APOLLO INVESTMENT CORP
Form 497
June 12, 2013
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PROSPECTUS SUPPLEMENT

(To the prospectus dated September 14, 2012)

$135,000,000

6.875% Senior Notes due 2043

We are offering $135,000,000 in aggregate principal amount of our 6.875% Senior Notes due 2043, which we refer to in this prospectus supplement as the Notes. The Notes will mature on July 15, 2043. We will pay interest on the Notes on January 15, April 15, July 15 and October 15 of each year, beginning October 15, 2013. We may redeem the Notes in whole or in part at any time or from time to time on or after July 15, 2018, at the redemption price discussed under the caption Specific Terms of the Notes and the Offering Optional redemption in this prospectus supplement. The Notes will be issued in minimum denominations of $25 and integral multiples of $25 in excess thereof. We may offer other debt securities from time to time other than the Notes under our Registration Statement or in private placements.

The Notes will be our direct senior unsecured obligations and rank pari passu with all outstanding and future unsecured unsubordinated indebtedness issued by Apollo Investment Corporation.

We intend to apply to list the Notes on The New York Stock Exchange under the symbol AIY and, if the application is approved, we expect trading in the Notes on The New York Stock Exchange to begin within 30 days of the original issue date. The Notes are expected to trade flat. This means that purchasers will not pay, and sellers will not receive, any accrued and unpaid interest on the Notes that is not reflected in the trading price. Currently, there is no public market for the Notes and it is not expected that a market for the Notes will develop unless and until the Notes are listed on The New York Stock Exchange.

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 primary investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including senior secured loans, subordinated and mezzanine investments and/or equity in private middle market companies. From time to time, we may also invest in the securities of public companies.

Investing in our Notes involves risks that are described in the Risk Factors sections beginning on page S-8 of this prospectus supplement and page 8 of the accompanying prospectus.

	Per Note	Total
Public Offering Price	100.00%	$ 135,000,000
Underwriting Discounts	3.15%	$ 4,252,500
Proceeds, before expenses, to Apollo Investment Corporation (1)	96.85%	$ 130,747,500

(1) Before deducting expenses payable by us related to this offering, estimated at $300,000.

The public offering price set forth above does not include accrued interest, if any. Interest on the Notes will accrue from June 17, 2013 and must be paid by the purchaser if the Notes are delivered after June 17, 2013.

We have granted the underwriters an option to purchase up to an additional $20,250,000 total aggregate principal amount of Notes solely to cover overallotments, if any, within 30 days of the date of this prospectus supplement. If the underwriters exercise this option in full, the total public offering price will be $155,250,000, the total underwriting discounts and commissions (sales load) paid by us will be $4,890,375, and total proceeds, before expenses, will be $150,359,625.

THE NOTES ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

Delivery of the Notes in book-entry form only through the facilities of The Depository Trust Company will be made on or about June 17, 2013.

This prospectus supplement and the accompanying prospectus contain important information you should know before investing in our Notes. 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, or the SEC. 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 SEC 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.

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 SEC 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.

Joint Book-Running Managers

Morgan Stanley **BofA Merrill Lynch** **UBS Investment Bank**

Co-Managers

Citigroup **Credit Suisse** **J.P. Morgan**

The date of this prospectus supplement is June 10, 2013

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

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PROSPECTUS SUPPLEMENT

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PROSPECTUS

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SPECIFIC TERMS OF THE NOTES AND THE OFFERING

This prospectus supplement sets forth certain terms of the Notes that we are offering pursuant to this prospectus supplement and the accompanying prospectus that is attached to the back of this prospectus supplement. This section outlines the specific legal and financial terms of the Notes that are more generally described in the accompanying prospectus under the heading Description of Our Debt Securities. Capitalized terms used in this prospectus supplement and not otherwise defined shall have the meanings ascribed to them in the accompanying prospectus or in the indenture governing, or the supplemental indenture establishing, the terms of the Notes (collectively, the indenture and the supplemental indenture are referred to as the Indenture).

Issuer	Apollo Investment Corporation
Title of securities	6.875% Senior Notes due 2043
Initial aggregate principal amount being offered	$135,000,000
Option to purchase additional Notes.	We have granted the underwriters an option to purchase from us up to an additional $20,250,000 aggregate principal amount of Notes within 30 days of the date of this prospectus supplement.
Initial public offering price	100% of the aggregate principal amount of Notes.
Principal payable at maturity	100% of the aggregate principal amount; the principal amount of each Note will be payable on its stated maturity date at the office of the Paying Agent, Registrar and Transfer Agent for the Notes or at such other office in The City of New York as we may designate.
Type of Note	Fixed rate note
Listing	We intend to apply to list the Notes on The New York Stock Exchange within 30 days of the original issue date under the symbol AIY . The Notes will not be listed or quoted for trading on any national securities exchange or trading market on the original issue date.
Interest rate	6.875% per year
Day count basis	360-day year of twelve 30-day months
Original issue date	June 17, 2013
Stated maturity date	July 15, 2043

Date interest starts accruing	June 17, 2013
Interest payment dates	Every January 15, April 15, July 15 and October 15, commencing October 15, 2013. If an interest payment date falls on a non-business day, the applicable interest payment will be made on the next business day and no additional interest will accrue as a result of such delayed payment.
Interest periods	The initial interest period will be the period from and including June 17, 2013, to, but excluding, the initial interest payment date,

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	and the subsequent interest periods will be the periods from and including an interest payment date to, but excluding, the next interest payment date or the stated maturity date, as the case may be.
Regular record dates for Interest	January 1, April 1, July 1 and October 1, commencing October 1, 2013.
Specified currency	U.S. Dollars
Place of payment	New York City
Ranking of Notes	The Notes will be our general, unsecured obligations and will rank:
	pari passu with all of our existing and future senior, unsecured indebtedness (including, but not limited to, our $200 million in aggregate principal amount of 5.75% Convertible Senior Notes due 2016, or the Unsecured Notes, and our $150 million aggregate principal amount of 6.625% Senior Notes due 2042, or the 2042 Notes);
	senior in right of payment to any of our subordinated indebtedness; and
	effectively subordinated to our existing and future secured indebtedness (including, but not limited to, as of May 31, 2013, approximately $406 million aggregate principal amount of our indebtedness under our $1.14 billion senior secured facility, or the senior secured facility, our $225 million in aggregate principal amount of 6.25% Senior Secured Notes due 2015, or the 2015 Notes, our $29 million in aggregate principal amount of 5.875% Senior Secured Notes due 2016, or the 2016 Notes, and our $16 million in aggregate principal amount of 6.25% Senior Secured Notes due 2018, or the 2018 Notes, and collectively with our 2015 Notes and 2016 Notes, the Senior Secured Notes) to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries.

As of May 31, 2013, we and our subsidiaries had approximately $1,026 million of senior indebtedness outstanding, $676 million of which was secured indebtedness and $350 million of which was unsecured indebtedness.

Denominations	We will issue the Notes in denominations of $25 and integral multiples of $25 in excess thereof.
Business day	Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are authorized or required by law or executive order to close.
Optional redemption	The Notes may be redeemed in whole or in part at any time or from time to time at our option on or after July 15, 2018 upon not less than

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	30 days nor more than 60 days written notice by mail prior to the date fixed for redemption thereof, at a redemption price of $25 per Note plus accrued and unpaid interest payments otherwise payable for the then-current quarterly interest period accrued to, but excluding, the date fixed for redemption.

You may be prevented from exchanging or transferring the Notes when they are subject to redemption. In case any Notes are to be redeemed in part only, the redemption notice will provide that, upon surrender of such Note, you will receive, without a charge, a new Note or Notes of authorized denominations representing the principal amount of your remaining unredeemed Notes.

	Any exercise of our option to redeem the Notes will be done in compliance with the 1940 Act, to the extent applicable.
	If we redeem only some of the Notes, the Trustee will determine the method for selection of the particular Notes to be redeemed, in accordance with the 1940 Act to the extent applicable. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the Notes called for redemption.
Sinking fund	The Notes will not be subject to any sinking fund.
Repayment at option of Holders	Holders will not have the option to have the Notes repaid prior to the stated maturity date.
Defeasance	The Notes are subject to defeasance by us.
Covenant defeasance	The Notes are subject to covenant defeasance by us.
Form of Notes	The Notes will be represented by global securities that will be deposited and registered in the name of The Depository Trust Company (DTC) or its nominee. This means that, except in limited circumstances, you will not receive certificates for the Notes. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Notes through either DTC, if they are a participant, or indirectly through organizations which are participants in DTC.
Trustee, Paying Agent, Registrar and Transfer Agent	U.S. Bank National Association.
Events of Default	If an event of default on the Notes occurs, the principal amount of the Notes, plus accrued and unpaid interest (including additional interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the Indenture. These amounts automatically become due and payable in the case of certain types of

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	bankruptcy or insolvency events of default involving the Company or a significant subsidiary of the Company as defined in the Indenture.
Other covenants	In addition to the covenants described in the prospectus attached to this prospectus supplement, the following covenants shall apply to the Notes:
	We agree that for the period of time during which the Notes are outstanding, we will not violate Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions.
	If, at any time, we are not subject to the reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, to file any periodic reports with the SEC, we agree to furnish to holders of the Notes and the Trustee, for the period of time during which the Notes are outstanding, our audited annual consolidated financial statements, within 90 days of our fiscal year end, and unaudited interim consolidated financial statements, within 45 days of our fiscal quarter end. All such financial statements will be prepared, in all material respects, in accordance with applicable United States generally accepted accounting principles.
Global Clearance and Settlement Procedures	Interests in the Notes will trade in DTC s Same Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. None of the Company, the Trustee or the paying agent will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.
Governing Law	The Notes and the Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

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RECENT DEVELOPMENTS

On June 7, 2013, Ashok Bakhru, a member of our Board of Directors (the Board) and the chairman of the Board s Audit Committee, tendered a letter of resignation from the Board effective as of June 14, 2013, which was accepted by the Board. There was no disagreement between Mr. Bakhru and the Company on any matter relating to the Company s operations, policies or practices.

On June 7, 2013, our Board elected R. Rudolph Reinfrank to the Board, effective as of June 14, 2013, to serve as a Class II director to fill the vacancy created by the resignation of Mr. Bakhru, and elected Mr. Reinfrank to serve as chairman of the Board s Audit Committee, effective as of June 14, 2013. We are aware of no arrangement or understanding between Mr. Reinfrank and any other person pursuant to which he was appointed as a director. Mr. Reinfrank has no direct or indirect material interest in any transaction or series of similar transactions contemplated by Item 404(a) of Regulation S-K.

On May 20, 2013, the Company was named as a defendant in a complaint by the bankruptcy trustee of DSI Renal Holdings and related companies (DSI). The complaint alleges, among other things, that the Company participated in a fraudulent conveyance involving a restructuring and subsequent sale of DSI in 2010 and 2011. The complaint seeks, jointly and severally from all defendants, (1) damages of approximately $425 million, of which the Company s share would be approximately $41 million, and the return of 9,000 shares of common stock of DSI obtained by the Company in the restructuring and sale and (2) punitive damages. At this point in time, the Company is unable to assess whether it may have any liability in this action. The Company has not made any determination that this action is or may be material to the Company and intends to vigorously defend itself.

On May 20, 2013, we issued 21.85 million shares of our common stock at $8.60 per share (or $8.342 per share net proceeds before estimated expenses), raising $181.9 million of net proceeds. Apollo Investment Management, L.P. (AIM), our investment adviser, has agreed to waive the base management and incentive fees associated with the incremental shares issued in such offering through March 31, 2014.

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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 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, the Company, 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 loans, mezzanine investments and/or equity in private middle market companies. We may also invest in the securities of public companies and structured products such as collateralized loan obligations.

Our portfolio is comprised primarily of investments in debt, including secured, unsecured and mezzanine 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 supplement, 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, creditworthiness and speculative nature relative to the capacity to pay interest and principal.

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.

During our fiscal year ended March 31, 2013, we invested $1.5 billion across 49 new and 36 existing portfolio companies through a combination of primary and secondary market purchases. This compares to $1.5 billion across 21 new and 18 existing portfolio companies for the previous fiscal year ended March 31, 2012. Investments sold or repaid during the fiscal year ended March 31, 2013 totaled $1.3 billion versus $1.6 billion for the fiscal year ended March 31, 2012. The weighted average yields on our secured loan portfolio, unsecured debt portfolio and total debt portfolio as of March 31, 2013 at our current cost basis were 11.2%, 12.7% and 11.9%, respectively. At March 31, 2012, the yields were 10.2%, 12.7% and 11.9%, respectively.

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Our targeted investment size typically ranges between $20 million and $250 million, although this investment size may vary proportionately as the size of our available capital base changes. At March 31, 2013, our net portfolio consisted of 81 portfolio companies and was 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 versus 62 portfolio companies invested 32% in secured debt, 57% in unsecured debt, 3% in structured products, 1% in preferred equity and 7% in common equity and warrants at March 31, 2012.

Since the initial public offering of Apollo Investment in April 2004 and through March 31, 2013, invested capital totaled $10.3 billion in 215 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors.

At March 31, 2013, 64% or $1.6 billion of our income-bearing investment portfolio is fixed rate debt and 36% or $0.9 billion is floating rate debt, measured at fair value. On a cost basis, 65% or $1.6 billion of our income-bearing investment portfolio is fixed rate debt and 35% or $0.9 billion is floating rate debt. At March 31, 2012, 67% or $1.6 billion of our income-bearing investment portfolio was fixed rate debt and 33% or $0.8 billion was floating rate debt. On a cost basis, 65% or $1.7 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 Hannan, James 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 Apollo Investment s 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.

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 prospectus.

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RISK FACTORS

Your investment in the Notes will involve certain risks. You should carefully consider the risks described below and all of the information contained in this prospectus supplement and the accompanying prospectus before deciding whether to purchase any Notes. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the following risks actually occur, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See the section entitled Forward-Looking Statements included elsewhere in this prospectus supplement. You should, in consultation with your own financial and legal advisors, carefully consider the following discussion of risks before deciding whether an investment in the Notes is suitable for you.

Our amount of debt outstanding may increase as a result of this offering. Our current indebtedness could adversely affect our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

As of May 31, 2013, we and our subsidiaries had approximately $1,026 million of senior indebtedness outstanding, $676 million of which was secured indebtedness and $350 million of which was unsecured indebtedness.

The use of debt could have significant consequences on our future operations, including:

- making it more difficult for us to meet our payment and other obligations under the Notes and our other outstanding debt;
- resulting in an event of default if we fail to comply with the financial and other restrictive covenants contained in our debt agreements, which event of default could result in substantially all of our debt becoming immediately due and payable;
- reducing the availability of our cash flow to fund investments, acquisitions and other general corporate purposes, and limiting our ability to obtain additional financing for these purposes;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our senior secured facility; and
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under the Notes and our other debt.

Our ability to meet our payment and other obligations under our debt instruments depends on our ability to generate significant cash flow in the future. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us under our senior secured facility or otherwise, in an amount sufficient to enable us to meet our payment obligations under the Notes and our other debt and to fund other liquidity needs. If we are not able to generate sufficient cash flow to service our debt obligations, we may need to refinance or restructure our debt, including the Notes, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under the Notes and our other debt.

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A downgrade, suspension or withdrawal of the rating assigned by a rating agency to us or the Notes, if any, could cause the liquidity or market value of the Notes to decline significantly.

Our credit ratings are an assessment by rating agencies of our ability to pay our debts when due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Notes. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion. Neither we nor any underwriter undertakes any obligation to maintain the ratings or to advise holders of Notes of any changes in ratings.

The Notes will be rated by Standard & Poor s Ratings Services, or S&P, and Fitch Ratings, or Fitch. There can be no assurance that their respective ratings will remain for any given period of time or that such ratings will not be lowered or withdrawn entirely by S&P or Fitch if in either of their respective judgments future circumstances relating to the basis of the rating, such as adverse changes in our company, so warrant.

The Notes will be effectively subordinated to any existing and future secured indebtedness and structurally subordinated to existing and future liabilities and other indebtedness of our subsidiaries, and are due after our other outstanding notes.

The Notes will be our general, unsecured obligations and will rank equal in right of payment with all of our existing and future senior, unsecured indebtedness (including, but not limited to, our $200 million in aggregate principal amount of our Unsecured Notes and our $150 million in aggregate principal amount of our 2042 Notes, and senior in right of payment to any of our subordinated indebtedness. As a result, the Notes will be effectively subordinated to our existing and future secured indebtedness (including, but not limited to, as of May 31, 2013, approximately $406 million aggregate principal amount of our indebtedness under our $1.14 billion senior secured facility, our $225 million in aggregate principal amount of our 2015 Notes, our $29 million in aggregate principal amount of our 2016 Notes, and our $16 million in aggregate principal amount of our 2018 Notes to the extent of the value of the assets securing such indebtedness and structurally subordinated to any existing and future liabilities and other indebtedness of our subsidiaries. These liabilities may include indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. The Notes do not restrict us or our subsidiaries from incurring indebtedness, including senior secured indebtedness in the future, nor do they limit the amount of indebtedness we can issue that is equal in right of payment to the Notes. As of May 31, 2013, we and our subsidiaries had approximately $1,026 million of senior indebtedness outstanding, $676 million of which was secured indebtedness and $350 million of which was unsecured indebtedness.

Each of the Unsecured Notes, the 2042 Notes and the Senior Secured Notes are due prior to the Notes. We do not currently know whether we will be able to replace any of the Unsecured Notes, the 2042 Notes or the Senior Secured Notes, or if we do, whether we will be able to do so on terms that are as favorable as such notes. In the event that we are not able to replace the Unsecured Notes, the 2042 Notes or any of the Senior Secured Notes at the time of their respective maturities, this could have a material adverse effect on our liquidity and ability to fund new investments, our ability to make distributions to our stockholders, our ability to repay the Notes and our ability to qualify as a regulated investment company.

The Indenture under which the Notes will be issued will contain limited protection for holders of the Notes.

The Indenture under which the Notes will be issued will offer limited protection to holders of the Notes. The terms of the Indenture and the Notes do not restrict our or any of our subsidiaries ability to engage in, or otherwise be a party to, a variety of corporate transactions, circumstances or events that could have an adverse impact on your investment in the Notes. In particular, the terms of the Indenture and the Notes will not place any restrictions on our or our subsidiaries ability to:

- issue securities or otherwise incur additional indebtedness or other obligations, including (1) any indebtedness or other obligations that would be equal in right of payment to the Notes, (2) any

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indebtedness or other obligations that would be secured and therefore rank effectively senior in right of payment to the Notes to the extent of the values of the assets securing such debt, (3) indebtedness of ours that is guaranteed by one or more of our subsidiaries and which therefore is structurally senior to the Notes and (4) securities, indebtedness or obligations issued or incurred by our subsidiaries that would be senior to our equity interests in our subsidiaries and therefore rank structurally senior to the Notes with respect to the assets of our subsidiaries, in each case other than an incurrence of indebtedness or other obligation that would cause a violation of Section 18(a)(1)(A) as modified by Section 61(a)(1) of the 1940 Act or any successor provisions;

pay dividends on, or purchase or redeem or make any payments in respect of, capital stock or other securities ranking junior in right of payment to the Notes;

sell assets (other than certain limited restrictions on our ability to consolidate, merge or sell all or substantially all of our assets);

enter into transactions with affiliates;

create liens (including liens on the shares of our subsidiaries) or enter into sale and leaseback transactions;

make investments; or

create restrictions on the payment of dividends or other amounts to us from our subsidiaries.

Furthermore, the terms of the Indenture and the Notes do not protect holders of the Notes in the event that we experience changes (including significant adverse changes) in our financial condition, results of operations or credit ratings, as they do not require that we or our subsidiaries adhere to any financial tests or ratios or specified levels of net worth, revenues, income, cash flow, or liquidity.

Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the Notes may have important consequences for you as a holder of the Notes, including making it more difficult for us to satisfy our obligations with respect to the Notes or negatively affecting the trading value of the Notes.

Certain of our current debt instruments include more protections for their holders than the Indenture and the Notes. See in the accompanying prospectus Risk Factors We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage. In addition, other debt we issue or incur in the future could contain more protections for its holders than the Indenture and the Notes, including additional covenants and events of default. The issuance or incurrence of any such debt with incremental protections could affect the market for and trading levels and prices of the Notes.

We may be subject to certain corporate-level taxes which could adversely affect our cash flow and consequently adversely affect our ability to make payments on the Notes.

We may be subject to certain corporate-level taxes regardless of whether we continue to qualify as a RIC. Additionally, should we fail to qualify as a RIC, we would be subject to corporate-level taxes on all of our taxable income. The imposition of corporate-level taxes could adversely affect our cash flow and consequently adversely affect our ability to make payments on the Notes.

The Notes may not be approved by The New York Stock Exchange and an active trading market for the Notes may not develop, which could limit the market price of the Notes or your ability to sell them.

The Notes are a new issue of debt securities for which there currently is no trading market. Although we expect the Notes to be listed on The New York Stock Exchange, we cannot provide any assurances that The New

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York Stock Exchange will approve the listing of the Notes or that an active trading market will develop for the Notes or that you will be able to sell your Notes. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, our credit ratings, general economic conditions, our financial condition, performance and prospects and other factors. The underwriters have advised us that they intend to make a market in the Notes, but they are not obligated to do so. The underwriters may discontinue any market-making in the Notes at any time at their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the Notes, that you will be able to sell your Notes at a particular time or that the price you receive when you sell will be favorable. To the extent an active trading market does not develop, the liquidity and trading price for the Notes may be harmed. Accordingly, you may be required to bear the financial risk of an investment in the Notes for an indefinite period of time.

The optional redemption provision may materially adversely affect your return on the Notes.

The Notes are redeemable in whole or in part upon certain conditions at any time or from time to time at our option on or after July 15, 2018. We may choose to redeem the Notes at times when prevailing interest rates are lower than the interest rate paid on the Notes. In this circumstance, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the Notes being redeemed.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $130.45 million (or approximately $150.06 million if the option to purchase up to an additional $20.25 million in aggregate principal amount of Notes is exercised in full) after deducting estimated underwriting discounts and commissions and estimated offering expenses of approximately $0.30 million payable by us.

We expect to use the net proceeds from the sale of the Notes to repay indebtedness owed under our senior secured facility.

At May 31, 2013, we had approximately $406 million outstanding under our senior secured facility. Our senior secured facility matures on May 23, 2016 and bears interest at an annual rate of 225 basis points over the London Interbank Offered Rate, or LIBOR.

Affiliates of the underwriters are lenders under the senior secured facility. Accordingly, affiliates of the underwriters will receive the net proceeds of this offering.

We intend to use any net proceeds from this offering that are not applied as described above for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective.

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SELECTED FINANCIAL DATA

The Statement of Operations, Per Share 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.

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.

	For the Year Ended March 31, (dollar amounts in thousands, except per share data)				
Statement of Operations Data:	**2013**	**2012**	**2011**	**2010**	**2009**
Total Investment Income	$ 331,994	$ 357,584	$ 358,779	$ 340,238	$ 377,304
Net Expenses (including excise taxes)	$ 164,634	$ 184,842	$ 167,607	$ 140,828	$ 170,973
Net Investment Income	$ 167,360	$ 172,742	$ 191,172	$ 199,410	$ 206,331
Net Realized and Unrealized Gains (Losses)	$ (62,889)	$ (259,006)	$ (10,760)	$ 63,880	$ (818,210)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 104,471	$ (86,264)	$ 180,412	$ 263,290	$ (611,879)
Per Share Data:					
Net Asset Value	$ 8.27	$ 8.55	$ 10.03	$ 10.06	$ 9.82
Net Investment Income	$ 0.83	$ 0.88	$ 0.99	$ 1.26	$ 1.48
Net Increase (Decrease) in Net Assets Resulting from Operations (Basic and Diluted)	$ 0.51	$ (0.44)	$ 0.93	$ 1.65	$ (4.39)
Distributions Declared	$ 0.80	$ 1.04	$ 1.12	$ 1.10	$ 1.82
Balance Sheet Data:					
Total Assets	$ 2,944,312	$ 2,775,263	$ 3,148,813	$ 3,465,116	$ 2,548,639
Debt Outstanding	$ 1,156,067	$ 1,009,337	$ 1,053,443	$ 1,060,616	$ 1,057,601
Total Net Assets	$ 1,677,389	$ 1,685,231	$ 1,961,031	$ 1,772,806	$ 1,396,138
Other Data:					
Total Return (1)	28.2%	(32.4)%	5.1%	313.0%	(73.9)%
Number of Portfolio Companies at Year End	81	62	69	67	72
Total Portfolio Investments for the Year	$ 1,537,366	$ 1,480,508	$ 1,085,601	$ 716,425	$ 434,995
Investment Sales and Repayments for the Year	$ 1,337,431	$ 1,634,520	$ 977,493	$ 451,687	$ 339,724
Weighted Average Yield on Debt Portfolio at Year End	11.9%	11.9%	11.6%	11.8%	11.7%
Weighted Average Shares Outstanding at Year End (Basic) (2)	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 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 March 31, 2013 (1) on an actual basis, (2) on an as adjusted basis giving effect to the sale of 21.85 million shares of our common stock on May 20, 2013 and (3) as further adjusted to reflect the effects of the offering of the Notes and the application of net proceeds from this offering as described under Use of Proceeds. 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 prospectus. The adjusted information is illustrative only; our capitalization following the completion of this offering is subject to adjustment based on the actual offering of the Notes, which will be determined at pricing.

All amounts in thousands, except per share data

	As of March 31, 2013		
	Actual (audited)	As Adjusted for Stock Offering (unaudited)	As further Adjusted for this Offering (1) (unaudited)
Cash	$ 6,197	$ 6,197	$ 6,197
Debt			
Borrowings under senior secured facility (2)	536,067	354,144	223,697
Senior Secured Notes	270,000	270,000	270,000
Unsecured Notes	200,000	200,000	200,000
2042 Notes	150,000	150,000	150,000
Notes			135,000
Stockholders Equity			
Common stock, par value $0.001 per share; 400,000,000 shares authorized, 202,891,351 shares issued and outstanding, 224,741,351 shares issued and outstanding as adjusted, 224,741,351 shares issued and outstanding as further adjusted	203	225	225
Capital in excess of par value	2,933,636	3,115,537	3,115,537
Distributable earnings (3)	(1,256,450)	(1,256,450)	(1,256,450)
Total stockholders equity	1,677,389	1,859,312	1,859,312
Total capitalization	$ 2,833,456	$ 2,833,456	$ 2,838,009

(1) Does not include the underwriters over-allotment option.

(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.

We have based the forward-looking statements included in this prospectus on information available to us on the date of this 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.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements and related notes and other financial information appearing elsewhere in this prospectus supplement and the accompanying prospectus. In addition to historical information, the following discussion and other parts of this prospectus supplement contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to the factors discussed under Risk Factors and Forward-Looking Statements appearing elsewhere in this prospectus supplement and the accompanying prospectus.

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 March 31, 2013, we have raised approximately $1.9 billion in net proceeds from additional offerings of common stock. Subsequent to March 31, 2013, we raised an additional $0.2 billion in net proceeds from an offering 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 unsecured or 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.

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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 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 the Administrator in connection with administering our business, such as our allocable portion of overhead under the Administration Agreement, including rent and our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs.

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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.

Portfolio and Investment Activity

During our fiscal year ended March 31, 2013, we invested $1.5 billion across 49 new and 36 existing portfolio companies through a combination of primary and secondary market purchases. This compares to investing $1.5 billion in 21 new and 18 existing portfolio companies for the previous fiscal year ended March 31, 2012. Investments sold or repaid during the fiscal year ended March 31, 2013 totaled $1.3 billion versus $1.6 billion for the fiscal year ended March 31, 2012.

At March 31, 2013, our net portfolio consisted of 81 portfolio companies and was 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 versus 62 portfolio companies invested 32% in secured debt, 57% in unsecured debt, 3% in structured products, 1% in preferred equity and 7% in common equity and warrants at March 31, 2012.

The weighted average yields on our secured loan portfolio, unsecured debt portfolio and total debt portfolio as of March 31, 2013 at our current cost basis were 11.2%, 12.7% and 11.9%, respectively. At March 31, 2012, the yields were 10.2%, 12.7%, and 11.9%, respectively.

Since the initial public offering of Apollo Investment in April 2004 and through March 31, 2013, invested capital totaled $10.3 billion in 215 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 100 different financial sponsors.

At March 31, 2013, 64% or $1.6 billion of our income-bearing debt investment portfolio is fixed rate debt and 36% or $0.9 billion is floating rate debt, measured at fair value. On a cost basis, 65% or $1.6 billion of our income-bearing investment portfolio is fixed rate debt and 35% or $0.9 billion is floating rate debt. At March 31, 2012, 67% or $1.6 billion of our income-bearing investment portfolio was fixed rate debt and 33% or $0.8 billion was floating rate debt. On a cost basis, 65% or $1.7 billion of our income-bearing investment portfolio was fixed rate debt and 35% or $0.9 billion was floating rate debt.

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

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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 fiscal year ended March 31, 2013, there was no change to Apollo Investment s valuation techniques and related inputs considered in the valuation process.

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ASC 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 Apollo Investment 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.

Revenue Recognition

Apollo Investment 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, Apollo Investment 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 Apollo Investment 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. Apollo Investment 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 Apollo Investment believes that PIK is expected to be realized. For the fiscal year ended March 31, 2013, accrued PIK totaled $20.3 million, on total investment income of $332.0 million. 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 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.

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

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

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Within the context of these critical accounting policies, we are not currently aware of any reasonably likely events or circumstances that would result in materially different amounts being reported.

RESULTS OF OPERATIONS

Results comparisons are for the fiscal years ended March 31, 2013, March 31, 2012 and March 31, 2011.

Investment Income

For the fiscal years ended March 31, 2013, 2012 and 2011, gross investment income totaled $332.0 million, $357.6 million and $358.8 million, respectively. The decrease in gross investment income from fiscal year 2012 to fiscal year 2013 was primarily driven by a smaller portfolio, on average with which to generate income. This was partially offset by slightly higher yields on the debt portfolio. Also contributing to the decrease in gross investment income was lower non-recurring income of $9.1 million in fiscal year 2013. The decrease in gross investment income from fiscal year 2011 to fiscal year 2012 was primarily due to a decrease in the size of the income-producing portfolio as compared to the previous fiscal year and was partially offset by an increase in the weighted average portfolio yield as well as an increase in other income.

Net Expenses

Net expenses totaled $164.6 million, $184.8 million and $167.6 million, respectively, for the fiscal years ended March 31, 2013, 2012 and 2011, of which $94.1 million, $100.0 million and $107.6 million, respectively, were base management fees and performance-based incentive fees and $58.2 million, $66.4 million and $48.0 million, respectively, were interest and other debt expenses. Administrative services and other general and administrative expenses totaled $12.3 million, $18.5 million and $12.0 million, respectively, for the fiscal years ended March 31, 2013, 2012 and 2011. Net expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, legal fees, directors   fees, audit and tax services expenses, and other general and administrative expenses. The decrease in net expenses from fiscal 2012 to fiscal 2013 was primarily due to lower interest and debt costs as a result of less debt outstanding, on average, during the fiscal year-ended March 31, 2013, lower management and incentive fees as a result of the implementation of the fee waiver in fiscal 2013 coupled with a smaller asset base in which to generate management fees. Lastly, in fiscal 2012 there were $4 million of non-recurring expenses as compared to $1 million of non-recurring expense in fiscal 2013. The increase in net expenses from fiscal 2011 to fiscal 2012 was primarily due to an increase in interest and other debt expenses as our net weighted average annual interest cost increased by approximately 100 basis points. This increase was due to the impact of fixed rate debt issuances. Additionally, during fiscal 2012 there were net non-recurring general and administrative expenses that totaled over $4 million. There were no accrued excise tax expenses for the fiscal years ended March 31, 2013, 2012 and 2011.

Net Investment Income

Apollo Investment   s net investment income totaled $167.4 million, $172.7 million and $191.2 million, or $0.83, $0.88 and $0.99 on a per average share basis, respectively, for the fiscal years ended March 31, 2013, 2012 and 2011.

Net Realized Losses

Apollo Investment had investment sales and repayments totaling $1.3 billion, $1.6 billion and $977 million, respectively, for the fiscal years ended March 31, 2013, 2012 and 2011. Net realized losses for the fiscal years ended March 31, 2013, 2012, and 2011 were $74.7 million, $341.4 million and $152.0 million, respectively. Net realized losses incurred during fiscal year 2013 were primarily derived from the exits of select investments, specifically New Omaha Holdings equity, Cengage Learning Acquisitions 2nd Lien, and RBS Holdings 1st Lien which comprised approximately $78 million of the net realized loss totals. The realized losses

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incurred upon the exit of New Omaha Holdings equity and RBS Holdings 1st Lien reversed out $40 million and $5 million, respectively, of previously reported unrealized losses. Net realized losses incurred during fiscal year 2012 were primarily derived from the exits of select investments, specifically Grand Prix Holdings, which accounted for over $273 million of the realized loss totals, but also included Playpower Holdings, TL Acquisitions and FSC Holdings, among others. The realized losses incurred upon the exit of these investments reversed out previously reported unrealized losses. Net realized losses incurred during fiscal year 2011 were primarily related to sales and restructurings of certain underperforming portfolio companies such as American Safety Razor, LVI Devices and Pacific Crane Maintenance Company, various portfolio optimization measures, and our liquidity management strategy during the financial crisis early in the 2010 fiscal year.

Net Unrealized Appreciation (Depreciation) on Investments, Cash Equivalents and Foreign Currencies

For the fiscal years ended March 31, 2013, 2012 and 2011 net change in unrealized appreciation on Apollo Investment s investments, cash equivalents, foreign currencies and other assets and liabilities totaled $11.8 million, $82.4 million and $141.3 million, respectively. Driving the positive impact to unrealized appreciation was New Omaha and AB Acquisitions which were both exited in the fiscal year 2013 which resulted in the reversal of approximately $50 million of previously recognized negative unrealized depreciation. Other significant contributors to the positive change in unrealized depreciation for the period were investments in AIC Credit Opportunity Fund, LVI Services, Penton Business Media Holdings, LLC and Ceridian Corporation. Offsetting the positive impact of these investments were select holdings in certain portfolio companies such as Cengage, Playpower, Delta and Garden Fresh which resulted in negative unrealized depreciation during fiscal 2013. Net unrealized appreciation for fiscal 2012 included the reclassification of over $273 million of previously recognized unrealized depreciation on our investment in Grand Prix Holdings to a realized loss. This reclassification was offset by generally weaker capital market conditions as compared to the year ago period. Net unrealized appreciation for fiscal 2011 was primarily due to the recognition of realized losses which reversed unrealized depreciation, net changes in specific portfolio company fundamentals, and improving capital market conditions.

Net Increase (Decrease) in Net Assets From Operations

For the fiscal year ended March 31, 2013, Apollo Investment had a net increase in net assets resulting from operations of $104.5 million. For the fiscal year ended March 31, 2012, Apollo Investment had a net decrease in net assets resulting from operations of $86.3 million. For the fiscal years ended March 31, 2011, Apollo Investment had a net increase in net assets resulting from operations of $180.4 million. For the year ended March 31, 2013, basic and diluted income per average share were $0.51. For the year ended March 31, 2012, basic and diluted losses per average share were $0.44. For the year ended March 31, 2011, basic and diluted earnings per average share were $0.93.

LIQUIDITY AND CAPITAL RESOURCES

Apollo Investment s liquidity and capital resources are generated and generally available through periodic follow-on equity and debt offerings, our senior secured, multi-currency $1.14 billion Senior Secured Facility maturing on May 23, 2016 (see note 12 of our financial statements dated March 31, 2013 included herein), our senior secured notes, our senior unsecured notes, investments in special purpose entities in which we hold and finance particular investments on a non-recourse basis, as well as from cash flows from operations, investment sales of liquid assets and repayments of senior and subordinated loans and income earned from investments. Apollo Investment also has investments in its portfolio that contain PIK provisions. 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, Apollo Investment 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. In order to maintain Apollo Investment s status as a RIC, this non-cash source of income must be paid out to stockholders annually in the form of dividends, even though Apollo Investment has not yet collected the cash. For the fiscal year ended March 31, 2013, accrued PIK totaled $20.3 million, on total investment income of $332.0 million. At March 31, 2013, Apollo Investment had $536 million in borrowings outstanding on its Senior Secured Facility and $604 million of unused capacity. As of March 31, 2013, aggregate lender commitments under the Senior Secured Facility totaled $1.140 billion.

On September 30, 2010, Apollo Investment entered into a note purchase agreement, providing for a private placement issuance of $225 million in aggregate principal amount of five-year, senior secured notes with a fixed interest rate of 6.25% and a maturity date of October 4, 2015 (the Senior Secured Notes). On October 4, 2010, the Senior Secured Notes were sold to certain institutional accredited investors pursuant to an exemption from registration under the Securities Act of 1933, as amended. Interest on the Senior Secured Notes will be due semi-annually on April 4 and October 4, commencing on April 4, 2011. The proceeds from the issuance of the Senior Secured Notes were primarily used to reduce other outstanding borrowings and/or commitments on Apollo Investment s Senior Secured Facility.

On January 25, 2011, we closed a private offering of $200 million aggregate principal amount of senior unsecured convertible notes (the Convertible Notes). The Convertible Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The Convertible Notes bear interest at an annual rate of 5.75%, payable semi-annually in arrears on January 15 and July 15 of each year, commencing on July 15, 2011. The Convertible Notes will mature on January 15, 2016 unless earlier converted or repurchased at the holder s option. Prior to December 15, 2015, the Convertible Notes will be convertible only upon certain corporate reorganizations, dilutive recapitalizations or dividends, or if, during specified periods our shares trade at more than 130% of the then applicable conversion price or the Convertible Notes trade at less than 97% of their conversion value and, thereafter, at any time. The Convertible Notes will be convertible by the holders into shares of common stock, initially at a conversion rate of 72.7405 shares of Apollo Investment s common stock per $1,000 principal amount of Convertible Notes (14,548,100 common shares) corresponding to an initial conversion price of approximately $13.75, which represents a premium of 17.5% to the $11.70 per share closing price of Apollo Investment s common stock on The NASDAQ Global Select Market on January 19, 2011. The conversion rate will be subject to adjustment upon certain events, such as stock splits and combinations, mergers, spin-offs, increases in dividends in excess of $0.28 per share per quarter and certain changes in control. Certain of these adjustments, including adjustments for increases in dividends, are subject to a conversion price floor of $11.70 per share. The Convertible Notes are senior unsecured obligations and rank senior in right of payment to our existing and future indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment to our existing and future unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of our secured indebtedness (including existing unsecured indebtedness that we later secure) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by our subsidiaries, financing vehicles or similar facilities.

On August 11, 2011, Apollo Investment adopted a plan for the purpose of repurchasing up to $200 million of its common stock in accordance with the guidelines specified in Rule 10b-18 and Rule 10b5-1 of the Securities Exchange Act of 1934. Apollo Investment s plan was designed to allow it to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. A broker selected by Apollo Investment will have the authority under the terms and limitations specified in the plan to repurchase shares on Apollo Investment s behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. While the portion of the plan reliant on Rule 10b-18 remains in effect, the portion reliant on Rule 10b5-1 is subject to periodic renewal and is not currently in effect. As of March 31, 2013, no shares have been repurchased.

On September 29, 2011, Apollo Investment closed a private offering of $45 million aggregate principal amount of senior secured notes (the Notes) consisting of two series: (1) 5.875% Senior Secured Notes, Series

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A, of Apollo Investment due September 29, 2016 in the aggregate principal amount of $29 million; and (2) 6.250% Senior Secured Notes, Series B, of Apollo Investment due September 29, 2018, in the aggregate principal amount of $16 million. The Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended.

In April 2012, Apollo Investment announced that a subsidiary of Apollo Global Management, LLC purchased 5,847,953 newly issued shares of Apollo Investment based on the NAV as of March 31, 2012 of $8.55 per share. AIM has agreed to waive the base management and incentive fees associated with this equity capital for the time period beginning April 2, 2012 through March 31, 2014.

On October 9, 2012, Apollo Investment issued $150 million in aggregate principal amount of 6.625% senior unsecured notes due 2042 for net proceeds of $145.3 million (the 2042 Notes). Interest on the 2042 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at a rate of 6.625% per year, commencing on January 15, 2013. The 2042 Notes mature on October 15, 2042. Apollo Investment may redeem the 2042 Notes in whole or in part at any time or from time to time on or after October 15, 2017.

Cash Equivalents

We deem certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents (see note 2(n) of our financial statements dated March 31, 2013 included herein). At the end of each fiscal quarter, we consider taking proactive steps utilizing cash equivalents with the objective of enhancing our investment flexibility during the following quarter, pursuant to Section 55 of the 1940 Act. More specifically, we may purchase U.S. Treasury bills from time-to-time on the last business day of the quarter and typically close out that position on the following business day, settling the sale transaction on a net cash basis with the purchase, subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions, including drawing down on our Senior Secured Facility, as we deem appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. There were no cash equivalents held as of March 31, 2013.

Contractual Obligations

	Payments due by Period as of March 31, 2013 (dollars in millions)				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Senior Secured Facility (1)	$ 536	$	$ 447	$ 89	$
Senior Secured Notes	$ 225	$	$ 225	$	$
Senior Secured Notes (Series A)	$ 29	$	$	$ 29	$
Senior Secured Notes (Series B)	$ 16	$	$	$	$ 16