APOLLO INVESTMENT CORP
Form 497
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PROSPECTUS SUPPLEMENT

(To prospectus dated September 19, 2013)

12,000,000 Shares

Common Stock

Apollo Investment Corporation is an externally managed closed-end, non-diversified management investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, or 1940 Act. Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured loan investments, and/or equity in private middle-market companies. We may also invest in the securities of public companies and structured products and other investments such as collateralized loan obligations.

We are offering for sale 12,000,000 shares of our common stock. The underwriters have agreed to purchase our shares of common stock from us at a price of $8.69 per share, which will result in approximately $104.3 million of proceeds to us before expenses. The underwriters may offer the shares of common stock from time to time for sale in one or more transactions on the NASDAQ Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

The underwriters may also exercise their option to purchase up to an additional 1,800,000 shares of common stock from us, at the price per share set forth above, for 30 days after the date of this prospectus supplement.

Our common stock is traded on the NASDAQ Global Select Market under the symbol AINV. The last reported closing price for our common stock on February 24, 2014 was $9.15 per share.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information about us with the Securities and Exchange Commission. This information is available free of charge by contacting us at 9 West 57th Street, New York, New York 10019, or by calling us at (212) 515-3450. The Securities and Exchange Commission maintains a website at www.sec.gov where such information is available without charge upon written or oral request. Our Internet website address is www.apolloic.com. Information contained on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and you should not consider information contained on our website to be part of this prospectus.

Investing in our securities involves a high degree of risk, including the risk of the use of leverage, and is highly speculative. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 8 of the accompanying base prospectus and the additional risks noted in Risk Factors beginning on page S-8, respectively, of this prospectus supplement.

We invest in securities that have been rated below investment grade by independent rating agencies or that would be rated below investment grade if they were rated. These securities, which are often referred to as junk, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. They may also be difficult to value and illiquid.

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

The underwriters expect to deliver the shares to purchasers on or about February 28, 2014 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

BofA Merrill Lynch Barclays Citigroup RBC Capital Markets

Lead Manager

Deutsche Bank Securities

The date of this prospectus supplement is February 24, 2014.

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You should rely only on the information contained in this prospectus supplement and the accompanying base prospectus, which we refer to collectively as the prospectus. We have not, and the underwriters have not, authorized anyone to provide you with additional information, or information different from that contained in this prospectus supplement and the accompanying base prospectus. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying base prospectus is accurate only as of the date of this prospectus supplement or such base prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since then.

PROSPECTUS SUPPLEMENT

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THE OFFERING

Common stock offered by us, excluding the underwriters option to purchase additional shares	12,000,000 shares.
Common stock outstanding prior to this offering	224,741,351 shares.
Common stock outstanding after this offering, excluding the underwriters option to purchase additional shares	236,741,351 shares.
Use of Proceeds	We expect to use the net proceeds from selling shares of our common stock in this offering to repay indebtedness owed under our senior secured, multi-currency, revolving credit facility (the Senior Secured Facility). See Use of Proceeds.
The NASDAQ Global Select Market Symbol	AINV
Risk Factors	See Risk Factors in this prospectus supplement and the accompanying prospectus and other information in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before you decide whether to make an investment in shares of our common stock.

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FEES AND EXPENSES

The following table is intended to assist you in understanding the costs and expenses that an investor in shares of our common stock will bear directly or indirectly. We caution you that the percentage indicated for Other expenses in the table below is an estimate and may vary. Except where the context suggests otherwise, whenever this prospectus supplement and the accompanying base prospectus contain a reference to fees or expenses paid by you, us or Apollo Investment, or that we will pay fees or expenses, stockholders will indirectly bear such fees or expenses as investors in Apollo Investment.

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	5.03%(1)
Offering expenses (as a percentage of offering price)	0.32%(2)
Total stockholder transaction expenses (as a percentage of offering price)	5.35%(3)
Annual expenses (as percentage of net assets attributable to common stock) (4):	
Management fees	3.50%(5)
Incentive fees payable under investment advisory and management agreement	2.30%(6)
Interest and other debt expenses on borrowed funds	3.57%(7)
Other expenses	0.67%(8)
Total annual expenses (9)	10.03%(5,6,7,8)

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These dollar amounts are based upon payment by an investor of an assumed 5.03% sales load (underwriting discounts and commissions) and the assumption that our annual operating expenses and leverage would remain at the levels set forth in the table above (other than performance-based incentive fees).

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 77	$ 243	$ 426	$ 970

While the example assumes, as required by the Securities and Exchange Commission (the SEC), a 5% annual return, our performance will vary and may result in a return greater or less than 5%. Assuming a 5% annual return, the incentive fee under the investment advisory and management agreement may not be earned or payable and is not included in the example. This illustration assumes that we will not realize any capital gains computed net of all realized capital losses and gross unrealized capital depreciation in any of the indicated time periods. If we achieve sufficient returns on our investments, including through the realization of capital gains, to trigger an incentive fee of a material amount, our expenses, and returns to our investors, would be higher. In addition, while the example assumes reinvestment of all dividends and distributions at net asset value, participants in our dividend reinvestment plan will receive a number of shares of our common stock, determined by dividing the total dollar amount of the dividend payable to a participant by the market price per share of our common stock at the close of trading on the valuation date for the dividend. See Dividend Reinvestment Plan in the accompanying prospectus for additional information regarding our dividend reinvestment plan.

This example and the expenses in the table above should not be considered a representation of our future expenses, and actual expenses may be greater or less than those shown.

(1) Represents the underwriting discounts and commissions with respect to the shares to be sold by us in this offering. Because the underwriters may offer the shares from time to time, for the purpose of calculating sales load, we have assumed the underwriters will sell the shares to the public at a price of $9.15 per share, the official close price of our common stock on the NASDAQ Global Select Market on February 24, 2014.

(2) The offering expenses of this offering are estimated to be approximately $350,000.

(3) The expenses of the dividend reinvestment plan per share are included in Other expenses.

(4) Net assets attributable to common stock equals net assets as of December 31, 2013 plus the anticipated net proceeds from this offering.

(5) The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Estimate is calculated assuming that proceeds from this offering are used to repay debt and are not invested into new investments. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Note 3 of our financial statements dated December 31, 2013 included herein.

(6) Assumes that annual incentive fees earned by our investment adviser, Apollo Investment Management, L.P. (AIM), remain consistent with the incentive fees accrued by AIM for the current fiscal quarter. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the performance threshold but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, AIM will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee performance threshold and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. Furthermore, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement in the accompanying base prospectus.

(7) Our interest and other debt expenses are based on current fiscal year estimates. We currently have $1.25 billion available under our Senior Secured Facility, of which we had $491.3 million in borrowings outstanding and $1.26 billion in total debt outstanding as of December 31, 2013. For more information, see Risk Factors Risks relating to our business and structure We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us in the accompanying base prospectus and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

(8) Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo Investment Administration, LLC in performing its obligations under the administration agreement. See Management Compensation of Directors and Officers Administration Agreement in the accompanying base prospectus.

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(9) Total annual expenses as a percentage of net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of total assets as of December 31, 2013 plus anticipated net proceeds from this offering, our Total annual expenses would be 6.02% of total assets.

BUSINESS

This summary highlights some of the information in this prospectus supplement. It is not complete and may not contain all of the information that you may want to consider. You should read carefully the more detailed information set forth under Risk Factors in this prospectus supplement and in the accompanying prospectus and the other information included in this prospectus supplement and the accompanying prospectus. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the terms we, us, our, and Apollo Investment refer to Apollo Investment Corporation; AIM or Investment Adviser refers to Apollo Investment Management, L.P.; Apollo Administration or AIA refers to Apollo Investment Administration, LLC; and Apollo refers to the affiliated companies of Apollo Investment Management, L.P.

Apollo Investment

Apollo Investment Corporation, a Maryland corporation organized on February 2, 2004, is a closed-end, externally managed, non-diversified management investment company that has elected to be treated as a business development company (BDC) under the Investment Company Act of 1940 (the 1940 Act). In addition, for tax purposes we have elected to be treated as a regulated investment company (RIC) under the Internal Revenue Code of 1986, as amended (the Code).

Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured loan investments and/or equity in private middle-market companies. We may also invest in the securities of public companies and structured products and other investments such as collateralized loan obligations.

Our portfolio is comprised primarily of investments in debt, including secured and unsecured debt of private middle-market companies that, in the case of senior secured loans, generally are not broadly syndicated and whose aggregate tranche size is typically less than $250 million. Our portfolio also includes equity interests such as common stock, preferred stock, warrants or options. In this prospectus, we use the term middle-market to refer to companies with annual revenues between $50 million and $2 billion. While our investment objective is to generate current income and capital appreciation through investments in U.S. secured and unsecured loans, other debt securities and equity, we may also invest a portion of the portfolio in other investment opportunities, including foreign securities and structured products. Most of the debt instruments we invest in are unrated or rated below investment grade, which is an indication of size, credit worthiness and speculative nature relative to the capacity to pay interest and principal. Generally, if Apollo Investment s unrated investments were rated, they would be rated below investment grade. These securities, which are often referred to as junk or high yield, have predominantly speculative characteristics with respect to the issuer s capacity to pay interest and repay principal. They may also be difficult to value and illiquid. See Risk Factors Risks Related to Our Investments in the accompanying base prospectus.

AIM is our Investment Adviser and an affiliate of Apollo Global Management, LLC and its consolidated subsidiaries (AGM). AGM and other affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. AIM and its affiliates may determine that an investment is appropriate both for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, AIM may determine that we should invest on a side-by-side basis with one or more other funds. We make all such investments subject to compliance with applicable regulations and interpretations, and our allocation procedures. In certain circumstances, negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained.

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During the three months ended December 31, 2013, we invested $630 million across 21 new and 22 existing portfolio companies, through a combination of primary and secondary market purchases. This compares to investing $515 million in 16 new and 14 existing portfolio companies for the three months ended December 31, 2012. Investments sold or repaid during the three months ended December 31, 2013 totaled $544 million versus $511 million for the three months ended December 31, 2012. The weighted average yields on our secured debt portfolio, unsecured debt portfolio, and total debt portfolio as of December 31, 2013 at our current cost basis were 11.3%, 11.5%, and 11.4%, respectively, exclusive of securities on non-accrual status. The weighted average yields on our secured debt portfolio, unsecured debt portfolio, and total debt portfolio as of March 31, 2013 at the current cost basis were 11.2%, 12.7%, and 11.9%, respectively, exclusive of securities on non-accrual status.

Our targeted investment size typically ranges between $20 million and $250 million, although this investment size may vary as the size of our available capital base changes. At December 31, 2013, our portfolio consisted of 101 portfolio companies (which reflects counting investments in operating and holding companies within the same corporate structure as one portfolio company) and was invested 51% in secured debt, 32% in unsecured debt, 7% in structured products, 3% in preferred equity and 7% in common equity and warrants measured at fair value versus 81 portfolio companies invested 44% in secured debt, 43% in unsecured debt, 7% in structured products, 0% in preferred equity and 6% in common equity and warrants measured at fair value at March 31, 2013.

Since the initial public offering of Apollo Investment in April 2004, and through December 31, 2013, invested capital totaled $12.2 billion in 271 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors. A financial sponsor is a term commonly used to refer to private equity investment firms, particularly those private equity firms that engage in leveraged buyout transactions.

At December 31, 2013, 61% or $1.7 billion of our income-bearing investment portfolio was fixed rate debt and 39% or $1.1 billion was floating rate debt, measured at fair value. On a cost basis, 62% or $1.7 billion of our income-bearing investment portfolio was fixed rate debt and 38% or $1.1 billion is floating rate debt. At March 31, 2013, 64% or $1.6 billion of our income-bearing investment portfolio was fixed rate debt and 36% or $0.9 billion was floating rate debt at fair value. On a cost basis, 65% or $1.6 billion of our income-bearing investment portfolio was fixed rate debt and 35% or $0.9 billion was floating rate debt.

About Apollo Investment Management

AIM, our Investment Adviser, is led by John J. Hannan, James C. Zelter and Edward Goldthorpe. Potential investment opportunities are generally approved by an investment committee composed of senior personnel across AGM, including Mr. Zelter and Mr. Goldthorpe. The composition of the investment committee and its approval process for our investments may change from time to time. AIM draws upon AGM s more than 20 year history and benefits from the broader firm s significant capital markets, trading and research expertise developed through investments in many core sectors in over 200 companies since inception.

About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, AIA, an affiliate of AGM, also oversees our financial records as well as prepares our reports to stockholders and reports filed with the SEC. AIA also performs the calculation and publication of our net asset value, the payment of our expenses and oversees the performance of various third-party service providers and the preparation and filing of our tax returns. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

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Our Corporate Information

Our administrative and principal executive offices are located at 730 Fifth Avenue, New York, NY 10019 and 9 West 57th Street, New York, NY, 10019, respectively. Our common stock is quoted on the NASDAQ Global Select Market under the symbol AINV. Our Internet website address is www.apolloic.com. Information contained on our website is not incorporated by reference into this prospectus supplement and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying base prospectus.

Recent Developments

From January 1, 2014 through February 21, 2014, we invested approximately $591 million in new and existing portfolio companies. From January 1, 2014 through February 21, 2014, we had also sold or received repayments on approximately $373 million from portfolio companies.

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RISK FACTORS

In addition to the other information set forth in this prospectus supplement, you should carefully consider the factors discussed below, and those set forth under the caption Risk Factors in the accompanying base prospectus and in this prospectus supplement, which could materially affect our business, financial condition and/or operating results. The risks described below and in the accompanying base prospectus and this prospectus supplement are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition, operating results, dividend payments, Senior Secured Facility, access to capital and valuation of our assets.

Our most recent NAV was calculated on December 31, 2013 and our NAV when calculated effective March 31, 2014 may be higher or lower.

Our most recently determined net asset value (NAV) per share was $8.57 as of December 31, 2013. NAV per share as of March 31, 2014 may be higher or lower than our NAV per share as of December 31, 2013 based on potential changes in valuations, issuances of securities, dividends paid and earnings for the quarter then ended. Our Board of Directors has not yet determined the fair value of portfolio investments at any date subsequent to December 31, 2013. Our Board of Directors determines the fair value of our portfolio investments on a quarterly basis in connection with the preparation of quarterly financial statements and based on input from independent valuation firms, our Investment Adviser and the audit committee of our Board of Directors.

If we sell common stock at a discount to our NAV per share, stockholders who do not participate in such sale will experience immediate dilution in an amount that may be material.

We have obtained approval from our stockholders for us to be able to sell, subject to the condition that the maximum number of shares salable below net asset value pursuant to this authority in any particular offering that could result in such dilution is limited to 25% of our then outstanding common stock immediately prior to each such offering, shares of our common stock at any level of discount from NAV per share in certain circumstances during the one-year period ending on August 6, 2014, as described in this prospectus supplement and in the accompanying prospectus. The issuance or sale by us of shares of our common stock at a discount to net asset value poses a risk of dilution to our stockholders. In particular, stockholders who do not purchase additional shares of common stock at or below the discounted price in proportion to their current ownership will experience an immediate decrease in NAV per share (as well as in the aggregate NAV of their shares of common stock if they do not participate at all). These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we experience in our assets, potential earning power and voting interests from such issuance or sale. In addition, such sales may adversely affect the price at which our common stock trades.

Senior securities, including debt, expose us to additional risks, including the typical risks associated with leverage.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to maintain asset coverage above the 200% level. If that happens, the contractual arrangements governing these securities may require us to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

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The amount of leverage that we employ will depend on our Investment Adviser s and our Board of Directors assessment of market conditions and other factors at the time of any proposed borrowing. There is no assurance that a leveraging strategy will be successful. Leverage involves risks and special considerations for stockholders, including:

- A likelihood of greater volatility in the net asset value and market price of our common stock;
- Diminished operating flexibility as a result of asset coverage or investment portfolio composition requirements required by lenders or investors that are more stringent than those imposed by the 1940 Act;
- The possibility that investments will have to be liquidated at less than full value or at inopportune times to comply with debt covenants or to pay interest or dividends on the leverage;
- Increased operating expenses due to the cost of leverage, including issuance and servicing costs;
- Convertible or exchangeable securities issued in the future may have rights, preferences and privileges more favorable than those of our common stock; and
- Subordination to lenders superior claims on our assets as a result of which lenders will be able to receive proceeds available in the case of our liquidation before any proceeds will be distributed to our stockholders.

For example, the amount we may borrow under our Senior Secured Facility is determined, in part, by the fair value of our investments. If the fair value of our investments declines, we may be forced to sell investments at a loss to maintain compliance with our borrowing limits. Other forms of leverage we may enter into in the future may contain similar provisions. Any such forced sales would reduce our net asset value and also make it difficult for the net asset value to recover. Our Investment Adviser and our Board of Directors in their best judgment nevertheless may determine to use leverage if they expect that the benefits to our stockholders of maintaining the leveraged position will outweigh the risks.

The following table is designed to illustrate the effect on return to a holder of our common stock of the leverage created by our use of borrowing and potential issuance of preferred stock, at the weighted average annual interest rate of 5.01% for the nine months ended December 31, 2013, and assuming the same average dividend rate on any preferred stock that we might issue and hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed Return on Portfolio (net of expenses) (1)	**-10.0%**	**-5.0%**	**0%**	**5.0%**	**10%**
Corresponding Return to Common Stockholders (2)	(19.8)%	(11.5)%	(3.3)%	5.0%	13.3%

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

(2) In order to compute the Corresponding Return to Common Stockholders, the Assumed Return on Portfolio (net of expenses) is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the Corresponding Return to Common Stockholders.

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SENIOR SECURITIES

Information about our senior securities is shown in the following table as of each year ended March 31 since Apollo Investment commenced operations, unless otherwise noted. The indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities. The report of our independent registered public accounting firm covering the total amount of senior securities outstanding as of March 31, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 is attached as an exhibit to the registration statement of which this prospectus is a part.

Class and Year	Total Amount Outstanding (1)	Asset Coverage Per Unit (2)	Involuntary Liquidating Preference Per Unit (3)	Estimated Market Value (4)
		(in thousands)		
Senior Secured Facility				
Fiscal 2014 (through December 31, 2013)	$ 491,292	$ 984	$	$ 492,274
Fiscal 2013	536,067	1,137		551,097
Fiscal 2012	539,337	1,427		N/A
Fiscal 2011	628,443	1,707		N/A
Fiscal 2010	1,060,616	2,671		N/A
Fiscal 2009	1,057,601	2,320		N/A
Fiscal 2008	1,639,122	2,158		N/A
Fiscal 2007	492,312	4,757		N/A
Fiscal 2006	323,852	4,798		N/A
Fiscal 2005				N/A
Senior Secured Notes				
Fiscal 2014 (through December 31, 2013)	$ 270,000	$ 541	$	$ 279,901
Fiscal 2013	270,000	572		282,173
Fiscal 2012	270,000	714		N/A
Fiscal 2011	225,000	611		N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A
2042 Notes				
Fiscal 2014 (through December 31, 2013)	$ 150,000	$ 300	$	$ 123,720
Fiscal 2013	150,000	318		148,920
Fiscal 2012				N/A
Fiscal 2011				N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A

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Class and Year	Total Amount Outstanding (1)	Asset Coverage Per Unit (2)	Involuntary Liquidating Preference Per Unit (3)	Estimated Market Value (4)
		(in thousands)		
2043 Notes				
Fiscal 2014 (through December 31, 2013)	$ 150,000	$ 300	$	$ 114,264
Fiscal 2013				N/A
Fiscal 2012				N/A
Fiscal 2011				N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A
Convertible Notes				
Fiscal 2014 (through December 31, 2013)	$ 200,000	$ 401	$	$ 209,946
Fiscal 2013	200,000	424		212,000
Fiscal 2012	200,000	529		N/A
Fiscal 2011	200,000	544		N/A
Fiscal 2010				N/A
Fiscal 2009				N/A
Fiscal 2008				N/A
Fiscal 2007				N/A
Fiscal 2006				N/A
Fiscal 2005				N/A

(1) Total amount of each class of senior securities outstanding at the end of the period presented.

(2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by $1 to determine the Asset Coverage Per Unit. In order to determine the specific Asset Coverage Per Unit for each class of debt, the total Asset Coverage Per Unit was divided based on the amount outstanding at the end of the period for each.

(3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.

(4) The Estimated Market Value was determined based on market quotations as of period-end, if available, or by utilizing a market approach using comparable yields of similar securities. On the reporting date, the carrying value for each debt obligation in the Statement of Assets and Liabilities is the principal outstanding which represents the amount the company expects to settle the obligation.

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USE OF PROCEEDS

The net proceeds from the sale of the 12,000,000 shares of our common stock in this offering, after deducting estimated expenses of this offering payable by us, will be approximately $103.9 million (or $119.6 million, if the underwriters exercise their option to purchase the additional shares in full).

We expect to use the net proceeds from selling shares of our common stock in this offering to repay indebtedness owed under our Senior Secured Facility.

At February 21, 2014, we had approximately $741.5 million outstanding under our Senior Secured Facility. The remaining capacity under the Senior Secured Facility was $508.5 million at February 21, 2014. On September 13, 2013, Apollo Investment amended and restated its Senior Secured Facility. The Senior Secured Facility extends the lenders commitments totaling $1.25 billion through August 2017, and allows Apollo Investment to seek additional commitments from new and existing lenders in the future, up to an aggregate facility size not to exceed $1.71 billion. The Senior Secured Facility is secured by substantially all of the assets in Apollo Investment s portfolio, including cash and cash equivalents. The final maturity date of the Senior Secured Facility is August 31, 2018. Commencing September 30, 2017, Apollo Investment is required to repay, in twelve consecutive monthly installments of equal size, the outstanding amount under the Senior Secured Facility as of August 31, 2017. Pricing for Alternate Base Rate (ABR) borrowings will be 100 basis points over the greater of (i) the applicable Prime Rate (ii) the Federal Funds Effective Rate plus $^1/_2$ of 1% and (iii) the one-month LIBO Rate plus 1%, and pricing for eurocurrency borrowings will be 200 basis points over the Adjusted LIBO Rate. Terms used in the foregoing sentence have the meanings set forth in the Senior Secured Facility.

Affiliates of the underwriters are lenders under the Senior Secured Facility. Accordingly, affiliates of the underwriters will receive the net proceeds of this offering.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market under the symbol AINV. The following table lists the NAV per share of our common stock, the high and low closing sale price for our common stock, the closing sale price as a percentage of NAV, and quarterly dividends per share since shares of our common stock began being regularly quoted on the NASDAQ Global Select Market. The last reported closing market price of our common stock on February 24, 2014 was $9.15 per share. As of February 24, 2014, we had 99 stockholders of record.

	NAV Per Share (1)	Closing Sales Price Per Share High	Closing Sales Price Per Share Low	Premium or Discount of High Sales Price to NAV (2)	Premium or Discount of Low Sales Price to NAV (2)	Dividends Per Share
Fiscal Year Ending March 31, 2014						
Fourth Fiscal Quarter (January 1 through February 24, 2014)	**	$ 9.15	$ 8.14	**	**	*
Third Fiscal Quarter	$ 8.57	$ 9.02	$ 8.05	5%	(6)%	$ 0.20
Second Fiscal Quarter	$ 8.30	$ 8.47	$ 7.77	2%	(6)%	$ 0.20
First Fiscal Quarter	$ 8.16	$ 8.87	$ 7.37	9%	(10)%	$ 0.20
Fiscal Year Ending March 31, 2013						
Fourth Fiscal Quarter	$ 8.27	$ 9.01	$ 8.23	9%	0%	$ 0.20
Third Fiscal Quarter	$ 8.14	$ 8.47	$ 7.29	4%	(11)%	$ 0.20
Second Fiscal Quarter	$ 8.46	$ 8.30	$ 7.57	(2)%	(11)%	$ 0.20
First Fiscal Quarter	$ 8.30	$ 7.67	$ 6.59	(8)%	(21)%	$ 0.20
Fiscal Year Ending March 31, 2012						
Fourth Fiscal Quarter	$ 8.55	$ 8.00	$ 6.44	(6)%	(25)%	$ 0.20
Third Fiscal Quarter	$ 8.16	$ 8.55	$ 5.99	5%	(27)%	$ 0.28
Second Fiscal Quarter	$ 8.12	$ 10.60	$ 7.39	31%	(9)%	$ 0.28
First Fiscal Quarter	$ 9.76	$ 12.23	$ 9.71	25%	(1)%	$ 0.28

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

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

* Dividends not yet declared.

** NAV not yet determined.

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SELECTED FINANCIAL DATA

The Statement of Operations, Per Share data and Balance Sheet data for the fiscal years ended March 31, 2013, 2012, 2011, 2010 and 2009 are derived from our financial statements, which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results for the three and nine months ended December 31, 2013 are not necessarily indicative of the results that may be expected for the year ending March 31, 2014.

This selected financial data should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus supplement and the accompanying prospectus. All amounts are in thousands except per share data.

	For the Three Months Ended December 31, (unaudited)		For the Nine Months Ended December 31, (unaudited)		For the Year Ended March 31,				
Statement of Operations Data:	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2011**	**2010**	**2009**
Total Investment Income	$ 94,561	$ 83,212	$ 284,941	$ 247,377	$ 331,994	$ 357,584	$ 358,779	$ 340,238	$ 377,304
Total Expenses (including excise taxes)	$ 44,878	$ 41,132	$ 133,305	$ 122,083	$ 164,634	$ 184,842	$ 167,607	$ 140,828	$ 170,973
Net Investment Income	$ 49,683	$ 42,080	$ 151,636	$ 125,294	$ 167,360	$ 172,742	$ 191,172	$ 199,410	$ 206,331
Net Realized and Unrealized Gains (Losses)	$ 56,055	$ (64,824)	$ 49,331	$ (86,643)	$ (62,889)	$ (259,006)	$ (10,760)	$ 63,880	$ (818,210)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 105,738	$ (22,744)	$ 200,967	$ 38,651	$ 104,471	$ (86,264)	$ 180,412	$ 263,290	$ (611,879)
Per Share Data									
Net Asset Value	$ 8.57	$ 8.14	$ 8.57	$ 8.14	$ 8.27	$ 8.55	$ 10.03	$ 10.06	$ 9.82
Net Investment Income	$ 0.22	$ 0.21	$ 0.69	$ 0.62	$ 0.83	$ 0.88	$ 0.99	$ 1.26	$ 1.48
Net Increase (Decrease) in Net Assets Resulting from Operations (Basic)	$ 0.47	$ (0.11)	$ 0.90	$ 0.19	$ 0.51	$ (0.44)	$ 0.93	$ 1.65	$ (4.39)
Distributions Declared	$ 0.20	$ 0.20	$ 0.60	$ 0.60	$ 0.80	$ 1.04	$ 1.12	$ 1.10	$ 1.82
Balance Sheet Data:									
Total Assets	$ 3,379,700	$ 2,779,498	$ 3,379,700	$ 2,779,498	$ 2,944,312	$ 2,775,263	$ 3,148,813	$ 3,465,116	$ 2,548,639
Borrowings Outstanding	$ 1,261,292	$ 1,040,944	$ 1,261,292	$ 1,040,944	$ 1,156,067	$ 1,009,337	$ 1,053,443	$ 1,060,616	$ 1,057,601
Total Net Assets	$ 1,925,339	$ 1,652,147	$ 1,925,339	$ 1,652,147	$ 1,677,389	$ 1,685,231	$ 1,961,031	$ 1,772,806	$ 1,396,138
Other Data:									
Total Return (1)	6.4%	8.47%	9.00%	25.2%	28.2%	(32.4)%	5.1%	313.0%	(73.9)%
Number of Portfolio Companies at Period End	101	71	101	71	81	62	69	67	72
Total Portfolio Investments for the Period	$ 630,504	$ 515,493	$ 1,830,368	$ 1,109,290	$ 1,537,366	$ 1,480,508	$ 1,085,601	$ 716,425	$ 434,995
Investment Sales and Prepayments for the Period	$ 544,106	$ 510,856	$ 1,594,910	$ 1,108,555	$ 1,337,431	$ 1,634,520	$ 977,493	$ 451,687	$ 339,724
Weighted Average Yield on Debt Portfolio at Period End	11.4%	11.9%	11.4%	11.9%	11.9%	11.9%	11.6%	11.8%	11.7%
Weighted Average Shares Outstanding at Period End (Basic) (2)	224,741	202,891	220,848	202,870	202,875	196,584	193,192	159,369	139,469

(1) Total return is based on the change in market price per share and takes into account dividends and distributions, if any, reinvested in accordance with our dividend reinvestment plan.

(2) Weighted Average Shares Outstanding on a diluted basis for the three months ended December 31, 2013 were 239,289. Weighted Average Shares Outstanding on a diluted basis for the three months ended December 31, 2012 were 217,440. Weighted Average Shares

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Outstanding on a diluted basis for the nine months ended December 31, 2013 were 235,396. Weighted Average Shares Outstanding on a diluted basis for the nine months ended December 31, 2012 were 217,418. Weighted Average Shares Outstanding on a diluted basis for the fiscal year ended March 31, 2013 were 217,423. Weighted Average Shares Outstanding on a diluted basis for the fiscal year ended March 31, 2012 were 211,132. Weighted Average Shares Outstanding on a diluted basis for the fiscal year ended March 31, 2011 were 195,823. For the fiscal years ended 2010 and 2009, basic and diluted weighted average shares were the same.

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CAPITALIZATION

The following table sets forth our cash and capitalization as of December 31, 2013 (1) on an actual basis and (2) on an as adjusted basis giving effect to the sale of 12,000,000 shares of our common stock at $8.69 per share, and after deducting estimated offering expenses payable by us. You should read this table together with Use of Proceeds and Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying base prospectus. The adjusted information is illustrative only; our capitalization following the completion of this offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares of common stock we sell in this offering, both of which will be determined at pricing.

All amounts in thousands, except share data

	As of December 31, 2013	
	Actual	As Adjusted for this Offering (1)
Cash and cash equivalents	$ 14,847	$ 14,847
Total assets	$ 3,379,700	$ 3,379,700
Borrowings under Senior Secured Facility (2)	$ 491,292	$ 387,362
Senior Secured Notes	270,000	270,000
Unsecured Notes	500,000	500,000
Total Debt	1,261,292	1,157,362
Common stock, par value $0.001 per share; 400,000,000 shares authorized, 224,741,351 shares issued and outstanding, 236,741,351 shares issued and outstanding, as adjusted, respectively	225	237
Capital in excess of par value	3,115,442	3,219,360
Distributable earnings (3)	(1,190,328)	(1,190,328)
Total stockholders equity	1,925,339	2,029,269
Total capitalization	$ 3,186,631	$ 3,186,631

(1) Does not include the underwriters option to purchase additional shares.

(2) As described under Use of Proceeds, we intend to use the net proceeds from this offering to repay a portion of the borrowings outstanding under our Senior Secured Facility.

(3) Includes cumulative net investment income or loss, cumulative amounts of gains and losses realized from investment and foreign currency transactions and net unrealized appreciation or depreciation of investments and foreign currencies, and distributions paid to stockholders other than tax return of capital distributions. Distributable earnings is not intended to represent amounts we may or will distribute to our stockholders.

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FORWARD-LOOKING STATEMENTS

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

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

We generally use words such as anticipates, believes, expects, intends and similar expressions to identify forward-looking statements. Our actu results could differ materially from those projected in the forward-looking statements for any reason, including the factors set forth in Risk Factors and elsewhere in this prospectus supplement and accompanying base prospectus.

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

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this prospectus supplement.

OVERVIEW

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the Code. Pursuant to this election and assuming we qualify as a RIC, we generally do not have to pay corporate-level federal income taxes on any income we distribute to our stockholders. Apollo Investment commenced operations on April 8, 2004 upon completion of its initial public offering that raised $870 million in net proceeds selling 62 million shares of its common stock at a price of $15.00 per share. Since then, and through December 31, 2013, we have raised approximately $2.1 billion in net proceeds from additional offerings of common stock.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. As a business development company, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions).

Revenue

We generate revenue primarily in the form of interest and dividend income from the securities we hold and capital gains, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of mezzanine or senior secured loans, generally have a stated term of five to ten years and bear interest at a fixed rate or a floating rate usually determined on the basis of a benchmark: LIBOR, Euro Interbank Offered Rate (EURIBOR), British pound sterling LIBOR (GBP LIBOR), or the prime rate. Interest on debt securities is generally payable quarterly or semiannually and while U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of our investments may include zero coupon and/or step-up bonds that accrue income on a constant yield to call or maturity basis. In addition, some of our investments provide for payment-in-kind (PIK) interest or dividends. Such amounts of accrued PIK interest or dividends are added to the cost of the investment on the respective capitalization dates and generally become due at maturity of the investment or upon the investment being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

All investment professionals of the investment adviser and their staff, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead

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expenses of that personnel which is allocable to those services are provided and paid for by AIM. We bear all other costs and expenses of our operations and transactions, including those relating to:

- investment advisory and management fees;
- expenses incurred by AIM payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- calculation of our net asset value (including the cost and expenses of any independent valuation firm);
- direct costs and expenses of administration, including independent registered public accounting and legal costs;
- costs of preparing and filing reports or other documents with the SEC;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- registration and listing fees;
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- taxes;
- independent directors fees and expenses;
- marketing and distribution-related expenses;
- the costs of any reports, proxy statements or other notices to stockholders, including printing and postage costs;
- our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

- organizational costs; and

- all other expenses incurred by us or Apollo Administration in connection with administering our business, such as our allocable portion of overhead under our administration agreement with Apollo Administration, including rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs.

We expect our general and administrative operating expenses related to our ongoing operations to increase moderately in dollar terms. During periods of asset growth, we generally expect our general and administrative operating expenses to decline as a percentage of our total assets and increase during periods of asset declines. Incentive fees, interest expense and costs relating to future offerings of securities, among others, may also increase or reduce overall operating expenses based on portfolio performance, interest rate benchmarks, and offerings of our securities relative to comparative periods, among other factors.

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Portfolio and Investment Activity

Our portfolio and investment activity for the three months ended December 31, 2013 and 2012 is as follows:

(amounts in millions)	For the three months ended December 31, 2013	For the three months ended December 31, 2012
Investment made in portfolio companies (1)	$ 630	$ 515
Investments sold	(293)	(307)
Net activity before repaid investments	337	208
Investments repaid	(251)	(204)
Net investment activity	$ 86	$ 4
Portfolio companies, at beginning of period	93	70
Number of new portfolio companies	21	16
Number of exited companies	13	14
Portfolio companies, at end of period	101	72
Number of investments in existing portfolio companies	22	13

(1) Investments were made through a combination of primary and secondary market purchases.

Our portfolio composition and weighted average yields at December 31, 2013 and at March 31, 2013 are as follows:

	December 31, 2013	March 31, 2013
Portfolio composition, measured at fair value:		
Secured debt	51%	44%
Unsecured debt	32%	43%
Structured products and other	7%	7%
Common equity, preferred equity and warrants	10%	6%
Weighted average yields, at current cost basis, exclusive of securities on non-accrual status:		
Secured debt portfolio	11.3%	11.2%
Unsecured debt portfolio	11.5%	12.7%
Total debt portfolio	11.4%	11.9%
Income-bearing investment portfolio composition, measured at fair value:		
Fixed rate amount	$ 1.7 billion	$ 1.6 billion
Floating rate amount	$ 1.1 billion	$ 0.9 billion
Fixed rate %	61%	64%
Floating rate %	39%	36%
Income-bearing investment portfolio composition, measured at cost:		
Fixed rate amount	$ 1.7 billion	$ 1.6 billion
Floating rate amount	$ 1.1 billion	$ 0.9 billion
Fixed rate %	62%	65%
Floating rate %	38%	35%

Since the initial public offering of Apollo Investment in April 2004, and through December 31, 2013, invested capital totaled $12.2 billion in 271 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors.

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CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Changes in the economic environment, financial markets and any other parameters used in determining such estimates could cause actual results to differ materially. In addition to the discussion below, our critical accounting policies are further described in the notes to the financial statements.

Valuation of Portfolio Investments

Under procedures established by our board of directors, we value investments, including certain secured debt, unsecured debt, and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Debt investments with remaining maturities of 60 days or less shall each be valued at cost with interest accrued or discount amortized to the date of maturity, unless such valuation, in the judgment of our investment adviser, does not represent fair value, in which case such investments shall be valued at fair value as determined in good faith by or under the direction of our board of directors. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

With respect to investments for which market quotations are not readily available or when such market quotations are deemed not to represent fair value, our board of directors has approved a multi-step valuation process each quarter, as described below:

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;

(2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;

(3) independent valuation firms are engaged by our board of directors to conduct independent appraisals by reviewing our investment adviser s preliminary valuations and then making their own independent assessment;

(4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and the valuation prepared by the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and

(5) the board of directors discusses valuations and determines in good faith the fair value of each investment in our portfolio based on the input of our investment adviser, the applicable independent valuation firm, third party pricing services and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. For the quarter ended December 31, 2013, there was no change to the Company s valuation techniques and related inputs considered in the valuation process.

Accounting Standards Codification 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active, or other observable inputs other than quoted prices.

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment. Of the Company s investments at December 31, 2013, $1.6 billion or 50.0% of the Company s investments are classified as Level 3.

Revenue Recognition

The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments, may have contractual PIK interest or dividends. PIK interest and dividends computed at the contractual rate are accrued into income and reflected as receivable up to the capitalization date. PIK investments offer issuers the option at each payment date of making payments in cash or in additional securities. When additional securities are received, they typically have the same terms, including maturity dates and interest rates as the original securities issued. On these payment dates, the Company capitalizes the accrued interest or dividends receivable (reflecting such amounts as the basis in the additional securities received). PIK generally becomes due at maturity of the investment or upon the investment being called by the issuer. At the point the Company believes PIK is not expected to be realized, the PIK investment will be placed on non-accrual status. When a PIK investment is placed on non-accrual status, the accrued, uncapitalized interest or dividends are reversed from the related receivable through interest or dividend income, respectively. The Company does not reverse previously capitalized PIK interest or dividends. Upon capitalization, PIK is subject to the fair value estimates associated with their related investments. PIK investments on non-accrual status are restored to accrual status if the Company again believes that PIK is expected to be realized. For the three and nine months ended December 31, 2013, accrued PIK totaled $8.4 million and $21.4 million, on total investment income of $94.6 million and $284.9 million, respectively. Loan origination fees, original issue discount, and market discounts are capitalized and amortized into income using the interest method or straight-line, as applicable. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring and other lending related fees are recorded as other income when earned. Investments that are expected to pay regularly scheduled interest and/or dividends in cash are generally placed on non-accrual status when principal or interest/dividend cash payments are past due 30 days or more and/or when it is no longer probable that principal or interest/dividend cash payments will be collected. Such non-accrual investments are restored to accrual status if past due principal and interest or dividends are paid in cash, and in management s judgment, are likely to continue timely payment of their remaining interest or dividend obligations. Interest or dividend cash payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management s judgment.