings Per Share	$ 0.62	$ 0.18	$ 1.12	$ 0.50

The components of diluted earnings per share are as follows:

	Three Months Ended October 31, 2007	Three Months Ended October 31, 2006	Nine Months Ended October 31, 2007	Nine Months Ended October 31, 2006
Diluted - Earnings Per Share				
Income available to common shareholders	$ 2,683,457	$ 796,327	$ 4,850,473	$ 2,164,283
Plus: Income impact of assumed conversions				
Preferred stock dividends - unpaid	25,594	25,594	76,782	76,782
Preferred stock - amortization of syndication fees	5,296	5,296	15,889	15,889
Interest on convertible debentures net of tax effect	80,581	80,581	241,743	241,743
Income available to common shareholders plus assumed conversions	$ 2,794,928	$ 907,798	$ 5,184,887	$ 2,498,697
Diluted weighted-average shares outstanding:				
Basic weighted-average shares outstanding	4,345,710	4,344,753	4,345,391	4,344,753
Plus: Incremental shares from assumed conversions				
Convertible debentures	2,308,648	2,006,667	2,107,327	2,006,667
Convertible preferred shares	790,206	466,673	574,517	466,673
Warrants	168,443	49,103	153,720	43,291
Options	62,824	18,509	57,759	15,297
Diluted weighted-average shares outstanding	7,675,831	6,885,705	7,238,714	6,876,681
Diluted - EPS	$ 0.36	$ 0.13	$ 0.72	$ 0.36

NOTE 2 - INVENTORIES

	October 31, 2007	January 31, 2007
New equipment	$ 88,616,156	$ 48,431,945
Used equipment	37,200,883	41,913,153
Parts, tires and attachments	17,482,754	14,292,319
Work in process	2,748,854	1,616,445
	$ 146,048,648	$ 106,253,862

In addition to the above amounts, the Company has estimated that a portion of its parts inventory will not be sold in the next operating cycle. Accordingly, these balances have been classified as noncurrent assets. Parts inventory is valued at the lower of average cost or market, and parts inventory not expected to be sold in the next operating cycle has been reported separately. Work in process is valued at the average cost of parts inventory plus the standard cost of labor incurred on service work in process at year end.

NOTE 3 - LINE OF CREDIT

The Company had no amount outstanding on the line of credit at October 31, 2007 and January 31, 2007. The agreement provides for available borrowings of $12,000,000 and carries a variable interest rate of prime minus .25% (7.50% at October 31, 2007) with monthly interest payments due, and has a maturity date of August 1, 2008. The line is secured by substantially all assets of the Company and a personal guaranty - by our chief executive officer.

NOTE 4 -LONG TERM DEBT

	October 31, 2007	January 31, 2007
Variable rate note payable to Bremer Bank, (8.25% at July 31, 2007), due in monthly installments of $128,500, including interest, to August 2011, secured by substantially all assets and stockholder guarantees	$ 7,780,122	$ 5,892,701
Variable rate note payable to CNH, (8.55% at October 31, 2007), due in monthly installments of $28,408 maturing July 2012. Secured by rental fleet equipment. Variable interest rate at prime +.30%	2,048,629	
6.5% to Aberdeen Equipment Co., principal and interest payment of $34,206 due quarterly, balance due July 13, 2011, unsecured	963,797	
Variable rate note to CNH,(9.10% at October 31, 2007) monthly payments of $43,142, maturing May 2009, secured by parts. Variable interest rate at prime + 1.6%	819,695	1,164,831
Non-interest bearing note to CNH, monthly payments of $37,434 maturing April 2009, secured by parts. Variable interest rate at CNH schedule 9 cost of funds rate beginning May 2008	723,977	
Variable rate note payable to Bremer Bank, (8.25% at October 31, 2007), due in monthly installments of $11,742, including interest, to January 2014, secured by substantially all assets and stockholder guarantees		750,000
Non-interest bearing note to CNH, monthly payments of $27,147 maturing October 2009, secured by parts. Variable interest rate at CNH schedule 9 cost of funds rate beginning November 2008	651,520	
Non-interest bearing note to CNH, monthly payments of $50,786, maturing June 2008 secured by parts	406,289	1,126,235
Non-interest bearing note to CNH, monthly payments of $17,974 maturing June 2008 secured by parts	431,380	
Variable rate notes payable to CNH, (9.00% at October 31, 2007) due in quarterly quarterly installments of $29,986, including interest. Balance due July 2008. Secured by equipment. Variable interest rate at prime + 1.5%	569,734	
Fixed rate notes payable to Ford Motor Credit, (5.99% to 9.85%) due in monthly installments of $3,803, including interest, to August 2009, secured by vehicles	226,963	268,680

		October 31, 2007		January 31, 2007
Non-interest bearing note payable under non-compete agreement, due in monthly installments which are capped at $3,333 per month, actual payment calculated from related store profits		216,819		
Fixed rate note payable to the Northwest Minnesota Foundation, 5.5%, amortized over 10 years, due August, 2009, unsecured		162,329		
Variable rate notes payable (6.5% to 9.5% at October 31, 2007) to Case Credit, balance due at varying dates through 2010, secured by equipment		131,621		138,000
Fixed rate note payable to Jorene Larson, 6.25%, monthly payments of $3,193, due 4/1/11, unsecured		123,000		
Variable rate note payable to CNH Capital America LLC, (9.5% at October 31, 2007), through April 2010, payments of $32,252 due annually, secured by equipment		96,758		129,010
Variable interest note payable with related party (8.25% at October 31, 2007. Monthly interest only payments adjusting to Wells Fargo prime. Matures in March 2008		117,000		117,000
Fixed rate note payable to CNH Capital America LLC, 9.75%, quarterly payment of $3,332 due beginning November 2007, balloon due August 2008		66,450		
Non-interest bearing note payable to Fargo Tractor and Equipment, Inc., due in quarterly installments of $3,750, to January 2009, unsecured		7,500		18,750
Non-interest bearing note payable under non-compete agreement, due in annual installments on March 1 of each year through 2007				6,000
		15,543,584		9,611,207
Less current maturities		(4,486,762)		(2,823,609)
	$	11,056,822	$	6,787,598

Under covenants of the above Bremer Bank note payable and a Bremer Bank floor plan agreement, the Company has agreed, among other things, to (1) obtain written consent from the bank for non-financed fixed asset expenditures greater than $750,000 annually; (2) to comply with equipment and parts inventory turn ratios; (3) obtain written consent from the bank for any distributions; and (4) maintain various financial ratio levels.

Additionally, under covenants of the above note payable with Case Credit Corporation, the Company has agreed, among other things, to maintain various financial ratio levels and to submit certain financial information.

As of October 31, 2007, the Company was in compliance with all of the above covenants.

Long-term debt maturities are as follows:

12 Months Ending October 31,		Amount
2008	$	4,486,762
2009		3,371,039
2010		2,508,934
2011		2,902,216
2012		2,257,814
Thereafter		16,819
	$	15,543,584

NOTE 5 -FLOOR PLAN NOTES PAYABLE

Floor plan notes payable with a bank and manufacturers carry various interest rates ranging from 8.00 percent to 9.5 percent and are secured by substantially all assets of the company and a personal guaranty by our chief executive officer. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

NOTE 6 - SUBORDINATED DEBENTURES

	October 31, 2007	January 31, 2007
10.5% debentures to CNH Capital America, LLC, $7,500,000 available, interest payments due quarterly, balance due April 2012, unsecured, subordinated to bank and manufacturer debt	$ 7,296,000	$ 7,248,912
9%-10% debentures to stockholders, interest payments due annually, balance due November 2012,unsecured, subordinated to bank and manufacturer debt (1)	3,350,000	3,350,000
7% debentures to CNH Capital America, LLC, interest payments due annually, balance due November 2012, unsecured,subordinated to bank and manufacturer debt	3,000,000	3,000,000
10.5% debentures to Titan Income Holdings, LLLP, $2,000,000 available, interest payments due quarterly, balance due April 2012, unsecured, subordinated to bank and manufacturer debt (2)	1,719,000	1,705,500
10% debentures to Bernard Smith, former owner of Smith International, interest payments due annually, balance due March 2010, unsecured, subordinated to bank and manufacturer debt	300,000	300,000
10% debentures to former owners of Aberdeen division, interest payments due annually, balance due May 2010, unsecured, subordinated to bank and manufacturer debt	550,000	550,000
9% debentures to Vern Anderson, former owner of Vern Anderson Inc, interest payments due quarterly, balance due December 2010, unsecured, subordinated to bank and manufacturer debt	450,000	450,000
5% debentures to stockholders, interest payments due annually, balance due November 2012, unsecured, subordinated to bank and manufacturer debt (1)	142,424	142,424
	$ 16,807,424	$ 16,746,836

(1) These debentures were issued in January 2003 to the following related parties: David Meyer, Chief Executive Officer $536,965; CI Farm Power, affiliated with Peter Christianson, $1,739,292; Adam Smith Growth Partners, affiliated with Tony Christianson, a director, $755,000; David Christianson, the brother of Tony and Peter Christianson, $100,000; Adam Smith Activist Fund, LLC, affiliated with Tony Christianson, $196,500; and Earl Christianson, father of Tony and Peter Christianson $164,667.

(2) The Titan Income Holdings debentures were issued with an offering completed April 2005. Titan Income Holdings is a limited liability limited partnership in which one of its general partners is Adam Smith Companies,affiliated with Tony Christianson, a director. Titan Income Holdings were distributed to 15 investors, including Gordon Paul Anderson, a director, who holds a 2.5% interest, and James Irwin, a director, who holds a 4.9% interest through the Irwin Revocable Trust.

Scheduled future maturities of subordinated debentures are as follows: $1,300,000 in the year ending January 31, 2011 and $15,507,424 in the year ending January 31, 2013.

Unpaid principal related to the 9%-10% debentures (2003 Debentures) to stockholders are convertible to common stock at any time through November 2012. The exercise price is $2.50 per share. In addition, the notes may not be paid for any other reason than in connection with the sale of the Company unless warrants to acquire common stock are issued to the extent of the unpaid principal balance on the debentures. The exercise price will be the same as the conversion price in effect to acquire shares of common stock. In August 2007, the Company entered into a recapitalization agreement with and among the holders of the 2003 Debentures. The Company has requested that the 2003 Debenture holders voluntarily convert the 2003 Debentures immediately prior (and subject) to the initial public offering. In order to facilitate the IPO, the Company wishes to effect immediately prior to consummation of the IPO a recapitalization having the holders of the convertible debentures convert the convertible debentures into shares of common stock. Under the agreement the holders agree that the convertible debentures will be converted into 1,641,981 shares of Common Stock of the Company. The additional shares issued upon conversion will be expensed at fair value.

The 7% debentures to CNH Capital America, LLC are convertible to common stock at any time through November 2012. The exercise price is $4.50 per share. The notes may not be paid for any other reason than in connection with the sale of the Company unless warrants to acquire common stock are issued to the extent of the unpaid balance on the debentures. The exercise price will be the same as the conversion price in effect to acquire shares of common stock.

NOTE 7 - COMMON STOCK OPTIONS AND WARRANTS

Common Stock Warrants

In April 2003, the Company issued stock warrants to Cherry Tree Securities, LLC, whose chairman is a director of the Company, for 11,917 shares of common stock at an exercise price of $3.00 per share. The warrants terminate on April 7, 2013. In August 2004 the Company issued an additional 6,071 stock warrants to Cherry Tree Securities at an exercise price of $3.50 per share. These warrants terminate on July 1, 2014.

The Company issued stock warrants to an outside party for 115,650 shares of common stock at an exercise price of $3.50 per share. These warrants expire on April 7, 2013.

In January 2006 and March 2006, the Company issued stock warrants to a manufacturer for 160,625 and 80,313 shares of common stock respectively, at an exercise price of $4.50 per share. These warrants expire on April 7, 2013.

The following is a summary of outstanding warrants at October 31, 2007:

Outstanding Warrants

Issue Date	Number		Exercise Price		Fair Value Assigned	Purpose of Issuance
April 2003	11,917	$	3.00	$	11,200	Facilitate preferred stock issuance
August 2004	6,071	$	3.50	$	6,600	Facilitate preferred stock issuance
April 2005	115,650	$	3.50	$	126,000	Subordinated debt financing transaction
January 2006	160,625	$	4.50	$	175,000	Manufacturer debt transaction
March 2006	80,313	$	4.50	$	113,000	Manufacturer debt transaction

Outstanding stock warrants are valued using the Black Scholes option pricing model. Assumptions used to value the warrants are similar to those used in valuing the stock options as described below. Warrants issued in conjunction with a debt offering are valued and classified as Additional Paid-In Capital per APB 14 *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*.

Stock Options

The Company implemented the 2005 Equity Incentive Plan, a stock-based compensation plan, during the year ended January 31, 2006. In November 2007, the plan was amended to increase the number of shares available under the plan from 500,000 to 1,000,000 shares. The purpose of the plan is to provide incentive compensation to participants for services that have been or will be performed for continuing as employees or Board of Director members of the Company. Under the plan, the Company may grant options for up to 1,000,000 shares of common stock under all forms of awards including restricted stock. The Company has elected early adoption of SFAS 123(R) to account for the stock options using the fair value method.

The following is a summary of stock option activity for the nine months ended October 31, 2007:

	Number of Options		Weighted Average Exercise Price		Aggregate Intrinsic Value
Outstanding at January 31, 2007	114,917	$	3.93	$	204,700
Granted	93,335		7.07		302,200
Exercised					
Forfeited					
Outstanding at October 31, 2007	208,252	$	5.34	$	506,900
Options exercisable at October 31, 2007	49,086	$	4.41	$	89,671

The fair value of each option granted is estimated using the Black-Scholes option pricing model. The following assumptions were made in estimating fair value:

Assumption	**Fixed Plan**
Dividend Yield	0%
Risk-free interest rate	4.0 to 4.9%
Expected life	6 - 10 years
Expected volatility	14 - 22%

Expected volatility is based upon management s best estimate of the value of the shares based upon the Company s internal market. The expected life assumptions for options currently granted is based upon the average expected term of service by directors and contractual term of the agreements for employees.

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The following is a summary of the status of options outstanding and exercisable at October 31, 2007 under the fixed share-based payment plan:

	Outstanding Options				Exercisable Options		
Exercise Price		Number	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	
$	4.00	9,250	9 years	$ 4.00	9,250	$	4.00
	4.50	119,002	10 years	4.50	39,836		4.50
	7.50	80,000	10 years	7.50			7.50

Compensation cost charged to operations under the equity incentive plan for the three months ended October 31, 2007 and 2006 was $14,355 and $0, respectively. The income tax benefit from all share-based payment arrangements was $5,600 and $0, respectively, for the three month periods ended October 31, 2007, and 2006. Compensation cost charged to operations under the equity incentive plan for the nine months ended October 31, 2007 and 2006 was $122,355 and $58,107, respectively. The income tax benefit recognized from all share-based payment arrangements was $47,800 and $22,700, respectively, for the nine month periods ended October 31, 2007, and 2006. In accordance with Company policy, the shares were issued from a pool of shares reserved for issuance under the plan. As of October 31, 2007, there was $367,900 of unrecognized compensation cost on non-vested awards related to the stock incentive plan. That cost is expected to be recognized over a weighted-average period of 6 years. Outstanding shares of restricted stock under the plan totaled 10,906 at October 31, 2007.

NOTE 8 - BUSINESS COMBINATIONS

The Company continued to implement its strategy of consolidating agriculture dealerships in desired market areas. Below is a summary of the acquisitions completed in the nine month period ended October 31, 2007. In certain of the business combination transactions the Company recognized goodwill. Factors contributing to the recognition of goodwill include an evaluation of enterprise value, historical financial performance, estimated industry potential within the market, and, the market territory relationship to other existing and future planned Company locations. Operating results for each acquisition are included in the Company s Statement of Operations from the date of acquisition. Pro forma results are not presented as the acquisitions are not considered material, individually or in aggregate, to the Company.

Red Power International

On August 1, 2007, the Company acquired the assets of the related entities of Red Power International. The dealerships are located in Minnesota and contiguous to existing markets. The acquisition expands the Company s market share in the state. The Company acquired 100% of the common stock of Red Power International, Inc in exchange for 323,533 shares of Series D convertible preferred stock issued by the Company. The transaction was valued at $2.4 million. The allocation of this purchase price is presented in the table below. The Company expects the allocation will be finalized during the quarter ending January 31, 2008.

Cash	$	176,099
Accounts receivable		907,528
Inventories		6,739,824
Property and equipment		625,463
Goodwill		382,770
	$	8,831,684
Accounts payable	$	224,563
Floorplan notes payable		5,593,369
Other liabilities assumed		587,254
	$	6,405,186

Aberdeen Equipment, Huron Equipment, and Redfield Equipment

On April 13, 2007, the Company acquired the assets of the related entities of Aberdeen Equipment, Huron Equipment and Redfield Equipment. The dealerships are located in South Dakota and contiguous to existing markets. The acquisition expands the Company s market share in the state. The total cash purchase price was $4,095,864. The allocation of this purchase price is presented in the following table:

Accounts receivable	$	112,788
Inventories		4,648,779
Property and equipment		600,000
Goodwill		2,500,000
	$	7,861,567
Accounts payable	$	2,383,568
Floorplan notes payable		382,135
Long term debt		1,000,000
	$	3,765,703

Richland County Implement

On February 20, 2007, the Company acquired the assets of Richland County Implement. The total cash purchase price was $1,030,713. Through the acquisition, the Company increased its market share in existing markets in the Wahpeton area and gained control of the New Holland dealership. The allocation of this purchase price is presented in the following table. The Company expects the allocation will be finalized during the quarter ending January 31, 2008.

Inventories	$	3,458,636
Property and equipment		172,685
	$	3,631,321
Accounts payable	$	250,000
Floorplan notes payable		2,220,608
Other liabilities assumed		130,000
	$	2,600,608

NOTE 9 - **FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Quoted market prices are generally not available for the Company s financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. As explained in Note 1, actual results could differ from the estimates.

The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments. Based upon current borrowing rates with similar maturities, the fair value of the long-term debt approximates the carrying value as of October 31, 2007 and January 31, 2007.

NOTE 10 - **SUBSEQUENT EVENTS**

On November 13, 2007, the Company entered into an agreement to purchase the assets of an agricultural equipment dealership in Mandan, North Dakota, for approximately $1.9 million in cash.

On November 26, 2007, Notice of Early Conversion under the recapitalization agreement was given by C.I. Farm Power on a convertible debenture in the aggregate amount of $1.69 million. The convertible debenture was converted into shares of common stock in accordance with the recapitalization agreement. As a result of this conversion, the Company will recognize debt conversion costs of $1.2 million in the Company s quarter ending January 31, 2008.

On December 1, 2007, the Company entered into an agreement to purchase the stock in an agricultural equipment dealership in Grand Forks, North Dakota, for approximately $2.0 million paid for in Titan Machinery common stock.

On December 10, 2007, the holder of 240,938 stock warrants exercised their right to convert such warrants into common stock. The Company received $1.1 million in proceeds from the holder of these warrants as a result of the exercise.

On December 11, 2007, the Company received approximately $42.0 million (net of underwriter fees of $3.2 million and estimated offering expenses of approximately $1.0 million) as a result of its public offering of approximately 5.4 million shares of common stock priced at $8.50 per share.

On December 11, 2007, the Company, in conjunction with its public offering, converted all outstanding convertible debt (of approximately $4.7 million) and convertible preferred shares (of approximately $3.9 million) into common shares. As a result of a portion of the $4.7 million of debt converting, the Company will recognize debt conversion costs of $1.2 million in the Company s quarter ending January 31, 2008.

On December 11, 2007, the Company, in conjunction with its public offering, retired approximately $9.4 million in subordinated debentures using the proceeds from its public offering. As a result of retiring this debt, the Company will recognize debt repayment costs of $1.1 million in the Company s quarter ending January 31, 2008.

On January 2, 2008, the Company entered into an agreement to purchase the assets of two related agricultural equipment dealerships in Avoca, Iowa and Greenfield, Iowa, for approximately $3.8 million in cash.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our interim consolidated financial statements and related notes included in Item 1 of Part 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Registration Statement on Form S-1, as amended, filed in connection with our initial public offering.

Critical Accounting Policies

Our most critical accounting policies, which are those that require significant judgment, include: revenue recognition, inventories, intangible assets and goodwill. A more in-depth description of these can be found in the Management s Discussion and Analysis of Financial Condition and Results of Operation and Note 1 of the audited financial statements contained in our Registration Statement on Form S-1, as amended, filed in connection with our initial public offering.

Overview

We own and operate one of the largest networks of full service agricultural and construction equipment stores in North America. We are the world s largest retail dealer of Case IH Agriculture equipment and a major retail dealer of New Holland Agriculture, Case Construction and New Holland Construction equipment in the U.S. We sell and rent agricultural and construction equipment, sell parts, and service the equipment operating in the areas surrounding our stores.

Our net income was $2.7 million or $0.36 per diluted share in the quarter ended October 31, 2007, compared to $0.8 million or $0.13 per diluted share in the quarter ended October 31, 2006. Significant factors impacting the quarter were:

- Strong revenue growth due to acquisitions, same-store sales and a successful manufacturer leasing program;

- Increase in gross profits due to increased revenues; gross profit margin percent decrease due to higher sales mix of equipment relative to higher gross margin parts and service revenue; and

- Operating expenses were lower as a percentage of sales and increased in total dollars.

Results of Operations

Comparative financial data for each of our four sources of revenue are expressed below. The results for these periods include the operating results of the acquisitions made during these periods. The period-to-period comparisons included below are not necessarily indicative of future results (dollars in thousands):

	Three Months Ended October 31,			Nine Months Ended October 31,		
	2007	2006	% Change	2007	2006	% Change
Equipment						
Revenue	$ 103,372	$ 57,997	78.2	$ 225,854	$ 153,085	47.5
Cost of revenue	93,799	53,270	76.1	204,332	139,462	46.5
Gross profit	$ 9,573	$ 4,727	102.5	$ 21,522	$ 13,623	58.0
Parts						
Revenue	$ 18,384	$ 12,945	42.0	$ 45,560	$ 34,174	33.3
Cost of revenue	13,652	8,820	54.8	33,668	24,496	37.4
Gross profit	$ 4,732	$ 4,125	14.7	$ 11,892	$ 9,678	22.9
Service						
Revenue	$ 7,897	$ 5,960	32.5	$ 20,939	$ 16,467	27.2
Cost of revenue	2,843	2,183	30.2	7,731	6,137	26.0
Gross profit	$ 5,054	$ 3,777	33.8	$ 13,208	$ 10,330	27.9
Other, including trucking and rental						
Revenue	$ 2,518	$ 2,247	12.1	$ 5,457	$ 4,890	11.6
Cost of revenue	1,493	1,638	(8.9)	3,534	3,566	(0.9)
Gross profit	$ 1,025	$ 609	68.3	$ 1,923	$ 1,324	45.2

The following table sets forth our statements of operations data expressed as a percentage of net revenue for the periods indicated (unaudited):

	Three Months Ended October 31 2007	2006	Nine Months Ended October 31, 2007	2006
Revenue				
Equipment	78.2%	73.3%	75.9%	73.4%
Parts	13.9%	16.4%	15.3%	16.4%
Service	6.0%	7.5%	7.0%	7.9%
Other, including trucking and rental	1.9%	2.8%	1.8%	2.3%
Total revenue	100%	100%	100%	100%
Cost of Revenue				
Equipment	71.0%	67.3%	68.6%	66.9%
Parts	10.3%	11.1%	11.3%	11.7%
Service	2.2%	2.8%	2.6%	2.9%
Other, including trucking and rental	1.1%	2.1%	1.2%	1.7%
Total cost of revenue	84.6%	83.3%	83.7%	83.2%
Gross profit	15.4%	16.7%	16.3%	16.8%
Operating expenses	10.9%	13.2%	12.0%	13.2%
Income from operations	4.5%	3.6%	4.3%	3.6%

Three Months Ended October 31, 2007 Compared to Three Months Ended October 31, 2006

Revenue

	Three months ended October 31, 2007	Three months ended October 31, 2006 (dollars in thousands)	Increase	Percent change
Total revenue	$ 132,171	$ 79,149	$ 53,022	67.0%
Equipment	$ 103,372	$ 57,997	$ 45,375	78.2%
Parts	$ 18,384	$ 12,945	$ 5,439	42.0%
Service	$ 7,897	$ 5,960	$ 1,937	32.5%
Other, including trucking and rental	$ 2,518	$ 2,247	$ 271	12.1%

The increase in revenue for the three months ended October 31, 2007 was due to the following three items impacting the current quarter results and not the prior year: acquisitions contributing to current period revenue, sales associated with a special manufacturer leasing program, and same-store sales growth. Acquisitions contributed $18.1 million in total revenue or 34.2% of the increase while the lease sales totaled $16.0 million, or 30.0% of the increase. The remaining increase of $18.9 million is attributable to same-store sales growth of 24.0%, which is reflective of the strong market for our products and our growing market share.

Cost of Revenue

	Three months ended October 31, 2007		Three months ended October 31, 2006 (dollars in thousands)		Increase	Percent change
Total cost of revenue	$	111,787	$	65,911	$ 45,876	69.6%
Equipment	$	93,799	$	53,270	$ 40,529	76.1%
Parts	$	13,652	$	8,820	$ 4,832	54.8%
Service	$	2,843	$	2,183	$ 660	30.2%
Other, including trucking and rental	$	1,493	$	1,638	$ (145)	(8.9)%

The increase in cost of revenue for the three months ended October 31, 2007 was primarily due to the increased revenue. Acquisitions contributed $14.9 million to the cost of revenue for the three months ending October 31, 2007, while the leasing program added another $14.4 million, which was 36.8% and 35.6%, respectively, of the total increase in cost of revenue. The remainder of the increase is reflective of the increase in same-store sales. As a percentage of revenue, cost of revenue was 84.6% for the third quarter of fiscal 2008, compared to 83.3% for the third quarter of fiscal 2007. This percentage of revenue increase was attributable to growth in lower margin equipment revenue relative to parts and services revenue.

Gross Profit

	Three months ended October 31, 2007		Three months ended October 31, 2006 (dollars in thousands)		Increase/ Decrease	Percent change
Total gross profit	$	20,384	$	13,238	$ 7,146	54.0%
Equipment	$	9,573	$	4,727	$ 4,846	102.5%
Parts	$	4,732	$	4,125	$ 607	14.7%
Service	$	5,054	$	3,777	$ 1,277	33.8%
Other, including trucking and rental	$	1,025	$	609	$ 416	68.3%

The $7.1 million increase in gross profit for the three months ended October 31, 2007 was primarily due to the increased revenue. Acquisitions contributed $3.2 million to gross profit for the three months ending October 31, 2007, which was 45.1% of the total increase in gross profit while the leasing sales transactions added another $1.6 million. Same-store gross profits provided the remainder of the gross profit improvement during the third quarter of fiscal 2008 primarily due to the increase in same-store sales. Gross profit margins were 15.4% for the third quarter of fiscal 2008, compared to 16.7% for the third quarter of fiscal 2007. This percentage decrease was attributable to growth in lower margin equipment revenue relative to parts and services revenue.

Operating Expenses

	Three months ended October 31, 2007		Three months ended October 31, 2006 (dollars in thousands)		Increase	Percent change
Operating expenses	$	14,380	$	10,412	$ 3,968	38.1%

The increase in operating expenses was primarily due to the additional costs associated with acquisitions. As a percentage of total revenue, operating expenses decreased to 10.9% for the third quarter of fiscal 2008 from 13.2% for the third quarter of fiscal 2007. This decrease was primarily driven by the strong sales in the current third quarter resulting in improved fixed operating expense utilization as a percentage of sales.

Other Income (Expense)

	Three months ended October 31, 2007	Three months ended October 31, 2006 (dollars in thousands)	Increase/ Decrease	Percent change
Interest and other income	$ 120	$ 105	$ 15	14.3%
Floorplan interest	$ (974)	$ (969)	$ (5)	0.5%
Interest expense	$ (691)	$ (523)	$ (168)	32.1%

Our floor plan interest expense for the three months ended October 31, 2007 increased marginally over the same period of the prior year. This increase was due to increased levels of floor plan notes payable but was substantially offset by a higher percentage of these short-term notes being non-interest bearing. The increase in interest expense was due to additional long-term debt incurred primarily in connection with acquisitions.

Provision for Income Taxes

	Three months ended October 31, 2007	Three months ended October 31, 2006 (dollars in thousands)	Increase	Percent change
Provision for income taxes	$ (1,745)	$ (612)	$ (1,133)	185.1%

The effective tax rate as a percentage of income before taxes decreased to 39.1% for the three months ended October 31, 2007 from 42.5% for the three months ended October 31, 2006. Our effective tax rate reflects the full federal and state statutory rates on taxable income. The variation in the effective tax rate reflects the changing mix of sales made in states with different tax rates.

Nine Months Ended October 31, 2007 Compared to Nine Months Ended October 31, 2006

Revenue

	Nine months ended October 31, 2007	Nine months ended October 31, 2006 (dollars in thousands)	Increase	Percent change
Total revenue	$ 297,810	$ 208,616	$ 89,194	42.8%
Equipment	$ 225,854	$ 153,085	$ 72,769	47.5%
Parts	$ 45,560	$ 34,174	$ 11,386	33.3%
Service	$ 20,939	$ 16,467	$ 4,472	27.2%
Other, including trucking and rental	$ 5,457	$ 4,890	$ 567	11.6%

The increase in revenue for the nine months ended October 31, 2007 was primarily due to the following three items causing the current nine month results to increase over the prior year: acquisitions contributing to current period revenue, sales associated with a special manufacturer leasing program, and same-store sales growth. The acquisitions contributed $39.7 million in total revenue or 44.5% of the increase while the lease program transactions totaled $16.0 million, or 17.9%. The remaining increase of $33.5 million is attributable to same-store sales growth of 18.2%, which is reflective of the strong market for our products and our growing market share.

Cost of Revenue

	Nine months ended October 31, 2007	Nine months ended October 31, 2006 (dollars in thousands)	Increase	Percent change
Total cost of revenue	$ 249,265	$ 173,661	$ 75,604	43.5%
Equipment	$ 204,332	$ 139,462	$ 64,870	46.5%
Parts	$ 33,668	$ 24,496	$ 9,172	37.4%
Service	$ 7,731	$ 6,137	$ 1,594	26.0%
Other, including trucking and rental	$ 3,534	$ 3,566	$ (32)	(0.9)%

The increase in cost of revenue for the nine months ended October 31, 2007 was primarily due to the increased revenue. Acquisitions contributed $32.6 million to the cost of revenue for the current nine month period, while the leasing program added another $14.4 million, which is 43.1% and 19.0%, respectively, of the total increase in cost of revenue from the same prior fiscal period. The remainder of the increase is reflective of the increase in same-store sales. As a percentage of revenue, cost of revenue was 83.7% in fiscal 2008, compared to 83.2% in fiscal 2007. This percentage of revenue increase was attributable to growth in the lower margin equipment revenue relative to parts and services revenue.

Gross Profit

	Nine months ended October 31, 2007	Nine months ended October 31, 2006 (dollars in thousands)	Increase	Percent change
Total gross profit	$ 48,545	$ 34,955	$ 13,590	38.9%
Equipment	$ 21,522	$ 13,623	$ 7,899	58.0%
Parts	$ 11,892	$ 9,678	$ 2,214	22.9%
Service	$ 13,208	$ 10,330	$ 2,878	27.9%
Other, including trucking and rental	$ 1,923	$ 1,324	$ 599	45.2%

The $13.6 million increase in gross profit for the nine months ended October 31, 2007 compared to the same prior year period was primarily due to increased revenue. Acquisitions contributed $7.1 million to gross profit for the current nine month period, which is 52.2% of the total increase in cost of revenue while the leasing sales program added another $1.6 million. Same-store gross profits provided the remainder of the gross profit improvement primarily due to the increase in same-store sales. Gross profit margins were 16.3% for the current nine month period compared to 16.8% in the prior nine month period. This percentage decrease is attributable to the growth in lower margin equipment revenue relative to parts and services revenue.

Operating Expenses

Nine months ended October 31, 2007	Nine months ended October 31, 2006	Increase	Percent change

			(dollars in thousands)				
Operating expenses	$	35,833	$	27,463	$	8,370	30.5%

The increase in operating expenses for the nine months ended October 31, 2007 was primarily due to the additional costs associated with acquisitions. As a percentage of total revenue, operating expenses decreased to 12.0% for the current nine month period from 13.2% for the nine month period in the prior year. This decrease was primarily driven by the strong sales in the current year resulting in improved fixed operating expense utilization as a percentage of sales.

Other Income (Expense)

	Nine months ended October 31, 2007		Nine months ended October 31, 2006 (dollars in thousands)		Increase		Percent change
Interest and other income	$	204	$	308	$	(104)	(33.8)%
Floorplan interest expense	$	(2,805)	$	(2,436)	$	(369)	15.1%
Interest expense	$	(1,955)	$	(1,593)	$	(362)	22.7%

Floor plan interest expense increased $0.4 million for the nine months ended October 31, 2007 due to higher levels of floor plan debt in the current fiscal year compared to that of the prior year. The higher floor plan debt is driven by increased equipment inventory levels resulting from acquisitions. The $0.4 million increase in interest expense was due to additional long-term debt incurred primarily in connection with acquisitions.

Provision for Income Taxes

	Nine months ended October 31, 2007		Nine months ended October 31, 2006 (dollars in thousands)		Increase		Percent change
Provision for income taxes	$	(3,213)	$	(1,514)	$	(1,699)	112.2%

The effective tax rate as a percentage of income before taxes decreased to 39.4% for the nine months ended October 31, 2007 from 40.1% for the same nine months of the prior year. Our effective tax rate reflects the full federal and state statutory rates on taxable income. The variation in the effective tax rate reflects the changing mix of sales made in states with different tax rates.

Liquidity and Capital Resources

Cash Flow from Operating Activities

For the nine months ended October 31, 2007, our cash flow provided by operating activities was $5.0 million. Our cash flows from operations were primarily the result of our reported net income of $4.9 million, an increase in floor plan notes of $4.1 million, an increase in customer deposits of $4.9 million, an increase in accounts payable and accrued expenses of $4.0 million and an add back of non-cash depreciation and amortization of $1.6 million. This amount was principally offset by an increase in receivables of $7.8 million and an increase in inventories of $7.0 million.

For the nine months ended October 31, 2006, our cash flow provided by operating activities was $8.4 million. Our cash flows from operations were primarily the result reported net income of $2.3 million, a decrease in inventories of $5.8 million, an increase in floor plan notes of $3.0 million and an increase in accounts payable of $4.0 million. This amount was principally offset by an increase in receivables of $3.8 million and a decrease in customer deposits of $2.8 million.

Cash Flow from Investing Activities

For the nine months ended October 31, 2007, cash used for investing activities was $10.6 million. Our cash used for investing activities primarily consisted of equipment dealership purchases (net of cash purchased) of $5.0 million and purchases of property and equipment for $5.5 million.

For the nine months ended October 31, 2006, cash used for investing activities was $13.7 million. Our cash used for investing activities primarily consisted of equipment dealership purchases (net of cash purchased) of $12.1 million and purchases of property and equipment for $1.7 million.

Cash Flow from Financing Activities

For the nine months ended October 31, 2007, cash provided by financing activities was $1.8 million. Cash provided by financing activities was primarily the result of proceeds from long-term debt borrowings and subordinated debentures of $9.1 million. Partially offsetting the cash provided by financing activities were principal payments on long-term debt of $4.2 million and a decrease in the net change in non-manufacturer floor plan payables of $3.5 million.

For the nine months ended October 31, 2006, cash provided by financing activities was $1.5 million. Cash provided by financing activities was primarily the result of proceeds from long-term debt borrowings and subordinated debentures of $4.0 million and proceeds from fixed asset financing related to acquisitions of $1.6 million. Partially offsetting the cash provided by financing activities were principal payments on long-term debt of $0.9 million and a decrease in the net change in non-manufacturer floor plan payables of $3.1 million.

Sources of Liquidity

Our primary sources of liquidity are cash flow from operations, proceeds from our public offering, proceeds from the issuance of debt and our borrowings under the Bremer, CNH Capital, and GE credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our strategic acquisitions, finance the purchase of inventory, meet debt service requirements and fund operating activities, working capital, payments due under building space operating leases and manufacturer floor plan payable.

Based on our current operational performance, we believe our cash flow from operations, the proceeds from our public offering, available cash and available borrowings under the existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

Certain Information Concerning Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease rental equipment under operating leases.

Information Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. Such forward-looking information is included in this Form 10-Q, including the MD&A section, as well as in our Registration Statement on Form S-1, as amended, that was filed with the Securities and Exchange Commission, and in other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company).

Forward-looking statements include all statements based on future expectations and specifically include, among other things, all statements relating to our beliefs that our market share is growing and our expectations and beliefs with respect to the uses and adequacy of our capital resources. Any statements that are not based upon historical facts, including the outcome of events that have not yet occurred and our expectations for future performance, are forward-looking statements. The words potential, believe, estimate, expect, intend, may, could plan, anticipate, and similar words and expressions are intended to identify forward-looking statements. Such statements are based upon the current beliefs and expectations of our management. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include our ability to successfully implement our acquisition strategy and successfully integrate newly-acquired dealerships, the accuracy of management s estimates and beliefs regarding the strength of the agriculture and construction industries within our geographic footprint, and the accuracy of management s beliefs with respect to the uses and adequacy of our capital resources, as well as those matters identified and discussed in our Registration Statement on Form S-1, as amended, filed in connection with our initial public offering under the section titled Risk Factors .

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices such as interest rates. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. During fiscal 2007, we renegotiated and/or signed several new credit facilities. Many of these credit agreements are floating rate facilities now containing minimum rates of interest to be charged. We have also entered into fixed rate financing. Based upon balances and interest rates as of October 31, 2007, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately $561,000. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately $561,000. At October 31, 2007, we had variable rate floorplan notes payable of $111.7 million, of which approximately $44.6 million was interest-bearing, variable notes payable and long-term debt of $11.6 million, and fixed rate notes payable and long-term debt of $20.8 million.

Our policy is not to enter into derivatives or other financial instruments for trading or speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Evaluation of disclosure controls and procedures*. After evaluating the effectiveness of the Company s disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the Exchange Act) as of the end of the period covered by this quarterly report, our chief executive officer and chief financial officer with the participation of the Company s management, have concluded that the Company s disclosure controls and procedures are effective to ensure that information that is required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities Exchange Commission. Our chief executive officer and chief financial officer with the participation of the Company s management, have also concluded that the Company s disclosure controls and procedures are effective to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosures.

Based on evaluations occurring prior to the end of the period covered by this quarterly report, our chief executive officer and chief financial officer concluded that certain internal control deficiencies existed. In light of these deficiencies, management took the actions discussed below prior to and during the third quarter to address such deficiencies.

(b) *Changes in internal controls*. During the nine months ended October 31, 2007, we have taken the actions set forth below that management believes appropriately address past control deficiencies.

1. The Company strengthened its accounting close procedures to ensure timely and proper general ledger reconciliations and to include numerous review activities including the formation of a Disclosure Committee. The Company also engaged the services of our independent auditors to conduct an Agreed Upon Procedures engagement to analyze our current quarter-end closing procedures.

2. The Company directed appropriate accounting personnel to pursue continuing education and training to improve their skill and abilities and to become more qualified in the financial reporting function.

3. The Company hired a chief accounting officer.

4. The Company engaged external consultants to provide recommendations to improve our processes and internal control structure.

Except as otherwise described herein, there has not been any change in our internal control over financial reporting (as defined in Rules 13a-15(f) as promulgated by the Securities and Exchange Commission under the Act) during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are currently not a party to any material pending legal proceedings.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, including the important information in the Information Regarding Forward-Looking Statements section, you should carefully consider the Risk Factors discussed in our Registration Statement on Form S-1, as amended, as filed with the United States Securities and Exchange Commission on December 5, 2007. Those factors, if they were to occur, could cause our actual results to differ materially from those expressed in our forward-looking statements in this Quarterly Report, and materially adversely affect our financial condition or future results. Although we are not aware of any other factors that we currently anticipate will cause our forward-looking statements to differ materially from our future actual results, or materially affect the Company s financial condition or future results, additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results.

There have been no material changes to the risk factors described in our Registration Statement on Form S-1 as amended, filed in connection with our initial public offering.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 1, 2007, we issued an aggregate of 323,533 shares of Series D Preferred Stock to individuals affiliated with Red Power International, Inc., each of whom is an accredited investor, in connection with our acquisition of Red Power s Case IH and New Holland dealership in Crookston, Minnesota. We believe the transaction was exempt from the registration requirements of the Securities Act by virtue of Section 4(2) thereof and Regulation D promulgated thereunder, based on the limited number of offerees in the offering, representations and warranties made by the offerees in the particular transactions, or the identity of such offerees as accredited investors.

On December 11, 2007, we closed the initial public offering of our common stock, pursuant to which we sold 5,442,395 shares of our common stock and selling stockholders sold 1,457,605 shares. We filed a Registration Statement on Form S-1 in connection with the IPO (SEC File No. 333-145526) that was declared effective on December 6, 2007, as well as a Registration Statement on Form S-1 relating to an increase in the proposed maximum aggregate offering price (SEC File No. 333-147859). We received net proceeds, after expenses, from the IPO of approximately $42 million. Offering expenses related to the IPO included an underwriting discount of approximately $3.2 million and other offering expenses of approximately $1.0 million. We used $441,027 of the proceeds from the IPO to pay accrued cash dividends upon the conversion of all of our outstanding preferred stock, $142,424 to repay subordinated debentures, and $7.5 million to repay the subordinated note issued to CNH Capital issued January 31, 2006. We intend to use the remaining proceeds from the IPO to fund potential acquisitions of CNH agricultural and construction equipment dealerships and for general corporate purposes, including working capital needs.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On January 10, 2008, the Company s Compensation Committee approved the Titan Machinery Inc. Fiscal 2009 Non-Employee Director Compensation Plan. The plan provides for a $20,000 annual cash retainer, an annual grant of $20,000 of restricted stock priced as of the last day of the prior fiscal year with one-year vesting period and a requirement to hold such shares of stock until no longer serving as a director of the Company, a $1,000 cash fee per board or committee meeting attended in person ($500 for teleconferences), and the reimbursement of reasonable expenses incurred in connection with serving as a director of the Company. This plan replaces in its entirety the Titan Machinery Inc. Non-Employee Director Compensation Plan filed as Exhibit 10.4 to the Company s Registration Statement on Form S-1, as amended, filed in connection with the Company s initial public offering. A copy of the plan is attached as Exhibit 10.1 to this Quarterly Report and the terms of the plan are incorporated by reference into this Item 5 as if fully set forth herein.

On January 10, 2008, the Company s Compensation Committee approved the Titan Machinery Inc. Fiscal 2008 Executive Bonus Plan. The plan provides for a cash bonus to the Company s named executive officers of up to 200% of our Chief Executive Officer s and President and Chief Financial Officer s annual base salaries and up to 70% of our Vice President, Finance and Treasurer s annual base salary if certain company financial targets and individual performance goals are met. A copy of the plan is attached as Exhibit 10.2 to this Quarterly Report and the terms of the plan are incorporated by reference into this Item 5 as if fully set forth herein.

ITEM 6. EXHIBITS

(a) Exhibits - See Exhibit Index on page following signatures

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: January 11, 2008

TITAN MACHINERY INC.

By	/s/ Peter J. Christianson Peter J. Christianson President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

TITAN MACHINERY INCORPORATED

FORM 10-Q

Exhibit No.	Description
**10.1	Titan Machinery Inc. Fiscal 2009 Non-Employee Director Compensation Plan
**10.2	Titan Machinery Inc. Fiscal 2008 Executive Bonus Plan
**31.1	Certification of President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
**32.1	Certification of President and Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
**32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Filed herewith