BOYD GAMING CORP
Form 10-Q
May 07, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission file number: 1-12882

BOYD GAMING CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**88-0242733**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**

3883 Howard Hughes Parkway, Ninth Floor, Las Vegas, NV 89169

(Address of principal executive offices) (Zip Code)

(702) 792-7200

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	Outstanding as of April 30, 2010
Common stock, $0.01 par value	**86,150,289 shares**

BOYD GAMING CORPORATION

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED MARCH 31, 2010

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PART I. Financial Information

Item 1. ***Financial Statements***

BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 108,202	$ 93,202
Restricted cash	14,016	16,168
Accounts receivable, net	46,651	18,584
Inventories	14,476	11,392
Prepaid expenses and other current assets	33,483	24,818
Income taxes receivable		20,807
Deferred income taxes	9,108	7,766
Total current assets	225,936	192,737
Property and equipment, net	4,500,773	3,159,177
Investments in and advances to unconsolidated subsidiaries, net	5,135	394,220
Other assets, net	111,943	78,121
Intangible assets, net	422,126	422,126
Goodwill, net	213,576	213,576
Total assets	$ 5,479,489	$ 4,459,957
Liabilities and Stockholders Equity		
Current liabilities		
Current maturities of long-term debt	$ 661	$ 652
Current maturities of Borgata bank credit facility	630,289	
Accounts payable	45,378	39,127
Construction payables	3,633	34,128
Note payable		46,875
Income taxes payable	2,208	
Accrued liabilities	245,898	174,577
Total current liabilities	928,067	295,359
Long-term debt, net of current maturities	2,571,443	2,576,911
Deferred income taxes	350,561	335,159
Other long-term tax liabilities	43,435	32,703
Other liabilities	78,626	63,456
Commitments and contingencies (Note 6)		
Stockholders equity		
Preferred stock, $0.01 par value, 5,000,000 shares authorized		
Common stock, $0.01 par value, 200,000,000 shares authorized; 86,144,456 and 86,130,454 shares outstanding	861	861
Additional paid-in capital	625,986	623,035

Retained earnings	559,034	550,599
Accumulated other comprehensive loss, net	(16,861)	(18,126)
Total Boyd Gaming Corporation stockholders equity	1,169,020	1,156,369
Noncontrolling interest	338,337	
Total stockholders equity	1,507,357	1,156,369
Total liabilities and stockholders equity	$ 5,479,489	$ 4,459,957

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands, except per share data)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Revenues		
Gaming	$ 350,405	$ 366,063
Food and beverage	59,982	59,041
Room	31,434	30,641
Other	23,822	26,935
Gross revenues	465,643	482,680
Less promotional allowances	50,508	47,835
Net revenues	415,135	434,845
Costs and expenses		
Gaming	168,105	172,912
Food and beverage	32,642	31,384
Room	10,050	9,957
Other	19,238	19,314
Selling, general and administrative	70,278	73,973
Maintenance and utilities	24,139	22,386
Depreciation and amortization	40,046	42,652
Corporate expense	12,089	12,685
Preopening expenses	1,063	5,839
Write-downs and other charges	1,601	28,963
Total costs and expenses	379,251	420,065
Operating income from Borgata	8,146	12,422
Operating income	44,030	27,202
Other expense (income)		
Interest income	(4)	(4)
Interest expense, net of amounts capitalized	29,007	45,271
Gain on early retirements of debt	(2,037)	(2,400)
Other non-operating expenses from Borgata, net	3,133	4,522
Total other expense, net	30,099	47,389
Income (loss) before income taxes	13,931	(20,187)
Income taxes	(4,249)	6,359
Net income (loss)	9,682	(13,828)
Net income attributable to noncontrolling interest	(1,247)	
Net income (loss) attributable to Boyd Gaming Corporation	$ 8,435	$ (13,828)

Basic net income (loss) per common share:	$ 0.10	$ (0.16)
Weighted average basic shares outstanding	86,430	86,931
Diluted net income (loss) per common share:	$ 0.10	$ (0.16)
Weighted average diluted shares outstanding	86,601	86,931

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

Three Months Ended March 31, 2010

(Unaudited and in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net	Noncontrolling Interest	Total Stockholders Equity
Balances, January 1, 2010	86,130,454	$ 861	$ 623,035	$ 550,599	$ (18,126)	$	$ 1,156,369
Net income attributable to Boyd Gaming Corporation				8,435			8,435
Derivative instruments fair value adjustment, net of taxes of $684					1,265		1,265
Stock options exercised	14,002		85				85
Tax effect from share-based compensation arrangements			10				10
Share-based compensation costs			2,856				2,856
Noncontrolling interest in Borgata						338,337	338,337
Balances, March 31, 2010	86,144,456	$ 861	$ 625,986	$ 559,034	$ (16,861)	$ 338,337	$ 1,507,357

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash Flows from Operating Activities		
Net income (loss)	$ 9,682	$ (13,828)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	40,046	42,652
Amortization of debt issuance costs	901	1,123
Share-based compensation expense	2,856	3,913
Deferred income taxes	684	(11,940)
Operating and non-operating income from Borgata	(4,689)	(7,900)
Distributions of earnings received from Borgata	1,910	9,703
Noncash asset write-downs		28,435
Gain on early retirements of debt	(2,037)	(2,400)
Other operating activities	(357)	(539)
Changes in operating assets and liabilities:		
Restricted cash	2,152	694
Accounts receivable, net	1,032	(440)
Inventories	1,034	1,575
Prepaid expenses and other current assets	772	433
Income taxes receivable	17,319	3,990
Other assets	38	2,075
Other current liabilities	(116)	(8,875)
Other liabilities	1,212	316
Other long-term tax liabilities	490	3,071
Net cash provided by operating activities	72,929	52,058
Cash Flows from Investing Activities		
Capital expenditures	(31,067)	(88,316)
Net cash effect upon change in controlling interest of Borgata	26,025	
Investments in and advances to unconsolidated subsidiaries	(745)	(564)
Net cash paid for Dania Jai-Alai		(9,375)
Net cash used in investing activities	(5,787)	(98,255)
Cash Flows from Financing Activities		
Payments on retirements of long-term debt	(13,396)	(8,072)
Borrowings under bank credit facility	208,100	205,885
Payments under bank credit facility	(197,900)	(144,400)
Borrowings under Borgata bank credit facility	29,300	
Payments under Borgata bank credit facility	(31,300)	
Payments under note payable	(46,875)	
Repurchase and retirement of common stock		(7,051)
Other financing activities	(71)	(149)
Net cash provided by (used in) financing activities	(52,142)	46,213

Increase in cash and cash equivalents	15,000	16
Cash and cash equivalents, beginning of period	93,202	98,152
Cash and cash equivalents, end of period	$ 108,202	$ 98,168

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BOYD GAMING CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Unaudited and in thousands)

	Three Months Ended March 31, 2010	2009
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized	$ 27,639	$ 38,336
Cash paid for income taxes, net of refunds	(12,613)	37
Supplemental Schedule of Noncash Investing and Financing Activities		
Payables incurred for capital expenditures	$ 4,395	$ 60,366
Change in fair value of derivative instruments	2,462	6,253
Changes in Assets and Liabilities Due to Change in Controlling Interest of Borgata		
Accounts receivable, net	$ 29,099	$
Inventories	4,118	
Prepaid expenses and other current assets	9,437	
Income taxes receivable	1,858	
Deferred income taxes	1,290	
Property and equipment, net	1,352,321	
Investments in and advances to unconsolidated subsidiaries	5,135	
Other assets, net	34,964	
Provisional value of assets	$ 1,438,222	$
Current maturities of long-term debt	$ 632,289	$
Accounts payable	6,822	
Income taxes payable	7,557	
Accrued liabilities	71,949	
Deferred income taxes	13,982	
Other long-term tax liabilities	10,242	
Other liabilities	16,418	
Provisional value of liabilities	$ 759,259	$
Acquisition of Dania Jai-Alai		
Fair value of noncash assets acquired	$	$ 28,352
Additional cash paid		(9,375)
Termination of contingent liability		46,648
Note payable issued		(65,625)
Liabilities assumed	$	$

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Organization

Boyd Gaming Corporation (and together with its subsidiaries, the Company, we or us) was incorporated in the state of Nevada in 1988 and has been operating since 1973. The Company s common stock is traded on the New York Stock Exchange under the symbol BYD .

We are a diversified operator of 15 wholly-owned gaming entertainment properties and one 50% owned property. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana and New Jersey, which we aggregate in order to present four Reportable Segments: (i) Las Vegas Locals, (ii) Downtown Las Vegas, (iii) Midwest and South, and (iv) Atlantic City, which represents our 50% interest in a limited liability company that operates Borgata Hotel Casino & Spa in Atlantic City, New Jersey.

On March 24, 2010, as a result of the amendment to our operating agreement with MGM MIRAGE (MGM) (our original 50% partner in Borgata), which provided, among other things, for the termination of MGM s participating rights in the operations of Borgata, we effectively obtained control of Borgata. The amendment to the operating agreement was related to MGM s divestiture of its interest pursuant to a regulatory settlement, as discussed further in Note 3, *Investments in and Advances to Unconsolidated Subsidiaries, Net*. This resulting change in control requires acquisition method accounting in accordance with the authoritative accounting guidance for business combinations. As a result, we measured our previously held equity interest at a provisional fair value. Additionally, the financial position of Borgata is consolidated in our condensed consolidated balance sheet as of March 31, 2010 and its results of operations for the period from March 24 through March 31, 2010 are included in our condensed consolidated statements of operations and cash flow for the three months ended March 31, 2010. Prior period amounts were not restated or recasted as a result of this change; however, detailed proforma financial information for 2009 is presented in Note 3, *Investments in and Advances to Unconsolidated Subsidiaries, Net*. We also recorded the noncontrolling interest held in trust for the benefit of MGM as a separate component of our stockholders equity.

We also own and operate Dania Jai-Alai, which is a pari-mutuel jai-alai facility with approximately 47 acres of related land located in Dania Beach, Florida, a travel agency in Hawaii, and a captive insurance company, also in Hawaii, that underwrites travel-related insurance.

Additionally, we own 85 acres on the Las Vegas Strip, where our Echelon development project is located. On August 1, 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of our multibillion dollar Echelon development project on the Las Vegas Strip. At such time, we did not anticipate the long-term effects of the current economic downturn, evidenced by lower occupancy rates, declining room rates and reduced consumer spending across the country, but particularly in the Las Vegas geographical area; nor did we predict that the incremental supply becoming available on the Las Vegas Strip would face such depressed demand levels, thereby elongating the time for absorption of this additional supply into the market. We believe financing for a development project like Echelon continues to be unavailable. As previously disclosed, we do not expect to resume construction for three to five years.

Basis of Presentation

As permitted by the rules and regulations of the Securities and Exchange Commission (SEC), certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (GAAP) have been condensed or omitted, although we believe that the disclosures made are adequate to make the information reliable. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly our financial position as of March 31, 2010 and December 31, 2009, the results of our operations for the three months ended March 31, 2010 and 2009, and our cash flows for the three months ended March 31, 2010 and 2009. Our operating results for the three months ended March 31, 2010 and 2009 and our cash flows for the three months ended March 31, 2010 and 2009 are not necessarily indicative of the results that would be achieved for the full year or future periods.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Boyd Gaming Corporation and its subsidiaries. In addition, as discussed above, the financial position of Borgata is consolidated in our condensed consolidated balance sheet as of March 31, 2010 and its results of operations for the period from March 24 through March 31, 2010 are included in our condensed consolidated statements of operations and cash flow for the three months ended March 31, 2010.

Investments in unconsolidated affiliates, which are less than 50% owned and do not meet the consolidation criteria of the authoritative accounting guidance for variable interest entities, are accounted for under the equity method. See Note 3, *Investments in and Advances to Unconsolidated Subsidiaries, Net*. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated into our condensed consolidated financial statements include the estimated allowance for doubtful accounts receivable, estimated useful lives for depreciable and amortizable assets, measurement of our equity interest in Borgata, fair values of acquired assets and liabilities, estimated cash flows in assessing the recoverability of long-lived assets and goodwill and intangible assets, estimated valuation allowance for deferred tax assets, certain tax liabilities, self-insured liability reserves, slot bonus point programs, share-based payment valuation assumptions, fair values of derivative instruments, contingencies and litigation, claims and assessments. Actual results could differ from these estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset s useful life or term of the lease. Gains or losses on disposals of assets are recognized as incurred. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

Investments In and Advances to Unconsolidated Subsidiaries, Net

We and Borgata have investments in unconsolidated subsidiaries accounted for under the equity method. Under the equity method, carrying value is adjusted for our share of the investees earnings and losses, as well as capital contributions to and distributions from these entities.

As discussed above, due to our controlling interest in Borgata, we measured our previously held equity interest at a provisional fair value. Additionally, the financial position of Borgata is consolidated in our condensed consolidated balance sheet as of March 31, 2010 and its results of operations for the period from March 24 through March 31, 2010 are included in our condensed consolidated statements of operations and cash flow for the three months ended March 31, 2010.

We evaluate our investments in unconsolidated subsidiaries for impairment when events or changes in circumstances indicate that the carrying value of such investment may have experienced an other-than-temporary decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether such impairment is other-than-temporary based on our assessment of all relevant factors. Estimated fair value is determined using a discounted cash flow analysis based on estimated future results of the investee.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over fair market value of net assets acquired in business combinations. Intangible assets include gaming license rights, trademarks and customer lists. Goodwill and indefinite-lived intangible assets are not subject to amortization, but they are subject to an annual impairment test in the second quarter of each year and between annual test dates in certain circumstances.

Goodwill for relevant reporting units is tested for impairment using a discounted cash flow analysis based on the estimated future results of our reporting units discounted using our weighted-average cost of capital and market indicators of terminal year capitalization rates. The implied fair value of a reporting unit s goodwill is compared to the carrying value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to its assets and liabilities and the amount remaining, if any, is the implied fair value of goodwill. If the implied fair value of the goodwill is less than its carrying value, then it must be written down to its implied fair value.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

License rights are tested for impairment using a discounted cash flow approach, and trademarks are tested for impairment using the relief-from-royalty method. If the fair value of an indefinite-lived intangible asset is less than its carrying amount, an impairment loss is recognized equal to the difference.

The gross amount of goodwill recorded at March 31, 2010 and December 31, 2009 was $429.7 million, which has been reduced by aggregate impairment losses of $216.2 million at each of those dates. The gross amount of intangible assets recorded at March 31, 2010 and December 31, 2009 was $1,010.0 million, which has been reduced by aggregate impairment losses of $187.9 million and accumulated amortization of $400.0 million at each date, respectively.

Fair Value of Financial Instruments

We have adopted the authoritative accounting guidance for fair value measurements, which does not determine or affect the circumstances under which fair value measurements are used, but defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions. These inputs create the following fair value hierarchy:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

As required by the guidance for fair value measurements, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Thus, assets and liabilities categorized as Level 3 may be measured at fair value using inputs that are observable (Levels 1 and 2) and unobservable (Level 3). Management s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The fair values of certain of our financial instruments, including cash and cash equivalents, accounts receivable and other current liabilities, approximate their recorded carrying amounts because of their short-term nature. See Note 5, *Long-Term Debt* and Note 8, *Other Comprehensive Income (Loss) and Derivative Instruments*, for further discussions of the valuations of certain of our financial instruments.

Noncontrolling Interest

Noncontrolling interest is the portion of the ownership in Borgata not attributable, directly or indirectly, to Boyd, and is reported as a separate component of our stockholders equity in our consolidated financial statements. Our consolidated net income is reported at amounts that include the amounts attributable to both us and the noncontrolling interest. At March 31, 2010, we recorded a noncontrolling interest of $338.3 million associated with the portion of ownership in Borgata that is not attributable to Boyd. There were no contributions, distributions or other changes in value to the noncontrolling interest during the three months ended March 31, 2010. As discussed above, we effectively obtained control of Borgata during the three months ended March 31, 2010 and, accordingly, no such noncontrolling interest was recorded during the three months ended March 31, 2009.

Preopening Expenses

Certain costs of start-up activities are expensed as incurred. During the three months ended March 31, 2010, we expensed $1.1 million in preopening costs that related primarily to our Echelon development project. Such costs consisted primarily of security, property taxes, rent and insurance. During the three months ended March 31, 2009, we expensed $5.8 million in preopening costs that related primarily to our Echelon development project and our hotel at Blue Chip.

Recently Issued Accounting Pronouncements

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, we have not yet determined the effect, if any, that the implementation of such proposed standards would have on our consolidated financial statements.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Subsequent Events

We have evaluated all events or transactions that occurred after March 31, 2010. During this period, the Company did not have any material subsequent events.

Note 2. Property and Equipment

Property and equipment consists of the following.

	Estimated Life (Years)	March 31, 2010	December 31, 2009
		(In thousands)	
Land		$ 774,017	$ 686,716
Buildings and improvements	10-40	3,403,783	1,980,086
Furniture and equipment	3-10	1,155,523	863,854
Riverboats and barges	10-40	167,427	167,427
Construction in progress		725,516	721,990
Total property and equipment		6,226,266	4,420,073
Less accumulated depreciation		1,725,493	1,260,896
Property and equipment, net		$ 4,500,773	$ 3,159,177

Note 3. Investments in and Advances to Unconsolidated Subsidiaries, Net

Investments in and advances to unconsolidated subsidiaries consist of the following:

	March 31, 2010	December 31, 2009
	(In thousands)	
Net investment in and advances to Borgata (50%)	$	$ 394,220
Investment in and advances to Atlantic City Express Service, LLC (33.3%)	5,135	
Investments in and advances to unconsolidated subsidiaries, net	$ 5,135	$ 394,220

Borgata Hotel Casino and Spa

We and MGM each originally held a 50% interest in Marina District Development Holding Co., LLC (Holding Company). The Holding Company owns all the equity interests in Marina District Development Company, LLC, d.b.a. Borgata Hotel Casino and Spa.

By letter of July 27, 2009 (the Letter), the New Jersey Department of Gaming Enforcement (the NJDGE) made a formal request to the New Jersey Casino Control Commission (the NJCCC) that the NJCCC reopen the gaming license held by Borgata. In June 2005, the NJCCC had renewed Borgata s gaming license for a five-year term. The Letter indicated that the NJDGE s reopening request was for the exclusive purpose of examining the qualifications of MGM, in light of the issues raised by the Special Report of the NJDGE to the NJCCC on its investigation of MGM s joint venture in Macau, Special Administrative Region, People s Republic of China. The Letter noted that the NJDGE had found that neither we nor the Holding Company had any involvement with MGM s development activities in Macau and also expressed the NJDGE s confidence that the NJCCC could thoroughly examine the issues raised in the Special Report as to MGM s qualifications without negatively affecting the casino license, the operation of Borgata or us.

The NJCCC informed us that, pursuant to Section 88(a) of the New Jersey Casino Control Act (the Casino Control Act), the MDDC gaming license was reopened on July 27, 2009, the date of the Letter. This was a procedural step required by the Casino Control Act that does not represent a finding as to the issues raised by the NJDGE.

In February 2010, we entered into an agreement with MGM to amend the operating agreement to, among other things, facilitate the transfer of MGM s interest (MGM Interest) to a divestiture trust (Divestiture Trust) established for the purpose of selling the MGM Interest to a third party. The proposed sale of the MGM Interest through the Divestiture Trust was a part of a then-proposed settlement agreement between MGM and the NJDGE. The agreement includes the following provisions, among

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

others, that became effective on March 24, 2010 (the date of the transfer of the MGM Interest to the Divestiture Trust): (i) in the event of a refinancing of the Borgata credit facility under terms and in circumstances that permit the Holding Company to make a one-time distribution to members of at least $31 million: (a) we will receive a priority distribution of approximately $31 million (equal to the excess prior capital contributions made by us), and (b) if concurrently with or after such distribution, the Divestiture Trust receives a cash distribution of at least $10 million from the Holding Company (the Trust Distribution), the Divestiture Trust agrees to pay us $10 million; and (ii) upon the sale of the MGM Interest, we will receive a payment from the Divestiture Trust in the following amount: (x) if the Trust Distribution has not occurred, an amount equal to the greater of $10 million and 3% of the proceeds from the sale; or (y) if the Trust Distribution has occurred, an amount (if any) equal to the excess of 3% of the proceeds from the sale over $10 million.

On March 17, 2010, MGM announced that its settlement agreement with the NJDGE had been approved by the NJCCC. Under the terms of the settlement agreement, MGM agreed to transfer the MGM Interest into the Divestiture Trust and further agreed to sell such interest within a 30-month period. During the first 18 months of such period, MGM has the power to direct the trustee to sell the MGM Interest, subject to the approval of the NJCCC. If the sale has not occurred by such time, the trustee will be solely responsible for the sale of the MGM Interest. The MGM Interest was transferred to the Divestiture Trust on March 24, 2010.

Pursuant to certain of the amended terms of the operating agreement, we have a right of first refusal to purchase the MGM Interest from the Divestiture Trust on the same terms as any proposed third-party buyer.

In addition, in connection with the amendments to the operating agreements, MGM relinquished all of its specific participating rights under the operating agreements, and we retained all authority to manage the day-to-day operations of Borgata. MGM s relinquishment of its participating rights effectively provided us with direct control of Borgata. This resulting change in control requires acquisition method accounting in accordance with the authoritative accounting guidance for business combinations. The application of this accounting guidance had the following effects on our condensed consolidated financial statements: (i) our previously held equity interest was measured at a provisional fair value at the date control was obtained; (ii) we recognized and measured the identifiable assets and liabilities in accordance with promulgated valuation recognition and measurement provisions; and (iii) we recorded the noncontrolling interest held in trust for the benefit of MGM as a separate component of our stockholders equity. The provisional fair value measurements and estimates of these items approximated their historical carrying values as of March 31, 2010. We have provisionally recorded these fair values using an earnings valuation multiple model; however, we will continue to refine our valuation modeling as information regarding the tangible and intangible assets and liabilities assumed is obtained, which may result in a possible change to these amounts in future periods.

The following table summarizes the estimated fair values of the assets and liabilities, provisionally, as of the date we obtained control. We will retrospectively adjust these amounts to reflect refined valuation information in future periods when available.

Condensed Balance Sheet	**March 24, 2010 (In thousands)**
Assets	
Cash	$ 26,025
Current assets	45,802
Property and equipment, net	1,352,321
Other assets, net	40,099
Provisional value of assets	$ 1,464,247
Liabilities	
Current maturities of long-term debt	$ 632,289
Other current liabilities	86,328

Deferred income taxes		13,982
Other liabilities		26,660
Provisional value of liabilities	$	759,259

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The results of Borgata have been included in the accompanying condensed consolidated statement of operations from the date we effectively obtained control, March 24, 2010, through March 31, 2010, and are comprised of the following:

Condensed Statement of Operations	**March 24 to 31, 2010 (In thousands)**
Revenues	
Gaming	$ 15,945
Food and beverage	3,146
Room	2,248
Other	664
Gross revenues	22,003
Less promotional allowances	5,227
Net revenues	16,776
Costs and expenses	
Gaming	4,125
Food and beverage	2,470
Room	765
Other	578
Selling, general and administrative	1,459
Maintenance and utilities	2,476
Depreciation and amortization	1,625
Total costs and expenses	13,498
Operating income	3,278
Other expense	
Interest expense	484
Total other expense	484
Income before income taxes	2,794
Income taxes	(300)
Net income	$ 2,494

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following supplemental pro forma information presents the financial results as if the effective control of Borgata had occurred on January 1, 2010, for the three months ended March 31, 2010 and on January 1, 2009 for the three months ended March 31, 2009. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what the actual results would have been had the consolidation of Borgata been completed as of the earlier dates, nor are they indicative of any future results.

	Condensed Consolidated Statement of Operations Three Months Ended March 31, 2010			
	Boyd Gaming Corp As Presented Herein	MDDC LLC 1/1/10 to 3/23/10	Adjustments	Boyd Gaming Corp Pro Forma
	(In thousands, except per share data)			
Gaming	$ 350,405	$ 137,831	$	$ 488,236
Nongaming revenue	115,238	64,551		179,789
Gross revenues	465,643	202,382		668,025
Less promotional allowances	50,508	44,093		94,601
Net revenues	415,135	158,289		573,424
Operating expenses	324,452	125,176		449,628
Depreciation and amortization	40,046	16,754		56,800
Corporate expense	12,089			12,089
Preopening expenses	1,063			1,063
Write-downs and other charges	1,601	68		1,669
Total costs and expenses	379,251	141,998		521,249
Operating income from Borgata	8,146		(8,146)	
Operating income	44,030	16,291	(8,146)	52,175
Interest expense, net	29,003	5,060		34,063
Gain on early retirements of debt	(2,037)			(2,037)
Other non-operating expenses from Borgata, net	3,133		(3,133)	
Total other expense, net	30,099	5,060	(3,133)	32,026
Income before income taxes	13,931	11,231	(5,013)	20,149
Income taxes	(4,249)	(1,206)		(5,455)
Net income	9,682	10,025	(5,013)	14,694
Noncontrolling interest	(1,247)		(5,012)	(6,259)
Net income attributable to Boyd Gaming Corporation	$ 8,435	$ 10,025	$ (10,025)	$ 8,435
Basic net income per common share:	$ 0.10			$ 0.10

Weighted average basic shares outstanding	86,430	86,430
Diluted net income per common share:	$ 0.10	$ 0.10
Weighted average diluted shares outstanding	86,601	86,601

The proforma adjustments reflect the differences resulting from the conversion of the equity method of accounting to a fully consolidated presentation. There were no significant intercompany transactions between the Boyd entities and Borgata which would require elimination during the three months ended March 31, 2010.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

	Condensed Consolidated Statement of Operations Three Months Ended March 31, 2009			
	Boyd Gaming Corp As Presented Herein	MDDC LLC	Adjustments	Boyd Gaming Corp Pro Forma
	(In thousands, except per share data)			
Gaming	$ 366,063	$ 168,849	$	$ 534,912
Nongaming revenue	116,617	69,339		185,956
Gross revenues	482,680	238,188		720,868
Less promotional allowances	47,835	50,298		98,133
Net revenues	434,845	187,890		622,735
Operating expenses	329,926	141,964		471,890
Depreciation and amortization	42,652	20,091	324	63,067
Corporate expense	12,685			12,685
Preopening expenses	5,839	353		6,192
Write-downs and other charges	28,963	(10)		28,953
Total costs and expenses	420,065	162,398	324	582,787
Operating income from Borgata	12,422		(12,422)	
Operating income	27,202	25,492	(12,746)	39,948
Interest expense, net	45,267	8,011		53,278
Gain on early retirements of debt	(2,400)			(2,400)
Other non-operating expenses from Borgata, net	4,522		(4,522)	
Total other expense, net	47,389	8,011	(4,522)	50,878
Income (loss) before income taxes	(20,187)	17,481	(8,224)	(10,930)
Income taxes	6,359	(1,032)		5,327
Net income (loss)	(13,828)	16,449	(8,224)	(5,603)
Noncontrolling interest			(8,224)	(8,224)
Net loss attributable to Boyd Gaming Corporation	$ (13,828)	$ 16,449	$ (16,448)	$ (13,827)
Basic and diluted net loss per common share:	$ (0.16)			$ (0.16)
Weighted average basic and diluted shares outstanding	86,931			86,931

In addition to the proforma adjustments reflecting the differences resulting from the conversion of the equity method of accounting to a fully consolidated presentation, there is a $0.3 million adjustment representing the amortization of our additional investment in Borgata. Historically, we reduced this amount from our operating income from Borgata. There were no significant transactions requiring elimination between the Boyd entities and Borgata during the three months ended March 31, 2009.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Summarized unaudited financial information from the condensed consolidated statements of operations of Borgata is as follows:

Condensed Statement of Operations	Three Months Ended March 31, 2010	2009
	(In thousands)	
Gaming revenue	$ 153,776	$ 168,849
Non-gaming revenue	70,608	69,339
Gross revenues	224,384	238,188
Less promotional allowances	49,318	50,298
Net revenues	175,066	187,890
Operating expenses	137,049	141,964
Depreciation and amortization	18,379	20,091
Preopening expenses		353
Write-downs and other items, net	68	(10)
Operating income	19,570	25,492
Interest expense, net	(5,544)	(8,011)
State income taxes	(1,506)	(1,032)
Net income	$ 12,520	$ 16,449

Our share of Borgata s results is included in our accompanying condensed consolidated statements of operations for the following periods:

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Our share of Borgata s operating income	$ 8,146	$ 12,746
Net amortization expense related to our investment in Borgata		(324)
Operating income from Borgata, as reported on our condensed consolidated financial statements (1)	$ 8,146	$ 12,422
Other non-operating expenses from Borgata, as reported on our condensed consolidated financial statements	$ 3,133	$ 4,522

(1) Our share of Borgata s operating income for the three months ended March 31, 2010 is less than 50% of Borgata s operating income as reported in the table above due to our consolidation of Borgata effective March 24, 2010.

Our historical net investment in Borgata differs from our share of the underlying equity in Borgata. In 2004, pursuant to an agreement with MGM related to the funding of Borgata s original project costs, we made a unilateral capital contribution to Borgata of approximately $31 million. We are ratably amortizing $15.4 million (50% of the unilateral contribution, which corresponds to our ownership percentage of Borgata) over 40 years. Also, during Borgata s initial development, construction and preopening phases, we capitalized the interest on our investment and are ratably amortizing our capitalized interest over 40 years. We recorded $0.3 million of such amortization during the three months ended March 31, 2010 and such amounts were eliminated upon our consolidation of Borgata.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Atlantic City Express Service, LLC

In 2006, Borgata entered into an agreement with two other Atlantic City casinos to form Atlantic City Express Service, LLC (ACES). With each member having a 33.3% interest, this New Jersey limited liability company was formed for the purpose of contracting with New Jersey Transit to operate express rail service between Manhattan and Atlantic City. Each member has guaranteed, jointly and severally, liability for all terms, covenants and conditions of the ACES agreement with New Jersey Transit consisting primarily of the necessary operating and capital expenses of ACES. The responsibilities of the managing member will rotate annually among the members. Borgata s investment in ACES was $5.1 million at March 31, 2010.

Note 4. Accrued Liabilities

Accrued liabilities consist of the following:

	March 31, 2010	December 31, 2009
	(In thousands)	
Payroll and related expenses	$ 78,271	$ 54,620
Interest	15,550	14,523
Gaming liabilities	61,692	50,009
Accrued expenses and other liabilities	90,385	55,425
Total accrued liabilities	$ 245,898	$ 174,577

Note 5. Long-Term Debt

Long-term debt consists of the following:

	March 31, 2010	December 31, 2009
	(In thousands)	
Bank credit facility	$ 1,927,100	$ 1,916,900
7.75% Senior Subordinated Notes due 2012	158,832	158,832
6.75% Senior Subordinated Notes due 2014	233,168	248,668
7.125% Senior Subordinated Notes due 2016	240,750	240,750
Borgata bank credit facility	630,289	
Other	12,254	12,413
Total long-term debt	3,202,393	2,577,563
Less current maturities of long-term debt	661	652
Less current maturities of Borgata bank credit facility	630,289	
Long-term debt, net	$ 2,571,443	$ 2,576,911

Bank Credit Facility

The blended interest rate for outstanding borrowings under our bank credit facility at each of March 31, 2010 and December 31, 2009 was 1.9%. At March 31, 2010, approximately $1.9 billion was outstanding under our revolving credit facility, with $17.4 million allocated to support various letters of credit, leaving remaining availability of approximately $1.1 billion.

The interest rate on the bank credit facility is based, at our option, upon either the London Interbank Offered Rate (LIBOR) or the base rate, plus, in each case, an applicable margin. The applicable margin is a percentage per annum (which ranges from 0.625% to 1.625% if we elect to use LIBOR, and 0.0% to 0.375% if we elect to use the base rate) determined in accordance with a specified pricing grid based upon our predefined total leverage ratio. In addition, we incur commitment fees on the unused portion of the bank credit facility that range from 0.200% to 0.350% per annum. The bank credit facility is guaranteed by our material subsidiaries and is secured by the capital stock of those subsidiaries.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The bank credit facility contains certain financial and other covenants, including: (i) requiring the maintenance of a minimum interest coverage ratio of 2.00 to 1.00; (ii) establishing a maximum total leverage ratio (discussed below); (iii) imposing limitations on the incurrence of indebtedness and liens; (iv) imposing limitations on transfers, sales and other dispositions; and (v) imposing restrictions on investments, dividends and certain other payments.

The maximum permitted Total Leverage Ratio (as defined in our bank credit facility) is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the bank credit facility). The following table provides our maximum Total Leverage Ratio during the remaining term of the bank credit facility:

For the Trailing Four Quarters Ending	Maximum Total Leverage Ratio
March 31, 2010	6.75 to 1.00
June 30, 2010	7.00 to 1.00
September 30, 2010	7.25 to 1.00
December 31, 2010	7.25 to 1.00
March 31, 2011	7.00 to 1.00
June 30, 2011	6.75 to 1.00
September 30, 2011	6.50 to 1.00
December 31, 2011	6.00 to 1.00
March 31, 2011	5.50 to 1.00

We believe that we are in compliance with the bank credit facility covenants at March 31, 2010, including the Total Leverage Ratio, which, at March 31, 2010, was 6.51 to 1.00.

Senior Subordinated Notes

During the three months ended March 31, 2010 and 2009, we purchased and retired $15.5 million and $10.5 million, respectively, principal amount of our senior subordinated notes. The total purchase price of the notes was $13.4 million and $8.1 million, respectively, resulting in a gain of $2.0 million and $2.4 million, respectively, net of associated deferred financing fees, which is recorded on our condensed consolidated statement of operations for the respective periods. The transactions were funded by availability under our bank credit facility.

Borgata Bank Credit Facility

Borgata s First Amended and Restated Credit Agreement currently consists of a $750 million revolving credit facility, with the availability of such revolving credit facility subject to further quarterly reductions of $10 million, thereby reducing availability under the revolving credit facility to $720 million on December 31, 2010. At March 31, 2010, the outstanding balance under Borgata s credit facility was $630.3 million. The revolving credit facility matures on January 31, 2011 and, as Borgata is evaluating the refinancing of such facility, the outstanding balance has been recorded in current maturities of long-term debt on the condensed consolidated balance sheets at March 31, 2010.

The interest rate on the revolving credit facility is based, at Borgata s option, upon either the base rate or the Eurodollar rate, plus, in each case, an applicable margin. The applicable margin is a percentage per annum (which ranges from 1.00% to 2.50% if Borgata elects to use the base rate, and 2.25% to 3.75% if Borgata elects to use the Eurodollar rate) determined in accordance with a specified pricing grid based upon Borgata s predefined total leverage ratio. In addition, Borgata incurs commitment fees on the unused portion of the revolving credit facility that range from 0.25% to 0.50% per annum. The revolving credit facility is secured by substantially all of Borgata s real and personal property and is non-recourse to us and the MGM Divestiture Trust.

The blended interest rate for outstanding borrowings under the revolving credit facility at March 31, 2010 and December 31, 2009 was 2.7%.

The bank credit agreement contains certain financial and other covenants, including, without limitation, (i) establishing a maximum permitted total leverage ratio, (ii) establishing a minimum required fixed charge coverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. We believe that Borgata was in compliance with the revolving credit facility covenants at March 31, 2010.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table provides the fair value measurement information about our long-term debt at March 31, 2010. For additional information regarding the guidance for fair value measurements and the related fair value hierarchy, see Note 1, *Summary of Significant Accounting Policies*.

	Outstanding Face Amount	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
		(In thousands)		
Bank credit facility	$ 1,927,100	$ 1,927,100	$ 1,686,213	Level 2
7.75% Senior Subordinated Notes Due 2012	158,832	158,832	158,832	Level 1
6.75% Senior Subordinated Notes Due 2014	233,168	233,168	205,771	Level 1
7.125% Senior Subordinated Notes Due 2016	240,750	240,750	208,249	Level 1
Borgata bank credit facility	630,289	630,289	630,289	Level 2
Other	12,254	12,254	11,641	Level 3
Total long-term debt	$ 3,202,393	$ 3,202,393	$ 2,900,995	

The estimated fair value of the bank credit facility is based on a relative value analysis performed on or about March 31, 2010. The estimated fair value of Borgata s bank credit facility approximates its carrying value as such amounts carry variable rates of interest and mature within one year. The estimated fair values of our senior subordinated notes are based on quoted market prices as of March 31, 2010. Debt included in the Other category is fixed-rate debt that is due March 2013 and is not traded and does not have an observable market input; therefore, we have estimated its fair value based on a discounted cash flow approach, after giving consideration to the changes in market rates of interest, creditworthiness of both parties, and credit spreads. There were no transfers between Level 1 and Level 2 measurements during the three months ended March 31, 2010.

Note 6. Commitments and Contingencies

Commitments

There have been no material changes to our commitments described under Part II. Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 5, 2010, other than those related to Borgata, as discussed below.

Borgata

Leases

We estimate that Borgata s future minimum lease payments required under noncancelable operating leases (principally for land) are $6.5 million for the year ended December 31, 2010.

Utility Contract

In 2005, Borgata amended its executory contracts with a wholly-owned subsidiary of a local utility company, extending the end of the terms to 20 years from the opening of its rooms expansion. The utility company provides Borgata with electricity and thermal energy (hot water and chilled water). Obligations under the thermal energy executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the thermal energy executory contract are currently estimated at approximately $11.3 million per annum. Borgata also committed to purchase a certain portion of its electricity demand at essentially a fixed rate, which is estimated at approximately $4.8 million per annum. Electricity demand in excess of the commitment is subject to market rates based on Borgata s tariff class.

Investment Alternative Tax

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. Generally, Borgata may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the New Jersey Casino Reinvestment Development Authority (CRDA). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates.

BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Borgata s CRDA obligations for the three months ended March 31, 2010 and 2009 were $1.9 million and $2.1 million, respectively, of which valuation provisions of $1.1 million and $1.2 million, respectively, were recorded due to the respective underlying agreements.

Purse Enhancement Agreement

In August 2008, Borgata and the ten other casinos in the Atlantic City market (collectively, the Casinos) entered into a Purse Enhancement Agreement (the Agreement) with the New Jersey Sports & Exposition Authority (the NJSEA) and the Casino Reinvestment Development Authority in the interest of further deferring or preventing the proliferation of competitive gaming at New Jersey racing tracks through December 31, 2011. In addition to the continued prohibition of casino gaming in New Jersey outside of Atlantic City, legislation was enacted to provide for the deduction of certain promotional gaming credits from the calculation of the tax on casino gross revenue.

Under the terms of the Agreement, the Casinos are required to make scheduled payments to the NJSEA totaling $90 million to be used for certain authorized purposes (the Authorized Uses) as defined by the Agreement. In the event any of the $90 million is not used by NJSEA for the Authorized Uses by January 1, 2012, the unused funds shall be returned by NJSEA to the Casinos pro rata based upon the share each casino contributed. For each year, each casino s share of the scheduled payments will equate to a percentage representing its gross gaming revenue for the prior calendar year compared to the gross gaming revenues for that period for all Casinos. Each casino, solely and individually, shall be responsible for its respective share of the scheduled amounts due. In the event that any casino shall fail to make its payment as required, the remaining Casinos shall have the right, but not the obligation, to cure a payment delinquency. As a result, Borgata expenses its pro rata share of the $90 million, estimated to be approximately $14.9 million based on its actual and forecasted market share of gross gaming revenue, on a straight-line basis over the applicable term of the Agreement. Borgata recorded expense of $1.2 million for each of the three month periods ended March 31, 2010 and 2009.

Echelon

As of March 31, 2010, we have incurred approximately $925 million in capitalized costs related to the Echelon project, including land. As part of our delay of the project, we expect to incur approximately $4 million of capitalized costs, principally related to the offsite fabrication of escalators, curtain wall and a skylight. In addition, we expect recurring project costs, consisting primarily of security, property taxes, rent and insurance, of approximately $10 million to $12 million per annum that will be charged to preopening or other expense as incurred during the project s suspension period. These capitalized costs and recurring project costs are in addition to other contingencies with respect to our various commitments, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 5, 2010.

Contingencies

Copeland

Alvin C. Copeland, the sole shareholder (deceased) of an unsuccessful applicant for a riverboat license at the location of our Treasure Chest Casino (Treasure Chest), has made several attempts to have the Treasure Chest license revoked and awarded to his company. In 1999 and 2000, Copeland unsuccessfully opposed the renewal of the Treasure Chest license and has brought two separate legal actions against Treasure Chest. In November 1993, Copeland objected to the relocation of Treasure Chest from the Mississippi River to its current site on Lake Pontchartrain. The predecessor to the Louisiana Gaming Control Board allowed the relocation over Copeland s objection. Copeland then filed an appeal of the agency s decision with the Nineteenth Judicial District Court. Through a number of amendments to the appeal, Copeland unsuccessfully attempted to transform the appeal into a direct action suit and sought the revocation of the Treasure Chest license. Treasure Chest intervened in the matter in order to protect its interests. The appeal/suit, as it related to Treasure Chest, was dismissed by the District Court and that dismissal was upheld on appeal by the First Circuit Court of Appeal. Additionally, in 1999, Copeland filed a direct action against Treasure Chest and certain other parties seeking the revocation of Treasure Chest s license, an award of the license to him, and monetary damages. The suit was dismissed by the trial court, citing that Copeland failed to state a claim on which relief could be granted. The dismissal was appealed by Copeland to the Louisiana First Circuit Court of Appeal. On September 21, 2002, the First Circuit Court of Appeal reversed the trial court s decision and remanded the matter to the trial court. On January 14, 2003, we filed a motion to dismiss the matter and that motion was partially denied. The Court of Appeal refused to reverse the denial of the motion to dismiss. In May 2004, we filed additional motions to dismiss on other grounds. There was no activity regarding this matter during 2005 and 2006, and the case was set to be dismissed by the court for failure to prosecute by the plaintiffs in mid-May 2007; however on May 1, 2007, the plaintiff filed a motion to set a hearing date related to the motions to dismiss. The hearing was scheduled for September 10, 2007, at which time all parties agreed to postpone the hearing indefinitely. The hearing has not yet been rescheduled. Mr. Copeland has since passed away and his son, the executor of his estate, has petitioned the court to be substituted as plaintiff in the case. On June 9, 2009, the plaintiff filed to have the exceptions set for hearing. The parties decided to submit the exceptions to the court on the previously filed briefs. The

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

court has yet to issue a ruling. We currently are vigorously defending the lawsuit. If this matter ultimately results in the Treasure Chest license being revoked, it could have a significant adverse effect on our business, financial condition and results of operations.

Nevada Use Tax Refund Claims

On March 27, 2008, the Nevada Supreme Court issued a decision in *Sparks Nugget, Inc. vs. The State of Nevada Department of Taxation* (the Department), holding that food purchased for subsequent use in the provision of complimentary and/or employee meals was exempt from use tax. On April 14, 2008, the Department filed a Petition for Rehearing (the Petition) on the decision. Additionally, on the same date the Nevada Legislature filed an *Amicus Curiae* brief in support of the Department s position. The Nevada Supreme Court denied the Department s Petition on July 17, 2008. We paid use tax, over the period November 2000 through May 2008, on food purchased for subsequent use in complimentary and employee meals at our Nevada casino properties and estimate the refund to be in the range of $16.5 million to $18.7 million, including interest. In late 2009, the Department audited our refund claim and subsequently issued a $12.3 million sales tax assessment, plus interest of $7.5 million. The Department continues to deny our refund claim and issued the assessment based on their position that the complimentary and employee meals at issue are now subject to sales tax. We do not believe the Department s arguments have any merit and intend to file a motion to dismiss the assessment on both a procedural and technical basis. We are currently in the discovery and deposition stage of the legal proceeding and expect our hearing before the Nevada Administrative Law Judge to occur within the next six months. Due to uncertainty surrounding the judge s decision, we will not record any gain until the tax refund is realized. For periods subsequent to May 2008, although we have received an assessment from the Department, we have not accrued a liability for sales tax on complimentary and employee meals at our Nevada casino properties, as it is not probable, based on both procedural issues and the technical merits of the Department s arguments, that we will owe this tax.

Blue Chip Property Taxes

In May 2007, Blue Chip received a valuation notice indicating an unanticipated increase of nearly 400% to its assessed property value as of January 1, 2006. At that time, we estimated that the increase in assessed property value could result in a property tax assessment ranging between $4 million and $11 million for the eighteen-month period ended June 30, 2007. We recorded an additional charge of $3.2 million during the three months ended June 30, 2007 to increase our property tax liability to $5.8 million at June 30, 2007 as we believed that was the most likely amount to be assessed within the range. We subsequently received a property tax bill related to our 2006 tax assessment for $6.2 million in December 2007. As we have appealed the assessment, Indiana statutes allow for a minimum required payment of $1.9 million, which was paid against the $6.2 million assessment in January 2008. In February 2009, we received a notice of revaluation, which reduced the property s assessed value by $100 million and the tax assessment by approximately $2.2 million per year. We have subsequently paid the minimum required payment of $1.9 million against 2007 and 2008 provisional bills, which were based on the 2006 valuation notice. We have not received valuation notices for years 2007 through 2009. We believe the assessment for the fifty one-month period ended March 31, 2010 could result in a property tax assessment ranging between $11.7 million and $24.6 million. We have accrued approximately $22.8 million of property tax liability as of March 31, 2010, based on what we believe to be the most likely assessment within our range, once all appeals have been exhausted; however, we can provide no assurances that the estimated amount will approximate the actual amount. The final 2006 assessment, post appeals, as well as the March 1, 2007, 2008 and 2009 assessment notices, which have not been received as of March 31, 2010, could result in further adjustment to our estimated property tax liability at Blue Chip.

Legal Matters

We are also parties to various legal proceedings arising in the ordinary course of business. We believe that, except for the Copeland matter discussed above, all pending claims, if adversely decided, would not have a material adverse effect on our business, financial position or results of operations.

Note 7. Stockholders Equity and Stock Incentive Plans

Share Repurchase Program

In July 2008, our Board of Directors authorized an amendment to our existing share repurchase program to increase the amount of common stock available to be repurchased to $100 million. We are not obligated to purchase any shares under our stock repurchase program.

Subject to applicable corporate securities laws, repurchases under our stock repurchase program may be made at such times and in such amounts as we deem appropriate. Purchases under our stock repurchase program can be discontinued at any time that we feel additional purchases are not warranted. We intend to fund the repurchases under the stock repurchase program with existing cash resources and availability under our bank credit facility.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

We are subject to certain limitations regarding the repurchase of common stock, such as restricted payment limitations related to our outstanding notes and our bank credit facility.

During the three months ended March 31, 2010, we did not repurchase any shares of our common stock. During the three months ended March 31, 2009, we repurchased and retired 1.6 million shares of our common stock at an average price of $4.54 per share. We are currently authorized to repurchase up to an additional $92.1 million in shares of our common stock under the share repurchase program.

We have in the past, and may in the future, acquire our debt or equity securities, through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine from time to time.

Dividends

Dividends are declared at our Board of Director s discretion. We are subject to certain limitations regarding payment of dividends, such as restricted payment limitations related to our outstanding notes and our bank credit facility. In July 2008, our Board of Directors suspended the quarterly dividend for the current and future periods; therefore, we did not declare a dividend during the three months ended March 31, 2010 or 2009.

Share-Based Compensation

We account for share-based awards exchanged for employee services in accordance with the authoritative accounting guidance for share-based payments. Under the guidance, share-based compensation expense is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee s requisite service period.

The following table provides classification detail of the total costs related to our share-based employee compensation plans reported in our condensed consolidated statements of operations.

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Gaming	$ 74	$ 30
Food and beverage	14	3
Room	6	1
Selling, general and administrative	423	653
Corporate expense	2,339	2,705
Preopening expenses		521
Total share-based compensation expense	$ 2,856	$ 3,913

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 8. Other Comprehensive Income (Loss) and Derivative Instruments

Total comprehensive income (loss) consisted of the following (in thousands):

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Net income (loss)	$ 9,682	$ (13,828)
Derivative instruments market adjustment, net of tax	1,265	4,034
Comprehensive income (loss)	$ 10,947	$ (9,794)

We record all derivative instruments on the consolidated balance sheets at fair value. Derivatives that are not designated as hedges for accounting purposes must be adjusted to fair value through income. We have designated all of our current interest rate swaps as cash flow hedges and measure their effectiveness using the long-haul method. If the derivative qualifies and is designated as a hedge, depending on the nature of the hedge, changes in its fair value will either be offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The effective portion of any gain or loss on our interest rate swaps is recorded in other comprehensive income (loss). We use the hypothetical derivative method to measure the ineffective portion of our interest rate swaps. The ineffective portion of a derivative s change in fair value will be immediately recognized in earnings.

We utilize derivative instruments to manage interest rate risk. The net effect of our floating-to-fixed interest rate swaps resulted in an increase in interest expense of $5.6 million and $6.3 million for the three months ended March 31, 2010 and 2009, respectively, as compared to the contractual rate of the underlying hedged debt, for these periods.

The following table reports the effects of the changes in the fair value of our derivative instruments.

	Three Months Ended March 31, 2010 (In thousands)	Three Months Ended March 31, 2009 (In thousands)
Derivative instruments fair value adjustment	$ 1,949	$ 6,253
Tax effect of derivative instruments fair value adjustment	(684)	(2,219)
Net derivative instruments fair value adjustment, as reported on our condensed consolidated statement of stockholders equity	$ 1,265	$ 4,034

A portion of the net derivative instruments market adjustment included in accumulated other comprehensive loss, net, at March 31, 2010 relates to certain derivative instruments that we de-designated as cash flow hedges in connection with breaking certain LIBOR contracts under our previous bank credit facility during the three months ended June 30, 2007. As a result, we expect $0.9 million of deferred net gain related to these derivative instruments, included in accumulated other comprehensive loss, net, at March 31, 2010, will be accreted as a reduction of interest expense on our consolidated statements of operations during the next twelve months.

At March 31, 2010 and December 31, 2009, we were a party to certain floating-to-fixed interest rate swap agreements with an aggregate notional amount of $500 million at each date, whereby we receive payments based upon the three-month LIBOR and make payments based upon a stipulated fixed rate. These derivative instruments are accounted for as cash flow hedges. Our derivative instruments are classified as Level 2, as the LIBOR swap rate is observable at commonly quoted intervals for the full term of the interest rate swaps.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

If we had terminated our interest rate swaps as of March 31, 2010 or December 31, 2009, we would have been required to pay a total of $28.0 million or $31.0 million, respectively, based on the settlement values of such derivative instruments, for which the principal terms are presented below (dollars in thousands).

Effective Date	Notional Amount	Fixed Rate Paid	Fair Value of Liability March 31, 2010	Fair Value of Liability December 31, 2009	Maturity Date
September 28, 2007	$ 100,000	5.13%	$ 5,380	$ 5,872	June 30, 2011
September 28, 2007	200,000	5.14%	10,763	11,749	June 30, 2011
June 30, 2008	200,000	5.13%	10,751	11,735	June 30, 2011
	$ 500,000		$ 26,894	$ 29,356	

The fair values of our derivative instruments at March 31, 2010 and December 31, 2009 include $1.1 million and $1.6 million, respectively, of credit valuation adjustments to reflect the impact of the credit ratings of both the Company and our counterparties, based primarily upon the market value of the credit default swaps of the respective parties. These credit valuation adjustments resulted in a reduction in the fair values of our derivative instruments as compared to their settlement values.

Note 9. Write-Downs and Other Charges

Write-downs and other charges are comprised of the following:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Acquisition related expenses	$ 1,601	$ 70
Asset write-downs		28,831
Hurricane and related items		62
Total write-downs and other charges	$ 1,601	$ 28,963

During the three months ended March 31, 2010, we recorded $1.6 million of expenses related to evaluating various acquisition possibilities and other business development activities.

During the three months ended March 31, 2009, we recorded a $28.4 million non-cash impairment charge related to the write-off of Dania Jai-Alai s goodwill, which was recorded as an additional cost of the acquisition in connection with the January 2009 amendment to the purchase agreement to settle the contingent payment prior to the satisfaction of certain legal conditions (see Note 10, *Acquisition of Dania Jai-Alai*). The goodwill was subsequently written-off in connection with our impairment test for recoverability during the three months ended March 31, 2009.

Note 10. Acquisition of Dania Jai-Alai

In March 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities in Broward County approved under Florida law to operate 2,000 Class III slot machines. In March 2007, we paid approximately $81 million to close this transaction, and agreed to pay, in March 2010 or earlier, a contingent payment of an additional $75 million to the seller, plus interest accrued at the prime rate (the contingent payment), if certain legal conditions were satisfied.

In January 2009, we amended the purchase agreement to settle the contingent payment prior to the satisfaction of the legal conditions. The principal terms of the amendment are as follows.

We paid $9.4 million to the seller in January 2009, plus $9.1 million of interest accrued from the March 1, 2007 date of the acquisition.

We issued an 8% promissory note to the seller in the amount of $65.6 million, plus accrued interest. The terms of the note required principal payments of $9.4 million, plus accrued interest, in April 2009 and July 2009, and a final principal payment of $46.9 million, plus accrued interest, due in January 2010. The promissory note was secured by a letter of credit under our bank credit facility, and we have made all scheduled payments on the promissory note, including the final payment in January 2010.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

In conjunction with this amendment, we recorded the remaining $28.4 million of the $75 million contingent liability as an additional cost of the acquisition (goodwill) during the three months ended March 31, 2009. During the three months ended March 31, 2009, we tested the goodwill for recoverability, which resulted in a non-cash impairment charge of $28.4 million (see Note 9, *Write-downs and Other Charges*).

Note 11. Earnings per Share

Net income (loss) and the weighted average number of common shares and common share equivalents used in the calculation of basic and diluted earnings per share consist of the following:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Net income (loss) attributable to Boyd Gaming Corporation	$ 8,435	$ (13,828)
Weighted average common shares outstanding	86,430	86,931
Potential dilutive effect	171	
Weighted average common and potential shares outstanding	86,601	86,931
Basic net income (loss) per common share	$ 0.10	$ (0.16)
Diluted net income (loss) per common share	$ 0.10	$ (0.16)

Due to the net loss for the three months ended March 31, 2009, all potential common shares were anti-dilutive, and therefore were not included in the computation of diluted earnings per share.

Note 12. Related Party Transactions

Percentage Ownership Change

William S. Boyd, our Executive Chairman of the Board of Directors, together with his immediate family, beneficially owned approximately 38% of the Company s outstanding shares of common stock as of March 31, 2010. As such, the Boyd family has the ability to significantly influence our affairs, including the election of members of our Board of Directors and, except as otherwise provided by law, approving or disapproving other matters submitted to a vote of our stockholders, including a merger, consolidation, or sale of assets. For the three months ended March 31, 2010 and 2009, there were no related party transactions between the Company and the Boyd family.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

Note 13. Segment Information

We have aggregated certain of our properties in order to present four Reportable Segments: (i) Las Vegas Locals, (ii) Downtown Las Vegas, (iii) Midwest and South, and (iv) Atlantic City, which represents our 50% investment in Borgata.

The financial position of Borgata is consolidated in our condensed consolidated balance sheet as of March 31, 2010 and its results of operations for the period from March 24 through March 31, 2010 are included in our condensed consolidated statements of operations and cash flow for the three months ended March 31, 2010.

The table below lists the classification of each of our properties within our Reportable Segments.

Las Vegas Locals		**Midwest and South**	
Gold Coast Hotel and Casino	Las Vegas, NV	Sam s Town Hotel and Gambling Hall	Tunica, MS
The Orleans Hotel and Casino	Las Vegas, NV	Par-A-Dice Hotel Casino	East Peoria, IL
Sam s Town Hotel and Gambling Hall	Las Vegas, NV	Treasure Chest Casino	Kenner, LA
Suncoast Hotel and Casino	Las Vegas, NV	Blue Chip Casino, Hotel & Spa	Michigan City, IN
Eldorado Casino	Henderson, NV	Delta Downs Racetrack Casino & Hotel	Vinton, LA
Jokers Wild Casino	Henderson, NV	Sam s Town Hotel and Casino	Shreveport, LA
Downtown Las Vegas		**Atlantic City**	
California Hotel and Casino	Las Vegas, NV	Borgata Hotel Casino and Spa	Atlantic City, NJ
Fremont Hotel and Casino	Las Vegas, NV		
Main Street Station Casino, Brewery and Hotel	Las Vegas, NV		

Results for Downtown Las Vegas include the results of our travel agency and captive insurance company.

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

The following table sets forth, for the periods indicated, certain operating data for our reportable segments.

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Gross Revenues		
Las Vegas Locals	$ 173,897	$ 189,936
Downtown Las Vegas	59,713	64,195
Midwest and South	208,056	226,380
Atlantic City	22,003	
Reportable Segment Gross Revenues	463,669	480,511
Other (1)	1,974	2,169
Gross Revenues	$ 465,643	$ 482,680
Reportable Segment Adjusted EBITDA (2)		
Las Vegas Locals	$ 40,413	$ 45,320
Downtown Las Vegas	8,372	13,354
Midwest and South	39,279	48,588
Atlantic City	4,903	
Our share of Borgata s operating income before net amortization, preopening and other items (2)	8,180	12,917
Reportable Segment Adjusted EBITDA	101,147	120,179
Other operating costs and expenses		
Depreciation and amortization (3)	40,046	42,976
Corporate expense (4)	12,089	12,685
Preopening expenses	1,063	5,839
Our share of Borgata s preopening expenses		176
Our share of Borgata s write-downs and other items	34	(5)
Write-downs and other charges	1,601	28,963
Other (5)	2,284	2,343
Total other operating costs and expenses	57,117	92,977
Operating income	44,030	27,202
Other non-operating items		
Interest expense, net (6)	29,003	45,267
Gain on early retirements of debt	(2,037)	(2,400)
Our share of Borgata s non-operating expenses, net	3,133	4,522
Total other non-operating costs and expenses, net	30,099	47,389
Income (loss) before income taxes	13,931	(20,187)

Income taxes	(4,249)	6,359
Net income (loss)	9,682	(13,828)
Net income attributable to noncontrolling interest	(1,247)	
Net income (loss) attributable to Boyd Gaming Corporation	$ 8,435	$ (13,828)

(1) Other gross revenues are generated from Dania Jai-Alai.

(2) We determine each of our wholly-owned properties profitability based upon Property EBITDA, which represents each property s earnings before interest expense, income taxes, depreciation and amortization, preopening expenses, write-downs and other charges, share-based compensation expense, deferred rent and gain/loss on early retirements of debt, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Property EBITDA for each of

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BOYD GAMING CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

the properties included in our Las Vegas Locals, Downtown Las Vegas, Midwest and South, and Atlantic City segments, and also includes our share of Borgata s operating income, during the period in which it was accounted for under the equity method of accounting, before net amortization, preopening and other items. We calculate our profitability for Borgata, our 50% joint venture, as follows:

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	$ 8,146	$ 12,422
Add back:		
Net amortization expense related to our investment in Borgata		324
Our share of Borgata s preopening expenses		176
Our share of Borgata s write-downs and other items, net	34	(5)
Our share of Borgata s operating income before net amortization, preopening and other items as reported on the accompanying table	$ 8,180	$ 12,917

(3) The following table reconciles the presentation of depreciation and amortization on our condensed consolidated statements of operations to the presentation on the accompanying table.

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Depreciation and amortization as reported on our condensed consolidated statements of operations	$ 40,046	$ 42,652
Net amortization expense related to our investment in Borgata		324
Depreciation and amortization as reported on the accompanying table	$ 40,046	$ 42,976

(4) Corporate expense represents unallocated payroll, professional fees, aircraft expenses and various other expenses not directly related to our casino and hotel operations, in addition to the corporate portion of share-based compensation expense.

(5) Other operating costs and expenses include Property EBITDA from Dania Jai-Alai, deferred rent, and share-based compensation expense charged to our Reportable Segments.

(6) Interest expense is net of interest income and amounts capitalized. Interest expense for the three months ended March 31, 2009 includes $8.9 million of prior period interest expense (from March 1, 2007, the date of the acquisition of Dania Jai-Alai, to December 31, 2008) related to the January 2009 amendment to the purchase agreement resulting in the finalization of our purchase price for Dania Jai-Alai (see Note 10, *Acquisition of Dania Jai-Alai*).

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Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Overview

Boyd Gaming Corporation (the Company, Boyd Gaming, we, or us) is a diversified operator of 15 wholly-owned gaming entertainme properties and a 50% investment in one property. Headquartered in Las Vegas, we have gaming operations in Nevada, Illinois, Louisiana, Mississippi, Indiana and New Jersey, which we aggregate in order to present four Reportable Segments: (i) Las Vegas Locals, (ii) Downtown Las Vegas, (iii) Midwest and South, and (iv) Atlantic City, which represents our 50% interest in the limited liability company operating Borgata Hotel Casino & Spa in Atlantic City, New Jersey.

On March 24, 2010, as a result of the amendment to our operating agreement with MGM MIRAGE (MGM) (our original 50% partner in Borgata), which provided, among other things, for the termination of MGM s participating rights in the operations of Borgata, we effectively obtained control of Borgata. The amendment to the operating agreement was related to MGM s divestiture of its interest pursuant to a regulatory settlement, as discussed further in Note 3, *Investments in and Advances to Unconsolidated Subsidiaries, Net* above. As a result, we measured our previously held equity interest at a provisional fair value. Additionally, the financial position of Borgata is consolidated in our condensed consolidated balance sheet as of March 31, 2010 and its results of operations for the period from March 24 through March 31, 2010 are included in our condensed consolidated statements of operations and cash flow for the three months ended March 31, 2010.

In addition, on March 1, 2007, we acquired Dania Jai-Alai, where we operate a pari-mutuel jai-alai facility, and approximately 47 acres of related land located in Dania Beach, Florida. Furthermore, we own 85 acres of land on the Las Vegas Strip, where our Echelon development project is located.

Overall Outlook

Our main business emphasis is on slot revenues, which are highly dependent upon the volume and spending levels of customers at our properties, which affects our operating results. Gross revenues are one of the main performance indicators of our properties. Our properties have historically generated significant operating cash flow, with the majority of our revenue being cash-based. Our industry is capital intensive; we rely heavily on the ability of our properties to generate operating cash flow in order to repay debt financing and associated interest costs, pay income taxes, fund maintenance capital expenditures, and provide excess cash for future development, acquisitions, purchases of our debt or equity securities, and payment of dividends.

Due to a number of factors affecting consumers, including the declining global economy, constricting credit markets, reduced consumer spending and depressed home prices, the outlook for the gaming industry remains highly unpredictable. Because of these uncertain conditions, we have increasingly focused on managing our operating margins. Our present objective is to manage our cost and expense structure in order to endure the current deterioration in business volumes and maintain compliance with our debt covenants. Nonetheless, we intend to maintain a flexible capital structure for potential strategic transactions that we may undertake in the future.

We continually work to position our Company for greater success by strengthening our existing operations and growing through capital investment and other strategic initiatives. For instance, in January 2009, we opened our 22-story hotel at Blue Chip Casino, Hotel & Spa, which includes 300 guest rooms, a spa and fitness center, additional meeting and event space, as well as new dining and nightlife venues. In addition, Borgata s second hotel, The Water Club, opened in June 2008. The Water Club is an 800-room hotel, featuring five swimming pools, a state-of-the-art spa, and additional meeting room space. In addition, we launched our nationwide branding initiative and loyalty program in 2008. Players are now able to use their Club Coast or B Connected cards to earn and redeem points at nearly all of our wholly-owned Boyd Gaming properties in Nevada, Illinois, Indiana, Louisiana and Mississippi.

Development Activities

On August 1, 2008, due to the difficult environment in the capital markets, as well as weak economic conditions, we announced the delay of our multibillion dollar Echelon development project on the Las Vegas Strip. At such time, we did not anticipate the long-term effects of the economic recession and continued economic downturn, evidenced by lower occupancy rates, declining room rates and reduced consumer spending across the country, but particularly in the Las Vegas Locals region; nor did we predict that the incremental supply becoming available on the Las Vegas Strip would face such depressed demand levels, thereby elongating the time for absorption of this additional supply into the market. We believe financing for a development project like Echelon continues to be unavailable. As previously disclosed, we do not expect to resume construction for three to five years.

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Nonetheless, we remain committed to having a significant presence on the Las Vegas Strip. During the suspension period, we continue to consider alternative development options for Echelon, which may include developing the project in phases, alternative capital structures for the project, scope modifications to the project, or additional strategic partnerships, among others. We can provide no assurances as to when, or if, construction will resume on the project, or if we will be able to obtain alternative sources of financing for the project. As we develop and explore the viability of alternatives for the project, we will monitor these assets for recoverability. If we are subject to a non-cash write-down of these assets, it could have a material adverse impact on our consolidated financial statements.

As of March 31, 2010, we have incurred approximately $925 million in capitalized costs related to the Echelon project, including land. As part of our delay of the project, we expect to incur approximately $4 million of capitalized costs, principally related to the offsite fabrication of escalators, curtain wall and a skylight. In addition, we expect recurring project costs, consisting primarily of security, property taxes, rent and insurance, of approximately $10 million to $12 million per annum that will be charged to preopening or other expense as incurred during the project s suspension period. These capitalized costs and recurring project costs are in addition to other contingencies with respect to our various commitments, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission (SEC) on March 5, 2010.

In addition to the expansion projects mentioned above, we regularly evaluate opportunities for growth through the development of gaming operations in existing or new markets, along with opportunities associated with acquiring other gaming entertainment facilities.

Results of Operations

Three months ended March 31, 2010 and 2009

Summary of Operating Results

We believe that our operating results for each of the three months ended March 31, 2010 and 2009 have been adversely impacted, to some extent, by the weakened global economy. Disruptions in the global financial and stock markets and reduced levels of consumer spending have negatively impacted and may continue to negatively impact our financial results. We believe that recent economic conditions have led to a shift in spending from discretionary items. Although we see some recent improvement in our business trends, our results continue to be impacted by a weak housing market and significant declines in housing prices and related home equity; higher airline fares and fees which impact travel costs; increases in unemployment; and ongoing volatility in the equity markets.

The following provides a summary of certain key operating results:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Net revenues	$ 415,135	$ 434,845
Operating income	44,030	27,202
Net income (loss)	9,682	(13,828)

Significant specific events that affected our results for the three months ended March 31, 2010, as compared to the three months ended March 31, 2009, or that may affect our future results, are described below:

Net revenues declined during the three months ended March 31, 2010 as compared to the corresponding period of the prior year primarily due to challenging economic conditions. Lower pricing associated with our Hawaiian charter operation as well as lower visitor volumes in our Downtown region contributed to the decrease. In addition, net revenues at our Louisiana properties continued to decline as market conditions normalize in that region, and such declines were partially offset by improved results at our Blue Chip property.

Operating income and net income (loss) increased during the three months ended March 31, 2010 compared to the corresponding period of the prior year primarily due to the non-recurrence of write-downs and other charges of $29.0 million during the three months ended March 31, 2009, related to the write-off of Dania Jai-Alai s goodwill.

Revenues by Category

We derive the majority of our gross revenues from our gaming operations, which produced approximately 75% and 76% of gross revenues for the three months ended March 31, 2010 and 2009, respectively. Food and beverage gross revenues, which produced approximately 13% and 12% of gross revenues for the three months ended March 31, 2010 and 2009, respectively,

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represent the next most significant revenue source, followed by room and other, which separately contributed less than 10% of gross revenues during these periods.

	Three Months Ended March 31,		
	2010	Percentage Change (In thousands)	2009
REVENUES			
Gaming	$ 350,405	-4.3%	$ 366,063
Food and beverage	59,982	1.6%	59,041
Room	31,434	2.6%	30,641
Other	23,822	-11.6%	26,935
	$ 465,643	-3.5%	$ 482,680
COSTS AND EXPENSES			
Gaming	$ 168,105	-2.8%	$ 172,912
Food and beverage	32,642	4.0%	31,384
Room	10,050	0.9%	9,957
Other	19,238	-0.4%	19,314
	$ 230,035		$ 233,567
MARGINS			
Gaming	52.03%		52.76%
Food and beverage	45.58%		46.84%
Room	68.03%		67.50%
Other	19.24%		28.29%

The results for the three months ended March 31, 2010, as reported above, reflect the consolidation of Borgata for the period from March 24, 2010 through March 31, 2010, which are not comparable to the amounts as reported in the prior year. As such, the following table reflects the operating results of the Company, excluding such results, for comparability to the prior period. The results of Borgata are addressed below as well.

	Three Months Ended March 31,		
	2010	Percentage Change (In thousands)	2009
REVENUES			
Gaming	$ 334,461	-8.6%	$ 366,063
Food and beverage	56,836	-3.7%	59,041
Room	29,186	-4.7%	30,641
Other	23,157	-14.0%	26,935
	$ 443,640	-8.1%	$ 482,680
COSTS AND EXPENSES			
Gaming	$ 163,980	-5.2%	$ 172,912
Food and beverage	30,172	-3.9%	31,384
Room	9,286	-6.7%	9,957
Other	18,660	-3.4%	19,314
	$ 222,098		$ 233,567

MARGINS		
Gaming	50.97%	52.76%
Food and beverage	46.91%	46.84%
Room	68.18%	67.50%
Other	19.42%	28.29%

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Gaming

Gaming revenues are significantly comprised of the net win from our slot machine operations and to a lesser extent from table games win. Overall, the $31.6 million, or 8.6%, decrease in gaming revenues during the three months ended March 31, 2010 as compared to the corresponding period of the prior year is due to an 8.9% decrease in slot handle, which was slightly offset by an increase in slot win percentage, and a 5.9% decrease in our table games drop in addition to a decline in our table games win percentage. Correspondingly, the number of slot machines and table games at our properties were down approximately 1.3% and 3.0%, respectively, at March 31, 2010 as compared to the comparable period of the prior year. As noted earlier, we believe the decrease in gaming volumes reflect the ongoing constraints in consumer spending resulting from the weakened economy.

Food and Beverage

Food and beverage revenues decreased slightly during the three months ended March 31, 2010 as compared to the corresponding period of the prior year, as the continuation of reduced spend per visitor impacted our business this quarter.

Room

Room revenues have declined during the three months ended March 31, 2010 as compared to the corresponding period of the prior year, due to higher competition, decreased occupancy and lower average room rates. Consistent with our experience in recent quarters, the average daily rates and occupancy percentages have continued to trend downward.

Revenues by Reportable Segment

The following table presents our gross revenues, by Reportable Segment (region), for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31,	
	2010	**2009**
	(In thousands)	
Gross revenues		
Las Vegas Locals	$ 173,897	$ 189,936
Downtown Las Vegas	59,713	64,195
Midwest and South	208,056	226,380
Atlantic City	22,003	
Reportable Segment Gross Revenues	463,669	480,511
Other	1,974	2,169
Gross revenues	$ 465,643	$ 482,680

During the three months ended March 31, 2010, we experienced improving trends in our business, specifically in the Las Vegas Locals region. While visitation has continued to stabilize at most of our properties, we continue to experience declines in spend per visitor.

Significant factors that affected our Reportable Segment Gross Revenues for the three months ended March 31, 2010, as compared to the corresponding period of the prior year, are listed below:

Las Vegas Locals declined 8.4% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, due primarily to lower consumer spending and room rate pressures throughout the entire market, although results from the more recent quarters indicate that we are nearing the low point in this downward cycle.

Downtown Las Vegas decreased 7.0% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, primarily due to lower ticket prices on our Hawaiian charter operation, lower visitor traffic and lower visitation from our Hawaiian customers.

Midwest and South decreased 8.1% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, primarily due to lower consumer spending and the effects of a normalization of visitation at our Louisiana properties.

Atlantic City reflects only a partial quarterly period during the three months ended March 31, 2010, therefore comparability is not meaningful. See further discussion below.

Adjusted EBITDA by Reportable Segment

We determine each of our wholly-owned properties profitability based upon Property Adjusted EBITDA, which represents each property s earnings before interest expense, income taxes, depreciation and amortization, deferred rent, preopening expenses, share-based compensation expense, and write-downs and other charges, as applicable. Reportable Segment Adjusted EBITDA is the aggregate sum of the Property Adjusted EBITDA for each of the properties included in our Las Vegas Locals, Downtown Las Vegas, Midwest and South and Atlantic City segments and also includes our share of Borgata s operating income, during the period in which it was accounted for under the equity method of accounting, before net amortization, preopening and other items.

During the three months ended March 31, 2010, we continued to refine our cost structure, developing a more cost-efficient business model to compete more effectively in these economic conditions. We have aggregated certain of our properties in order to present the Reportable Segments shown in the table below.

	Three Months Ended March 31,	
	2010	**2009**
	(In thousands)	
Reportable Segment Adjusted EBITDA		
Las Vegas Locals	$ 40,413	$ 45,320
Downtown Las Vegas	8,372	13,354
Midwest and South	39,279	48,588
Atlantic City	4,903	
Our share of Borgata s operating income before net amortization, preopening and other items	8,180	12,917

Significant factors that affected our Reportable Segment Adjusted EBITDA for the three months ended March 31, 2010, as compared to the corresponding period of the prior year, are further discussed below:

Las Vegas Locals decreased 10.8% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, due primarily to the impact of lower levels of consumer spending and room rate pressures throughout the entire market.

Downtown Las Vegas decreased 37.3% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, primarily due to lower ticket pricing and higher fuel costs associated with our Hawaiian charter operation, as well as lower Downtown visitor volumes.

Midwest and South decreased 19.2% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, primarily due to declines at our Louisiana properties as market conditions continue to normalize, partially offset by improvements at our Blue Chip and Par-A-Dice properties.

Atlantic City reflects only a partial quarterly period during the three months ended March 31, 2010, therefore comparability is not meaningful. See further discussion below.

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Operating Results for Borgata

The following table sets forth, for the periods indicated, certain operating data for Borgata. As discussed above, we effectively obtained control of Borgata effective March 24, 2010 and consolidated its results of operations for the period from March 24 through March 31, 2010. While the following table discusses the results of Borgata on a stand-alone basis for the entire respective periods presented, subsequent tables reconcile the effect of their results on our condensed consolidated statements of operations for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31,	
	2010	**2009**
	(In thousands)	
Revenues:		
Gaming	$ 153,776	$ 168,849
Food and beverage	34,363	33,993
Room	26,402	26,041
Other	9,843	9,305
Gross Revenues	224,384	238,188
Less promotional allowances	49,318	50,298
Net revenues	175,066	187,890
Cost and expenses:		
Gaming	63,986	70,728
Food and beverage	15,970	14,787
Room	2,950	2,464
Other	7,705	6,888
Selling and administrative	30,440	31,766
Maintenance and utilities	15,998	15,331
Depreciation and amortization	18,379	20,091
Write-downs and other items, net	68	(10)
Preopening expenses		353
Total costs and expenses	155,496	162,398
Operating income	$ 19,570	$ 25,492

Overall, net revenues during the quarter ended March 31, 2010 decreased by $12.8 million, or 6.8% as compared to the same period in 2009. Significant specific events that affected revenues during the quarter ended March 31, 2010, as compared to 2009 are described below:

Adverse weather conditions had an ongoing and further damaging effect on Borgata s operations during the early months of calendar 2010. The winter season has been one of the worst on record, and customers found it extremely difficult to travel throughout the entire Northeast, thereby negatively impacting visitation and spend.

Table games hold percentage was below average, which reduced gaming revenues and contribution margins.

Operating income declined $5.9 million to $19.6 million from $25.5 million during the quarter ended March 31, 2010 as compared to the quarter ended March 31, 2009, respectively. Significant specific events that affected the results for the quarter ended March 31, 2010, as compared to 2009 are described below:

The residual effect of the items discussed above which impacted our revenues.

Continuation of reduced consumer spending, resulting in lower than historical gaming volumes, room occupancy and rates due to the impact of the current economic conditions.

Offsetting impact of substantial efficiencies in the business, and reduction of expenses, that are sustaining operating income, while yet confronted with declining revenues.

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The following table reconciles the presentation of our share of Borgata s operating income.

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Operating income from Borgata, as reported on our condensed consolidated statements of operations	$ 8,146	$ 12,422
Add back:		
Net amortization expense related to our investment in Borgata		324
Our share of Borgata s preopening expenses		176
Our share of Borgata s write-downs and other items	34	(5)
Our share of Borgata s operating income before net amortization, preopening and other items	$ 8,180	$ 12,917

Our share of Borgata s operating income before net amortization, preopening and other items decreased 36.7% during the three months ended March 31, 2010, as compared to the corresponding period of the prior year. Overall, Borgata s operating income has decreased as compared to the corresponding period of the prior year, which reflects the overall decline in consumer spending globally, the heightened competition in Atlantic City, as well as the early year effects of the severe winter storms making travel extremely difficult throughout the entire Northeast. The quantified effect of our consolidation of Borgata s operating results also reduced our share of Borgata s operating income before net amortization, preopening and other items by $1.6 million.

Other Costs and Expenses

The following costs and expenses, as presented in our consolidated statements of operations, are further discussed below:

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Selling, general and administrative	$ 70,278	$ 73,973
Maintenance and utilities	24,139	22,386
Depreciation and amortization	40,046	42,652
Corporate expense	12,089	12,685
Preopening expenses	1,063	5,839
Write-downs and other charges	1,601	28,963

Selling, general and administrative

Selling, general and administrative expenses, as a percentage of gross revenues, were fairly consistent at 15.1% and 15.3% during the three months ended March 31, 2010 and 2009, respectively, due to our ongoing cost containment efforts. The partial period of Borgata consolidated results did not have an effect because its expense as a percentage of gross revenues were consistent.

Maintenance and Utilities

Maintenance and utilities expenses were relatively consistent during the three months ended March 31, 2010 and 2009, respectively, as no major maintenance projects were undertaken in any period. The incremental increase in maintenance and utilities, as a percentage of gross revenues of 5.2% and 4.6%, during the three months ended March 31, 2010 and 2009, respectively, reflects an overall increase in energy costs. The partial period of Borgata consolidated results did not have an effect because its expense as a percentage of gross revenues were consistent.

Depreciation and Amortization

Depreciation and amortization expense remained relatively flat during the three months ended March 31, 2010 and 2009, as there were no significant expansion capital expenditures that were placed into service during 2009 or the first quarter of 2010. In addition, Borgata did not have significant expansion capital expenditures that were placed into service during 2010.

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Corporate Expense

Corporate expense represents unallocated payroll, professional fees, and various other expenses that are not directly related to our casino hotel operations, in addition to the corporate portion of share-based compensation expense. As part of our cost containment efforts, corporate expense decreased for the three months ended March 31, 2010 compared to the three months ended March 31, 2009.

Preopening Expenses

We expense certain costs of start-up activities as incurred. During the three months ended March 31, 2010, we expensed $1.1 million in preopening costs that related primarily to our Echelon development project. During the three months ended March 31, 2009, we expensed $5.8 million in preopening costs that related primarily to our Echelon development project and our hotel at Blue Chip.

Write-downs and Other Charges

During the three months ended March 31, 2010, write-downs and other charges primarily consisted of expenses related to evaluating various acquisition possibilities and other business development activities. During the three months ended March 31, 2009, write-downs and other charges of $29.0 million principally related to the write-off of Dania Jai-Alai s goodwill, which was recorded as an additional cost of the acquisition in connection with the January 2009 amendment to the purchase agreement. The goodwill was subsequently written-off in connection with our impairment test for recoverability during the three months ended March 31, 2009.

Other Expenses

Interest Expense

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands)	
Interest costs	$ 23,416	$ 39,396
Effects of interest rate swaps	5,591	6,253
Less:		
Capitalized interest		378
Interest income	4	4
Interest expense, net	$ 29,003	$ 45,267
Average note payable and debt balance	$ 2,673,376	$ 2,747,835
Average interest rate	4.3%	6.6%

Interest expense, net decreased during the three months ended March 31, 2010, as compared to the corresponding period of the prior year, due to lower average interest rates during the three months ended March 31, 2010 and due to higher average note payable and outstanding debt balances, as well as higher effects of our interest rate swaps, in the corresponding period of the prior year. There was no interest capitalized during the three months ended March 31, 2010, as compared to $0.4 million during the three months ended March 31, 2009, as the Blue Chip addition was completed in January 2009, and our development efforts at Echelon had been suspended since August 2008. Additionally, interest expense during the three months ended March 31, 2009 was increased by the interest portion of $8.9 million related to the contingent payment for the January 2009 amendment to the purchase agreement resulting in the finalization of our purchase price for Dania Jai-Alai. At March 31, 2010, 55% of our debt was based upon variable interest compared to 44% of our debt at March 31, 2009.

As of March 31, 2010, we are a party to certain floating-to-fixed interest rate swap agreements with an aggregate notional amount of $500 million, whereby we receive payments based upon the three-month LIBOR and make payments based upon a stipulated fixed rate. During the three months ended March 31, 2010, the effect of our swaps increased our interest expense by $5.6 million, as market interest rates during the period were significantly lower than the 5.1% weighted-average fixed rate associated with these swaps as of March 31, 2010.

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Gain on Early Retirements of Debt

During the three months ended March 31, 2010 and 2009, we purchased and retired $15.5 million and $10.5 million, respectively, principal amount of our senior subordinated notes. The total purchase price of the notes was approximately $13.4 million and $8.1 million, respectively, resulting in a gain of approximately $2.0 million and $2.4 million, respectively, net of associated deferred financing fees. The transactions were funded by availability under our bank credit facility.

Other Non-Operating Expenses from Borgata

Borgata s other non-operating expenses consist of the following:

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Interest expense, net	$ (5,544)	$ (8,011)
State income taxes	(1,506)	(1,032)
Other non-operating expenses	$ (7,050)	$ (9,043)
	50%	50%
Our share of other non-operating expenses before consolidation	(3,525)	(4,522)
Less: Other non-operating expenses from March 24, 2010 to March 31, 2010	392	
Our share of other non-operating expenses, as reported	$ (3,133)	$ (4,522)

Interest expense is incurred based on borrowings under Borgata s bank credit agreement. The decrease in interest expense during the three months ended March 31, 2010 compared to the corresponding period of the prior year is due to the combined impact of a reduction in average outstanding borrowings, coupled with a decrease in the blended interest rate under Borgata s bank credit agreement, which were 2.7% and 3.8% at March 31, 2010 and 2009, respectively.

The increase in state income taxes during the three months ended March 31, 2010 from the corresponding period of the prior year is primarily due to Borgata s ineligibility to qualify for New Jersey state job tax credits in 2010. State income taxes for the three months ended March 31, 2009 are net of a benefit related to state job tax credits; however, due to a reduction in employee levels in the latter part of the year, such benefit was subsequently reversed in the third quarter of 2009. Based on New Jersey state income tax rules, Borgata is eligible for a refundable state tax credit under the New Jersey New Jobs Investment Tax Credit because it made a qualified investment in a new business facility that created jobs. The realization of the credit is contingent upon maintaining certain employment levels for employees directly related to the qualified investment as well as maintaining overall employment levels. Fluctuations in employment levels for any given year during the credit period may eliminate or reduce the credit.

Income Taxes

The effective tax rate during the three months ended March 31, 2010 was 30.5%, as compared to 31.5% during the three months ended March 31, 2009. The 2010 tax provision was favorably impacted by tax adjustments related to the consolidation of Borgata. The 2009 tax benefit was adversely impacted by a combination of recurring unfavorable tax adjustments, the geographic mix of our state taxes and interest related to tax accruals.

Liquidity and Capital Resources

Working Capital

Historically, we have operated with minimal or negative levels of working capital in order to minimize borrowings and related interest costs under our bank credit facility. As discussed below, our working capital deficit has increased due primarily to the current maturity of Borgata s revolving credit facility.

The bank credit facility generally provides any necessary funds for our day-to-day operations, interest and tax payments, as well as capital expenditures. On a daily basis, we evaluate our cash position and adjust the bank credit facility balance as necessary, by either borrowing or paying it down with excess cash. We also plan the timing and the amounts of our capital expenditures. We believe that our bank credit facility and cash flows from operating activities will be sufficient to meet our projected operating and maintenance capital expenditures for at least the next twelve months. The source of funds for the repayment of our debt or our development projects is derived primarily from cash flows from operations and availability under our bank credit facility, to the extent availability exists after we meet our working capital needs.

We could also seek to secure additional working capital, repay our current debt maturities, or fund our development projects, in whole or in part, through incremental bank financing and additional debt or equity offerings. If availability does not exist under our bank credit facility, or we are not otherwise able to draw funds on our bank credit facility, additional financing may not be available to us or, if available, may not be on terms favorable to us. Also, Borgata is evaluating the refinancing of its borrowings under its existing revolving credit facility.

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Indebtedness

Our indebtedness primarily consists of amounts outstanding under a $3 billion bank credit facility that are the obligation of Boyd, a $750 million credit facility that is the obligation of Borgata and our senior subordinated notes.

Bank Credit Facility. At March 31, 2010, we had an outstanding balance of $1.9 billion and remaining availability under our bank credit facility of approximately $1.1 billion.

Bank Credit Facility Covenants. The bank credit facility contains certain financial and other covenants, including various covenants (i) requiring the maintenance of a minimum interest coverage ratio of 2.00 to 1.00, (ii) establishing a maximum total leverage ratio (discussed below), (iii) imposing limitations on the incurrence of indebtedness and liens, (iv) imposing limitations on transfers, sales and other dispositions, and (v) imposing restrictions on investments, dividends and certain other payments.

The maximum permitted Total Leverage Ratio is calculated as Consolidated Funded Indebtedness to twelve-month trailing Consolidated EBITDA (all capitalized terms are defined in the bank credit facility). We were in compliance with the bank credit facility covenants at March 31, 2010, including the Total Leverage Ratio, which was 6.51 to 1.00 at March 31, 2010. The following table provides our maximum allowable Total Leverage Ratio during the remaining term of the bank credit facility:

For the Trailing Four Quarters Ending	Maximum Total Leverage Ratio
March 31, 2010	6.75 to 1.00
June 30, 2010	7.00 to 1.00
September 30, 2010	7.25 to 1.00
December 31, 2010	7.25 to 1.00
March 31, 2011	7.00 to 1.00
June 30, 2011	6.75 to 1.00
September 30, 2011	6.50 to 1.00
December 31, 2011	6.00 to 1.00
March 31, 2011	5.50 to 1.00

Senior Subordinated Notes. During the three months ended March 31, 2010 and 2009, we purchased and retired $15.5 million and $10.5 million, respectively, principal amount of our senior subordinated notes. The total purchase price of the notes was $13.4 million and $8.1 million, respectively, resulting in a gain of $2.0 million and $2.4 million, respectively, net of associated deferred financing fees, which is recorded on our condensed consolidated statement of operations for the respective periods. The transactions were funded by availability under our bank credit facility. At March 31, 2010, approximately $632.8 million remained outstanding under our senior subordinated notes.

Borgata Bank Credit Facility. Borgata s First Amended and Restated Credit Agreement currently consists of a $750 million revolving credit facility, with the availability of such revolving credit facility subject to further quarterly reductions of $10 million, thereby reducing availability under the revolving credit facility to $720 million on December 31, 2010. At March 31, 2010, the outstanding balance under Borgata s credit facility was $630.3 million, with remaining availability of $119.7 million. The revolving credit facility matures on January 31, 2011 and Borgata is evaluating the refinancing of such facility.

Borgata Bank Credit Facility Covenants. The bank credit facility contains certain financial and other covenants, including, without limitation, (i) establishing a maximum permitted total leverage ratio, (ii) establishing a minimum required fixed charge coverage ratio, (iii) imposing limitations on the incurrence of additional secured indebtedness, and (iv) imposing restrictions on investments, dividends and certain other payments. We believe Borgata was in compliance with the revolving credit facility covenants at March 31, 2010.

Note Payable. On March 1, 2007, we acquired Dania Jai-Alai and approximately 47 acres of related land located in Dania Beach, Florida. Dania Jai-Alai is one of four pari-mutuel facilities in Broward County approved under Florida law to operate 2,000 Class III slot machines. We paid approximately $81 million to close this transaction and, agreed that, if certain conditions are satisfied, we would pay an additional $75 million, plus interest accrued at the prime rate (the contingent payment), in March 2010 or earlier.

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In January 2009, we amended the purchase agreement to settle the contingent payment prior to the satisfaction of the legal conditions. The principal terms of the amendment are as follows.

We paid $9.4 million to the seller in January 2009, plus $9.1 million of interest accrued from March 1, 2007, the date of the acquisition.

We issued an 8% promissory note to the seller in the amount of $65.6 million, plus accrued interest. The terms of the note required principal payments of $9.4 million, plus accrued interest, in April 2009 and July 2009, and a final principal payment of $46.9 million, plus accrued interest, due in January 2010. The promissory note was secured by a letter of credit under our bank credit facility, and we have made all scheduled payments on the promissory note, including the final payment in January 2010.

Our ability to service our debt will be dependent upon future performance, which will be affected by, among other things, prevailing economic conditions and financial, business and other factors, certain of which are beyond our control. It is unlikely that our business will generate sufficient cash flow from operations to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. We believe that we will need to refinance all or part of our indebtedness at or prior to each maturity; however, we may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all.

Cash Flows Summary

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Net cash provided by operating activities	$ 72,929	$ 52,058
Cash flows from investing activities:		
Capital expenditures	(31,067)	(88,316)
Net cash effect upon change in controlling interest of Borgata	26,025	
Net cash paid for Dania Jai-Alai		(9,375)
Other	(745)	(564)
Net cash used in investing activities	(5,787)	(98,255)
Cash flows from financing activities:		
Payments on retirements of long-term debt	(13,396)	(8,072)
Net borrowings under bank credit facility	8,200	61,485
Repurchase and retirement of common stock		(7,051)
Other	(46,946)	(149)
Net cash provided by (used in) financing activities	(52,142)	46,213

			8.7
Net Expenses	$ 125.9	$ 130.6	$ 186.5
Net Investment Income	$ 133.4	$ 149.2	$ 193.3
Net Realized and Change in Unrealized Gains (Losses)			
Net realized losses	$ (258.1)	$ (41.8)	$ (195.4)
Net change in unrealized losses	211.8	(89.1)	(42.4)
Net Realized and Change in Unrealized Losses	$ (46.4)	$ (130.9)	$ (237.8)
Net Increase (Decrease) in Net Assets Resulting from Operations	$ 87.0	$ 18.4	$ (44.5)
Net Investment Income on Per Average Share Basis (1)	$ 0.61	$ 0.67	$ 0.83

Earnings (loss) per share — basic (1)	$ 0.40	$ 0.08	$ (0.19)
Earnings (loss) per share — diluted (2)	N/A	N/A	$ (0.19)

* Totals may not foot due to rounding.

(1) Based on the weighted average number of shares outstanding for the period presented.

(2) Diluted earnings (loss) per share is calculated using the if-converted method. In applying the if-converted method, conversion is not assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the years ended March 31, 2018 and March 31, 2017, the Company did not have any convertible notes. As such, diluted EPS was not applicable. For the year ended March 31, 2016, anti-dilution would total $0.04.

Total Investment Income

For the year ended March 31, 2018 as compared to the year ended March 31, 2017

The decrease in total investment income for the year ended March 31, 2018 compared to the year ended March 31, 2017 was primarily driven by the decrease in dividend income of $14.6 million and decrease in total interest income (including PIK) of $7.6 million. The decrease in dividend income was due to the exits of Crowley Holdings, Inc., MCF CLO I, LLC and MCF CLO III, LLC, the restructuring of Golden Bear Warehouse LLC into a non-dividend yielding position and the decrease in dividends from Dynamic Product Tankers, LLC and MSEA Tankers, LLC. The decrease in dividend income was offset by the higher dividends received from Merx Aviation Finance, LLC. The decrease in total interest income (including PIK) was due to a lower income-bearing investment portfolio and decrease in prepayment fees and income recognized from the acceleration of discount, premium, or deferred fees on repaid investments which totaled $13.3 million and $13.6 million for the year ended March 31, 2018 and year ended March 31, 2017, respectively. This was partially offset by an increase in overall yield for the total debt portfolio to 10.7% from 10.3%. Furthermore, there was an increase in other income of $1.6 million due to higher bridge fees and amendment fees, partially offset by lower structuring fees.

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For the year ended March 31, 2017 as compared to the year ended March 31, 2016

The decrease in total investment income for the year ended March 31, 2017 compared to the year ended March 31, 2016 was driven by the decrease in interest income of $69.8 million, the decrease in dividend income of $23.1 million and the decrease in other income of $7.0 million. The decrease in interest income is due to a lower income-bearing investment portfolio and a decrease in overall yield for the total debt portfolio to 10.3% from 11.0%. The decrease in the dividend income is due to the exit of Golden Hill CLO I, LLC and restructuring of AMP Solar (UK) Limited to Solarplicity Group Limited, which were dividend yielding investments, and also due to a decrease in dividends from Dynamic Product Tankers, LLC, MSEA Tankers LLC and other structured products. The decrease in dividend income is partially offset by an increase in dividends received from Merx Aviation Finance, LLC.

Net Expenses

For the year ended March 31, 2018 as compared to the year ended March 31, 2017

The decrease in net expenses for the year ended March 31, 2018 compared to the year ended March 31, 2017 was due to the decrease in interest and other debt expenses of $7.0 million due to the early redemption of the 2042 Senior Unsecured Notes in October 2017 which carried a higher interest rate than our Senior Secured Facility and the change in the average debt outstanding and net leverage from $1.05 billion and 0.55x, respectively during the year ended March 31, 2017, to $0.90 billion and 0.57x, respectively during the year ended March 31, 2018. The decrease of $3.6 million in other general and administrative expenses was primarily due to $2.7 million of non-recurring expenses related to a strategic transaction that was considered but did not occur during the year ended March 31, 2017. The decrease in net expenses was partially offset by an increase in management and performance-based incentive fees (net of amounts waived) of $6.5 million which was due to lower fee expenses during the year ended March 31, 2017 as this period included an adjustment of $13.2 million to the deferred incentive fee payable related to PIK income deemed to be no longer realizable, compared to the year ended March 31, 2018 during which there was $2.2 million of such adjustments.

For the year ended March 31, 2017 as compared to the year ended March 31, 2016

The decrease in expenses for the year ended March 31, 2017 compared to the year ended March 31, 2016 was primarily driven by the decrease of $40.2 million in management and performance-based incentive fees (net of amounts waived) due to lower management fee and incentive fee rates, lower average gross assets, lower investment income and the reversal of $13.2 million of the deferred incentive fee payable related to PIK income deemed to be no longer realizable. In addition, there was a decrease of $21.1 million in interest and other debt expenses due to the repayment of the Senior Secured Notes in October 2015, repayment of Convertible Notes in January 2016 and a reduction in the average debt outstanding from $1.46 billion during the year ended March 31, 2016 to $1.05 billion during the year ended March 31, 2017. The decrease in expenses is partially offset by $2.7 million of non-recurring expenses related to a strategic transaction that was considered but did not occur.

Net Realized Gains (Losses)

During the year ended March 31, 2018, we recognized gross realized gains of $27.0 million and gross realized losses of $285.1 million, resulting in net realized losses of $258.1 million. Significant realized gains (losses) for the year ended March 31, 2018 are summarized below:

(in millions)	Net Realized Gain (Loss)	
Renew Financial LLC (f/k/a Renewable Funding, LLC)	$ 7.8	
Ivy Hill Middle Market Credit Fund IX, Ltd.	2.0	
Venoco, Inc.	(89.0	) *
Delta Educational Systems, Inc./Gryphon Colleges Corp.	(72.8	) *
AIC SPV Holdings I, LLC	(43.3	) *
Solarplicity Group Limited (f/k/a AMP Solar UK)	(27.1	) */**
LVI Group Investments, LLC	(17.5	) *
Magnetation, LLC	(10.4	) *
Clothesline Holdings, Inc.	(6.0	) *
Sungevity Inc.	(4.4	) *
SCM Insurance Services, Inc.	(3.1	) *

* Venoco, Inc., Delta Educational Systems, Inc./Gryphon Colleges Corp., Magnetation, LLC, Clothesline Holdings, Inc. and Sungevity Inc. were written off during the period as no proceeds were expected to be realized. AIC SPV Holdings I, LLC, Solarplicity Group Limited (f/k/a AMP Solar UK), LVI Group Investments, LLC and SCM Insurance Services, Inc. were sold/repaid during the period. The realized losses on these investments were previously recorded as unrealized losses.

** Included in this amount is a realized loss on foreign currency of $7.7 million which is substantially offset by $15.5 million of net realized gain on foreign currencies related to foreign-denominated debt under the Senior Secured Facility.

On October 16, 2017, the Company redeemed the entire $150 million aggregate principal amount outstanding of the 2042 Notes in accordance with the terms of the indenture governing the 2042 Notes, before its stated maturity date, which resulted in a realized loss on the extinguishment of debt of $5.79 million.

During the year ended March 31, 2017, we recognized gross realized gains of $103.1 million and gross realized losses of $144.9 million, resulting in net realized loss of $41.8 million. Significant realized gains (losses) for the year ended March 31, 2017 are summarized below:

(in millions)	Net Realized Gain (Loss)	
Generation Brands Holdings, Inc.	$ 46.2	
Golden Bear Warehouse LLC	34.2	
MCF CLO III, LLC	5.2	
Explorer Coinvest, LLC	3.3	
Dark Castle Holdings, LLC	2.5	
Garden Fresh Restaurant Corp.	(58.6	)
Solarplicity Group Limited	(38.4	) *
Osage Exploration & Development, Inc.	(19.2	)
Aveta, Inc.	(11.9	)
River Cree Enterprises LP	(4.2	)
Aventine Renewable Energy Holdings, Inc.	(3.6	)

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* Included in this amount is a realized loss on foreign currency of $7.9 million which is substantially offset by $8.2 million of net realized gain on foreign currencies related to foreign-denominated debt under the Senior Secured Facility.

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During the year ended March 31, 2016, we recognized gross realized gains of $22.5 million and gross realized losses of $217.9 million, resulting in net realized losses of $195.4 million. Significant realized gains (losses) for the year ended March 31, 2016 are summarized below:

(in millions)	Net Realized Gain (Loss)
Fidji Luxco (BC) S.C.A.	$ 11.8
PlayPower Holdings, Inc.	(39.7)
Miller Energy Resources, Inc.	(33.5)
Magnetation, LLC	(32.1)
Molycorp, Inc.	(22.1)
Artsonig Pty Ltd	(21.7)

Net Change in Unrealized Gains (Losses)

During the year ended March 31, 2018, we recognized gross unrealized gains of $302.7 million and gross unrealized losses of $90.9 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized losses of $211.8 million. Significant changes in unrealized gains (losses) for the year ended March 31, 2018 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
Venoco, Inc.	$ 89.0
Delta Career Education Corporation	72.8
AIC SPV Holdings I, LLC	44.8
Solarplicity Group Limited (f/k/a AMP Solar UK)	25.2
LVI Group Investments, LLC	17.5
Magnetation, LLC	10.9
SHD Oil & Gas, LLC	9.9
SCM Insurance Services, Inc.	7.9
Clothesline Holdings, Inc.	6.0
Sungevity Inc.	4.4
Elements Behavioral Health, Inc.	(10.1)
Carbonfree Chemicals SPE I LLC (f/k/a Maxus Capital Carbon SPE I LLC)	(3.4)
Golden Bear 2016-R, LLC	(3.0)
Merx Aviation Finance, LLC	(2.2)
Access Information	(1.8)

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During the year ended March 31, 2017, we recognized gross unrealized gains of $156.1 million and gross unrealized losses of $245.2 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized losses of $89.1 million. Significant changes in unrealized gains (losses) for the year ended March 31, 2017 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
Garden Fresh Restaurant Corp.	$ 24.7
Osage Exploration & Development, Inc.	19.3
Aveta, Inc.	13.2
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC)	8.2
MCF CLO III, LLC	5.0
Venoco, Inc.	(53.7)
Generation Brands Holdings, Inc.	(43.8)
Delta Career Education Corporation	(22.4)
LVI Group Investments, LLC	(21.5)
Solarplicity Group Limited	(20.9) *
Golden Bear Warehouse LLC	(16.7)

* Included in this amount is an unrealized loss on foreign currency of $15.7 million which is substantially offset by $18.4 million of unrealized gain on foreign currencies related to foreign-denominated debt under the Senior Secured Facility.

During the year ended March 31, 2016, we recognized gross unrealized gains of $180.8 million and gross unrealized losses of $223.2 million, including the impact of transferring unrealized to realized gains (losses), resulting in net change in unrealized losses of $42.4 million. Significant changes in unrealized gains (losses) for the year ended March 31, 2016 are summarized below:

(in millions)	Net Change in Unrealized Gain (Loss)
PlayPower Holdings, Inc.	$ 21.8
Molycorp, Inc.	20.4
Generation Brands Holdings, Inc.	17.8
Merx Aviation Finance, LLC	16.4
Golden Bear Warehouse LLC	14.1
LVI Group Investments, LLC	12.8
Renewable Funding Group, Inc.	10.6
PetroBakken Energy Ltd.	10.6
SquareTwo Financial Corp.	(26.8)
Spotted Hawk Development, LLC	(20.6)
Osage Exploration & Development, Inc.	(18.4)
Garden Fresh Restaurant Corp.	(16.5)
Delta Educational Systems, Inc.	(11.6)

Liquidity and Capital Resources

The Company's liquidity and capital resources are generated and generally available through periodic follow-on equity and debt offerings, our Senior Secured Facility (as defined in Note 8 to the financial statements), 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.

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Cash Equivalents

The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain money market funds, U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities would qualify as cash equivalents (See Note 2 to the financial statements.) 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.

Debt

See Note 8 to the financial statements for information on the Company’s debt.

The following table shows the contractual maturities of our debt obligations as of March 31, 2018:

	Payments Due by Period				
(in millions)	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
Senior Secured Facility (1)	$285.2	$—	$ —	$285.2	$—
Senior Secured Notes (Series B)	16.0	16.0	—	—	—
2043 Notes	150.0	—	—	—	150.0
2025 Notes	350.0	—	—	—	350.0
Total Debt Obligations	$801.2	$16.0	$ —	$285.2	$500.0

(1) As of March 31, 2018, aggregate lender commitments under the Senior Secured Facility totaled $1.19 billion and $890.6 million of unused capacity. As of March 31, 2018, there were $14.2 million of letters of credit issued under the Senior Secured Facility as shown as part of total commitments in Note 10 to the financial statements.

Stockholders’ Equity

See Note 9 to the financial statements for information on the Company’s public offerings and share repurchase plans.

Distributions

Distributions paid to stockholders during the years ended March 31, 2018, 2017 and 2016 totaled $131.5 million ($0.60 per share), $156.5 million ($0.65 per share) and $187.2 million ($0.80 per share), respectively. For income tax purposes, distributions made to stockholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. Although the tax character of distributions paid to stockholders through March 31, 2018 may include return of capital, the exact amount cannot be determined at this point. The final determination of the tax character of distributions will not be made until we file our tax return for the tax year ended March 31, 2018. Tax characteristics of all distributions will be reported to stockholders on Form 1099 after the end of the calendar year. Our quarterly distributions, if any, will be determined by our Board of Directors.

To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. Although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. Currently, we have substantial net capital loss carryforwards and consequently do not expect to generate cumulative net capital gains in the foreseeable future.

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

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We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, due to the asset coverage test applicable to us as a BDC, we may in the future be limited in our ability to make distributions. Also, our revolving credit facility may limit our ability to declare dividends if we default under certain provisions or fail to satisfy certain other conditions. If we do not distribute a certain percentage of our income annually, we may suffer adverse tax consequences, including possible loss of the tax benefits available to us as a RIC. In addition, in accordance with GAAP and tax regulations, we include in income certain amounts that we have not yet received in cash, such as contractual PIK, which represents contractual interest added to the loan balance that becomes due at the end of the loan term, or the accrual of original issue or market discount. Since we may recognize income before or without receiving cash representing such income, we may not be able to meet the requirement to distribute at least 90% of our investment company taxable income to obtain tax benefits as a RIC.

With respect to the distributions to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies is treated as taxable income and accordingly, distributed to stockholders.

PIK Income

For the years ended March 31, 2018, 2017 and 2016, PIK income totaled $20.2 million, $28.2 million and $40.1 million on total investment income of $259.3 million, $279.9 million and $379.7 million, respectively. In order to maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders annually in the form of distributions, even though the Company has not yet collected the cash. See Note 5 to the financial statements for more information on the Company's PIK income.

Related Party Transactions

See Note 3 to the financial statements for information on the Company's related party transactions.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are subject to financial market risks, including changes in interest rates. During the year ended March 31, 2018, many of the loans in our portfolio had floating interest rates. These loans are usually based on LIBOR and typically have durations of one to six months after which they reset to current market interest rates. The Company also has a Senior Secured Facility that is based on LIBOR rates.

The following table shows the estimated annual impact on net investment income of base rate changes in interest rates (considering interest rate flows for variable rate instruments) to our loan portfolio and outstanding debt as of March 31, 2018, assuming no changes in our investment and borrowing structure:

Basis Point Change	Net Investment Income	Net Investment Income Per Share
Up 400 basis points	$33.6 million	$ 0.156
Up 300 basis points	25.2 million	0.117
Up 200 basis points	16.8 million	0.078
Up 100 basis points	8.4 million	0.039
Down 100 basis points	(8.4) million	(0.039)

We may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act and applicable commodities laws. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments.

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Item 8. Financial Statements and Supplementary Data
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Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of March 31, 2018. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2018 based upon criteria in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of March 31, 2018 based on the criteria on Internal Control — Integrated Framework issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Apollo Investment Corporation:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Apollo Investment Corporation as of March 31, 2018 and 2017, and the related statements of operations, changes in net assets and cash flows for each of the three years in the period ended March 31, 2018, including the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations, changes in its net assets and its cash flows for each of the three years in the period ended March 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of March 31, 2018 and 2017 by correspondence with the custodian, administrative agents, and portfolio companies. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

New York, New York
May 18, 2018

We have served as the Company's auditor since 2004.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF ASSETS AND LIABILITIES
(In thousands, except share and per share data)

	March 31, 2018	March 31, 2017
Assets		
Investments at fair value:		
Non-controlled/non-affiliated investments (cost — $1,471,492 and $1,510,980, respectively)	$1,450,033	$1,402,409
Non-controlled/affiliated investments (cost — $73,943 and $417,471, respectively)	68,954	239,050
Controlled investments (cost — $723,161 and $676,972, respectively)	729,060	675,249
Cash and cash equivalents	14,035	9,783
Foreign currencies (cost — $1,292 and $1,494, respectively)	1,298	1,497
Cash collateral on option contracts	5,016	—
Receivable for investments sold	2,190	40,226
Interest receivable	22,272	17,072
Dividends receivable	2,550	6,489
Deferred financing costs	14,137	17,632
Variation margin receivable	1,846	—
Prepaid expenses and other assets	419	713
Total Assets	$2,311,810	$2,410,120
Liabilities		
Debt	$789,846	$848,449
Payable for investments purchased	41,827	13,970
Distributions payable	32,447	32,954
Management and performance-based incentive fees payable	16,585	16,306
Interest payable	5,310	7,319
Accrued administrative services expense	2,507	2,250
Other liabilities and accrued expenses	5,202	7,075
Total Liabilities	$893,724	$928,323
Commitments and contingencies (Note 10)		
Net Assets	$1,418,086	$1,481,797
Net Assets		
Common stock, $0.001 par value (400,000,000 shares authorized; 216,312,096 and 219,694,654 shares issued and outstanding, respectively)	$216	$220
Paid-in capital in excess of par	2,636,507	2,924,775
Accumulated under-distributed (over-distributed) net investment income	(10,229)	88,134
Accumulated net realized loss	(1,166,471)	(1,277,625)
Net unrealized loss	(41,937)	(253,707)
Net Assets	$1,418,086	$1,481,797
Net Asset Value Per Share	$6.56	$6.74

See notes to financial statements.
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APOLLO INVESTMENT CORPORATION
STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended March 31,		
	2018	2017	2016
Investment Income			
Non-controlled/non-affiliated investments:			
Interest income (excluding Payment-in-kind (“PIK”) interest income)	$157,076	$160,457	$234,492
Dividend income	—	2,066	3,885
PIK interest income	7,176	7,824	23,505
Other income	6,548	4,551	11,176
Non-controlled/affiliated investments:			
Interest income (excluding PIK interest income)	266	1,914	1,141
Dividend income	2,528	14,485	32,295
PIK interest income	7,626	2,809	53
Other income	(306)	70	368
Controlled investments:			
Interest income (excluding PIK interest income)	55,781	50,405	43,848
Dividend income	17,153	17,750	21,651
PIK interest income	5,439	17,531	7,268
Other income	—	—	63
Total Investment Income	$259,287	$279,862	$379,745
Expenses			
Management fees	$47,937	$52,934	$66,176
Performance-based incentive fees	28,710	18,776	43,943
Interest and other debt expenses	53,039	59,765	80,850
Administrative services expense	6,915	7,513	6,449
Other general and administrative expenses	9,599	13,200	8,745
Total expenses	146,200	152,188	206,163
Management and performance-based incentive fees waived	(19,718)	(21,233)	(19,440)
Expense reimbursements	(582)	(336)	(235)
Net Expenses	$125,900	$130,619	$186,488
Net Investment Income	$133,387	$149,243	$193,257
Net Realized and Change in Unrealized Gains (Losses)			
Net realized gains (losses):			
Non-controlled/non-affiliated investments	$(96,498)	$(97,774)	$(154,230)
Non-controlled/affiliated investments	(167,416)	50,014	(5,554)
Controlled investments	—	(2,173)	(39,736)
Option contracts	(4,275)	752	—
Credit default swaps	—	(878)	—
Other	—	—	(470)
Foreign currency transactions	15,851	8,236	4,626
Extinguishment of debt	(5,790)	—	—
Net realized losses	(258,128)	(41,823)	(195,364)
Net change in unrealized gains (losses):			
Non-controlled/non-affiliated investments	86,870	134,198	(105,316)
Non-controlled/affiliated investments	173,674	(185,926)	27,086
Controlled investments	7,622	(55,689)	33,680
Option contracts	(19,145)	—	—

Foreign currency translations	(37,251)	18,367	2,131
Net change in unrealized losses	211,770	(89,050)	(42,419)
Net Realized and Change in Unrealized Losses	$(46,358)	$(130,873)	$(237,783)
Net Increase (Decrease) in Net Assets Resulting from Operations	$87,029	$18,370	$(44,526)
Earnings (Loss) Per Share — Basic	$0.40	$0.08	$(0.19)
Earnings (Loss) Per Share — Diluted	N/A	N/A	$(0.19)

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS
(In thousands, except share data)

	Year Ended March 31,		
	2018	2017	2016
Operations			
Net investment income	$133,387	$149,243	$193,257
Net realized losses	(258,128)	(41,823)	(195,364)
Net change in unrealized losses	211,770	(89,050)	(42,419)
Net Increase in Net Assets Resulting from Operations	$87,029	$18,370	$(44,526)
Distributions to Stockholders			
Distribution of net investment income	$(86,906)	$(76,950)	$(111,853)
Distribution of return of capital	(44,088)	(67,286)	(73,211)
Net Decrease in Net Assets Resulting from Distributions to Stockholders	$(130,994)	$(144,236)	$(185,064)
Capital Share Transactions			
Repurchase of common stock	$(19,746)	$(37,918)	$(62,437)
Net Decrease in Net Assets Resulting from Capital Share Transactions	$(19,746)	$(37,918)	$(62,437)
Net Assets			
Net decrease in net assets during the period	$(63,711)	$(163,784)	$(292,027)
Net assets at beginning of period	1,481,797	1,645,581	1,937,608
Net Assets at End of Period	$1,418,086	$1,481,797	$1,645,581
Capital Share Activity			
Shares repurchased during the period	(3,382,558)	(6,461,842)	(10,584,855)
Shares issued and outstanding at beginning of period	219,694,654	226,156,496	236,741,351
Shares Issued and Outstanding at End of Period	216,312,096	219,694,654	226,156,496

See notes to financial statements.
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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended March 31,		
	2018	2017	2016
Operating Activities			
Net increase (decrease) in net assets resulting from operations	$87,029	$18,370	$(44,526)
Net realized losses	258,128	41,823	195,364
Net change in unrealized losses	(211,770)	89,050	42,419
Net amortization of premiums and accretion of discounts on investments	(6,616)	(5,155)	(7,185)
Accretion of discount on notes	593	593	595
Amortization of deferred financing costs	4,739	5,625	6,472
Increase in gains/(losses) from foreign currency transactions	15,850	8,236	4,626
PIK interest and dividends capitalized	(14,616)	(33,389)	(40,836)
Changes in operating assets and liabilities:			
Purchases of investments	(1,021,505)	(612,464)	(1,074,457)
Proceeds from sales and repayments of investments	1,181,545	1,122,057	1,360,550
Purchases of option contracts	(12,627)	(4,746)	—
Purchases of credit default swaps	—	(879)	
Proceeds from option contracts	8,330	5,499	—
Net settlement of option contracts	(20,970)	—	—
Decrease (increase) in interest receivable	(5,199)	12,791	14,162
Decrease (increase) in dividends receivable	3,939	3,020	(4,084)
Decrease (increase) in prepaid expenses and other assets	294	8,810	(240)
Increase (decrease) in management and performance-based incentive fees payable	279	(14,818)	(6,237)
Decrease in interest payable	(2,009)	(125)	(8,407)
Increase in accrued administrative services expense	257	235	15
Decrease in other liabilities and accrued expenses	(1,873)	(2,116)	(2,037)
Net Cash Provided by Operating Activities	$263,798	$642,417	$436,194
Financing Activities			
Issuances of debt	$1,123,983	$922,423	$2,042,514
Payments of debt	(1,226,945)	(1,370,124)	(2,212,961)
Financing costs paid and deferred	(522)	(7,883)	(5,876)
Repurchase of common stock	(19,746)	(37,918)	(62,437)
Distributions paid	(131,502)	(156,513)	(187,181)
Net Cash Used in Financing Activities	$(254,732)	$(650,015)	$(425,941)
Cash, Cash Equivalents, Foreign Currencies and Collateral on Option Contracts			
Net increase in cash, cash equivalents, foreign currencies and collateral on option contracts during the period	$9,066	$(7,598)	$10,253
Effect of foreign exchange rate changes on cash and cash equivalents	3	(27)	235
Cash, cash equivalents, foreign currencies and collateral on option contracts at beginning of period	11,280	18,905	8,417
Cash, Cash Equivalents, Foreign Currencies and Collateral on Option Contracts at the End of Period	$20,349	$11,280	$18,905

Supplemental Disclosure of Cash Flow Information

Cash interest paid	$49,595	$53,693	$79,763
Non-Cash Activity			
PIK income	$20,241	$28,164	$40,078

See notes to financial statements.

APOLLO INVESTMENT CORPORATION
SCHEDULE OF INVESTMENTS
March 31, 2018
(In thousands, except share data)

Industry / Company	Investment Type	Interest Rate (20)	Maturity Date	Par / Shares (12)	Cost (30)	Fair Value (1) (31)	
Advertising, Printing & Publishing							
A-L Parent LLC	Second Lien Secured Debt	9.13% (1M L+725, 1.00% Floor)	12/02/24	$7,536	$7,473	$7,611	
American Media, Inc.	First Lien Secured Debt	10.75% (3M L+900, 1.00% Floor)	08/24/20	13,867	13,596	14,213	
	First Lien Secured Debt - Revolver	11.25% (3M L+900, 1.00% Floor)	08/24/20	948	948	963	(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	08/24/20	746	(32)	—	(21)(23)
	First Lien Secured Debt - Letter of Credit	9.00%	08/24/20	84	—	—	(23)
					14,512	15,176	
Simplifi Holdings, Inc.	First Lien Secured Debt	8.39% (1M L+650, 1.00% Floor)	09/28/22	12,139	11,812	11,775	(9)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	09/28/22	2,400	(65)	(72)	(8)(9)(21)(23)
					11,747	11,703	
Total Advertising, Printing & Publishing					$33,732	$34,490	
Aerospace & Defense							
Erickson Inc	First Lien Secured Debt - Revolver	9.81% (3M L+750, 1.00% Floor)	04/28/22	$21,140	$21,140	$20,823	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	04/28/22	16,201	(458)	(243)	(8)(9)(21)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	04/01/18	277	—	(4)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	06/20/18	43	—	—	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	06/25/18	4	—	—	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	09/30/18	104	—	(2)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	10/18/18	708	—	(11)	(8)(9)(23)

	First Lien Secured Debt - Letter of Credit	7.50%	11/28/18	670	—	(10)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	12/10/18	37	—	(1)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	03/31/20	1,287	—	(19)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	08/24/18	288	—	(4)	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	10/27/18	5	—	—	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	08/26/18	9	—	—	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	08/16/18	9	—	—	(8)(9)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	04/30/20	4,218	—	(63)	(8)(9)(23)
					20,682	20,466	
ILC Dover LP	Second Lien Secured Debt	10.95% (6M L+850, 1.00% Floor)	06/28/24	20,000	19,566	19,550	
PAE Holding Corporation	Second Lien Secured Debt	11.49% (2M L+950, 1.00% Floor)	10/20/23	28,097	27,422	28,343	(10)
Total Aerospace & Defense					$67,670	$68,359	
Automotive							
Crowne Automotive							
Vari-Form Group, LLC	First Lien Secured Debt	12.92% (3M L+11.00% (7.00% Cash plus 4.00% PIK), 1.00% Floor)	02/02/23	$5,000	$4,855	$4,850	(9)

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Vari-Form Inc.	First Lien Secured Debt	12.92% (3M L+11.00% (7.00% Cash plus 4.00% PIK), 1.00% Floor)	02/02/23	10,000	9,710	9,700	(9)
					14,565	14,550	
K&N Parent, Inc.	Second Lien Secured Debt	10.63% (1M L+875, 1.00% Floor)	10/21/24	27,000	26,550	26,325	(10)
Total Automotive					$41,115	$40,875	
Aviation and Consumer Transport							
Merx Aviation							
Merx Aviation Finance Assets Ireland Limited (5)	First Lien Secured Debt - Letter of Credit	2.25%	09/30/18	$3,600	$—	$—	(23)
Merx Aviation Finance, LLC (5)	First Lien Secured Debt - Revolver	12.00%	10/31/23	359,800	359,800	359,800	(23)
	First Lien Secured Debt - Letter of Credit	2.25%	07/13/18	177	—	—	(23)
	Common Equity/Interests - Membership Interests	N/A	N/A	N/A	15,000	42,381	
Total Aviation and Consumer Transport					$374,800	$402,181	
Business Services							
Access CIG, LLC	Second Lien Secured Debt	9.63% (1M L+775)	02/27/26	$20,235	$20,035	$20,463	(10)
	Second Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	02/27/26	3,765	—	—	(10)(21)(23)
					20,035	20,463	
Aero Operating LLC	First Lien Secured Debt	9.13% (1M L+725, 1.00% Floor)	12/29/22	33,477	32,683	32,640	(9)
	First Lien Secured Debt - Revolver	9.13% (1M L+725, 1.00% Floor)	12/29/22	2,486	2,486	2,424	(9)(23)
	First Lien Secured Debt - Unfunded	1.00% Unfunded	12/29/22	2,326	(71)	(58)	(8)(9)(21)(23)

	Revolver						
					35,098	35,006	
Almonde, Inc	Second Lien Secured Debt	9.23% (3M L+725, 1.00% Floor)	06/13/25	2,316	2,294	2,300	(10)(17)
Ambrosia Buyer Corp.	Second Lien Secured Debt	9.88% (1M L+ 800, 1.00% Floor)	08/28/25	21,429	20,933	20,934	
Aptean, Inc.	Second Lien Secured Debt	11.80% (3M L+950, 1.00% Floor)	12/20/23	11,148	11,045	11,245	(10)
CT Technologies Intermediate Holdings, Inc	Second Lien Secured Debt	10.88% (1M L+900, 1.00% Floor)	12/01/22	31,253	30,470	30,315	(9)
Electro Rent Corporation	Second Lien Secured Debt	10.98% (3M L+900, 1.00% Floor)	01/31/25	18,333	17,863	17,967	(9)
	Second Lien Secured Debt	11.25% (3M L+900, 1.00% Floor)	01/31/25	18,265	17,753	17,899	(9)
					35,616	35,866	
Ministry Brands, LLC	Second Lien Secured Debt	11.13% (1M L+925, 1.00% Floor)	06/02/23	10,000	9,880	9,875	
Newscycle Solutions, Inc.	First Lien Secured Debt	8.89% (1M L+700, 1.00% Floor)	12/28/22	13,743	13,416	13,399	(9)
	First Lien Secured Debt	8.88% (1M L+700, 1.00% Floor)	12/28/22	1,257	1,227	1,226	(9)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/28/22	500	(7)	(13)	(8)(9)(21)(23)
					14,636	14,612	
PSI Services, LLC	First Lien Secured Debt	6.87% (1M L+500, 1.00% Floor)	01/20/23	4,121	4,038	4,055	(9)
	First Lien Secured Debt - Revolver	6.89% (1M L+500, 1.00% Floor)	01/20/22	79	79	78	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/20/22	159	(8)	(2)	(8)(9)(21)(23)

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	First Lien Secured Debt - Revolver	6.85% (1M L+500, 1.00% Floor)	01/20/22	159	159	156	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/20/22	£47	—	—	(9)(21)(23)
	Second Lien Secured Debt	10.87% (1M L+900, 1.00% Floor)	01/20/24	25,714	25,073	25,170	(9)
					29,341	29,457	
RA Outdoors, LLC	First Lien Secured Debt	6.54% (1M L+475, 1.00% Floor)	09/11/24	7,229	7,095	7,156	(9)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	09/09/22	1,200	(21)	(12)	(8)(9)(21)(23)
	Second Lien Secured Debt	10.54% (1M L+875, 1.00% Floor)	09/11/25	34,200	33,404	33,516	(9)
					40,478	40,660	
Skyline Data/Dodge Data							
Dodge Data & Analytics LLC	First Lien Secured Debt	11.06% (3M L+875, 1.00% Floor)	10/31/19	48,965	48,653	47,790	
Skyline Data, News and Analytics LLC	Common Equity/Interests - Class A Common Unit	N/A	N/A	4,500,000 Shares	4,500	4,500	(13)
					53,153	52,290	
STG-Fairway Acquisitions, Inc.	Second Lien Secured Debt	11.23% (3M L+925, 1.00% Floor)	06/30/23	15,000	14,753	14,400	(10)
Transplace Holdings, Inc.	Second Lien Secured Debt	10.46% (1M L+875, 1.00% Floor)	10/06/25	14,963	14,609	15,187	(10)
U.S. Security Associates Holdings, Inc.	Unsecured Debt	11.00%	01/28/20	80,000	80,000	80,000	
Total Business Services					$412,341	$412,610	
Chemicals, Plastics & Rubber							

Carbon Free Chemicals							
Carbonfree Chemicals SPE I LLC (f/k/a Maxus Capital Carbon SPE I LLC)	First Lien Secured Debt	5.215% PIK	06/30/20	$59,305	$59,305	$47,170	
Carbonfree Caustic SPE LLC	Unfunded Delayed Draw - Promissory Note	0.00% Unfunded	06/30/20	6,111	—	—	(21)(23)
					59,305	47,170	
Hare Bidco, Inc.	Second Lien Secured Debt	9.75% (3M E+875, 1.00% Floor)	08/01/24	€13,574	14,423	16,360	
Total Chemical, Plastics & Rubber					$73,728	$63,530	
Consumer Goods – Durable							
Hayward Industries, Inc.	Second Lien Secured Debt	10.13% (1M L+825)	08/04/25	$25,110	$24,649	$24,647	
KLO Holdings							
9357-5991 Quebec Inc.	First Lien Secured Debt	9.69% (1M L+775, 0.75% Floor)	04/07/22	9,322	9,229	9,224	
KLO Acquisition LLC	First Lien Secured Debt	9.69% (1M L+775, 0.75% Floor)	04/07/22	5,397	5,343	5,340	
					14,572	14,564	
Sorenson Holdings, LLC	Common Equity/Interests - Membership Interests	N/A	N/A	587 Shares	—	466	(13)
Total Consumer Goods - Durable					$39,221	$39,677	
Consumer Goods – Non-Durable							
ABG Intermediate Holdings 2, LLC	Second Lien Secured Debt	10.05% (3M L+775, 1.00% Floor)	09/29/25	$8,094	$8,036	$8,226	(10)
Sequential Brands Group, Inc.	Second Lien Secured Debt	10.79% (1M L+900)	07/01/22	17,160	17,007	17,250	(17)
Total Consumer Goods - Non-Durable					$25,043	$25,476	
Consumer Services							
1A Smart Start LLC	Second Lien Secured Debt	10.13% (1M L+825, 1.00% Floor)	08/22/22	$25,100	$24,628	$24,623	
Total Consumer Services					$24,628	$24,623	

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Containers, Packaging & Glass							
Sprint Industrial Holdings, LLC	Second Lien Secured Debt	13.5% PIK	11/14/19	$ 19,072	$ 18,107	$ 10,159	(13)(14)
	Common Equity/Interests - Warrants	N/A	N/A	7,341 Warrants	—	—	(13)(26)
					18,107	10,159	
TricorBraun Holdings, Inc.	First Lien Secured Debt - Revolver	7.00% (P+225)	11/30/21	1,560	1,560	1,561	(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	11/30/21	4,065	(371)	—	(21)(23)
					1,189	1,561	
Total Containers, Packaging & Glass					$ 19,296	$ 11,720	
Diversified Investment Vehicles, Banking, Finance, Real Estate							
Armor Holding II LLC	Second Lien Secured Debt	11.31% (3M L+900, 1.25% Floor)	12/26/20	$ 8,000	$ 7,941	$ 8,110	(10)
Craft 2014-1A	Structured Products and Other - Credit-Linked Note	N/A	05/15/21	42,500	—	—	(11)(17)
Craft 2015-2	Structured Products and Other - Credit-Linked Note	10.22% (3M L+925)	01/16/24	24,998	25,691	24,960	(11)(17)
Golden Bear 2016-R, LLC (3)(4)	Structured Products and Other - Membership Interests	N/A	09/20/42	—	16,506	14,147	(17)
Mayfield Agency Borrower Inc.	Second Lien Secured Debt	10.38% (1M L+850, 1.00% Floor)	03/02/26	5,000	4,926	4,997	(10)
Purchasing Power, LLC	First Lien Secured Debt - Revolver	9.88% (1M L + 800, 1.00% Floor)	07/10/19	3,068	3,068	3,048	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.75% Unfunded	07/10/19	1,432	(53)	(35)	(8)(9)(21)(23)
					3,015	3,013	
Ten-X, LLC	First Lien Secured Debt - Revolver	5.60% (1M L+375, 1.00% Floor)	09/29/22	520	520	477	(23)
			09/29/22	4,160	(379)	(341)	(8)(21)(23)

	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded					
					141	136	
Total Diversified Investment Vehicles, Banking, Finance, Real Estate					$58,220	$55,363	
Energy – Electricity							
AMP Solar Group, Inc. (4)	Common Equity/Interests - Class A Common Unit	N/A	N/A	243,646 Shares	$10,000	$5,051	(13)(17)
Renew Financial AIC SPV Holdings II, LLC (4)	Preferred Equity - Preferred Stock	N/A	N/A	143 Shares	534	925	(13)(15)(17)
Renew Financial LLC (f/k/a Renewable Funding, LLC) (4)	Preferred Equity - Series B Preferred Stock	N/A	N/A	1,505,868 Shares	8,343	19,035	(13)
	Preferred Equity - Series D Preferred Stock	N/A	N/A	436,689 Shares	5,568	6,676	(13)
Renew JV LLC (4)	Common Equity/Interests - Membership Interests	N/A	N/A	N/A	2,740	4,111	(13)(17)
					17,185	30,747	
Solarplicity Group							
Solarplicity Group Limited (3)(4)	First Lien Secured Debt	N/A	11/30/22	£4,331	5,811	6,063	(13)(17)
Solarplicity UK Holdings Limited	First Lien Secured Debt	4.00%	03/08/23	£5,562	7,637	7,778	(17)
	Preferred Equity - Preferred Stock	N/A	N/A	4,286 Shares	5,832	5,008	(2)(17)
	Common Equity/Interests - Ordinary Shares	N/A	N/A	2,825 Shares	4	929	(2)(13)(17)
					19,284	19,778	

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Westinghouse Electric Co LLC	First Lien Secured Debt	6.44% (1M L+450, 1.00% Floor)	01/11/19	$ 30,000	30,000	30,000	(9)
Total Energy – Electricity					$76,469	$85,576	
Energy – Oil & Gas							
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.) (5)	First Lien Secured Debt	8.00% Cash (10.00% PIK Toggle)	03/29/19	$ 15,000	$15,000	$15,000	
	Second Lien Secured Debt	10.00% PIK (8.00% Cash Toggle)	03/29/21	30,510	30,510	30,510	
	Common Equity/Interests - Common Stock	N/A	N/A	5,000,000 Shares	30,078	20,303	(13)
					75,588	65,813	
Pelican Energy, LLC (4)	Common Equity/Interests - Membership Interests	N/A	N/A	1,444 Shares	24,441	12,946	(13)(17)(29)
SHD Oil & Gas, LLC (5)	First Lien Secured Debt - Tranche A Note	14.00% (8.00% Cash plus 6.00% PIK)	12/31/19	43,436	43,436	44,739	
	First Lien Secured Debt - Tranche B Note	14.00% PIK	12/31/19	73,231	44,380	40,816	(13)(14)
	First Lien Secured Debt - Tranche C Note	12.00%	12/31/19	19,200	19,200	19,776	
	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	12/31/19	2,800	—	—	(21)(23)
	Common Equity/Interests - Series A Units	N/A	N/A	7,600,000 Shares	1,411	—	(13)(29)
					108,427	105,331	
Total Energy – Oil & Gas					$208,456	$184,090	
Food & Grocery							
Bumble Bee Foods							
			08/15/23	$ 15,507	$15,221	$15,197	

Bumble Bee Holdings, Inc.	First Lien Secured Debt	9.87% (3M L+800, 1.00% Floor)					
Connors Bros Clover Leaf Seafoods Company	First Lien Secured Debt	9.87% (3M L+800, 1.00% Floor)	08/15/23	4,393	4,312	4,305	
					19,533	19,502	
Grocery Outlet, Inc.	Second Lien Secured Debt	10.55% (3M L+825, 1.00% Floor)	10/21/22	25,000	24,784	25,250	(10)
Total Food & Grocery					$44,317	$44,752	
Healthcare & Pharmaceuticals							
Altasciences							
9360-1367 Quebec Inc.	First Lien Secured Debt	7.93% (3M L+625, 1.00% Floor)	06/09/23	C$2,418	$1,766	$1,833	(9)(17)
	First Lien Secured Debt	8.56% (3M L+625, 1.00% Floor)	06/09/23	$ 2,899	2,842	2,834	(9)(17)
Altasciences US Acquisition, Inc.	First Lien Secured Debt	8.56% (3M L+625, 1.00% Floor)	06/09/23	5,235	5,133	5,117	(9)
	First Lien Secured Debt - Unfunded Delayed Draw	0.50% Unfunded	06/09/23	2,851	(31)	(64)	(8)(9)(21)(23)(28)
	First Lien Secured Debt - Revolver	8.56% (3M L+625, 1.00% Floor)	06/09/23	71	71	70	(9)(23)(28)
	First Lien Secured Debt - Revolver	8.56% (3M L+625, 1.00% Floor)	06/09/23	214	214	209	(9)(23)(28)
	First Lien Secured Debt - Unfunded Revolver	0.25% Unfunded	06/09/23	1,140	(28)	(27)	(8)(9)(21)(23)(28)
					9,967	9,972	
Aptevo Therapeutics Inc.	First Lien Secured Debt	9.48% (1M L+760, 0.50% Floor)	02/01/21	8,571	8,708	8,531	(9)
Argon Medical Devices Holdings, Inc.	Second Lien Secured Debt	10.30% (3M L+800, 1.00% Floor)	01/23/26	21,600	21,494	21,870	(10)

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Avalign Technologies, Inc.	Second Lien Secured Debt	10.38% (6M L+825, 1.00% Floor)	09/02/24	5,500	5,449	5,483	(10)
BioClinica Holding I, LP	Second Lien Secured Debt	9.99% (3M L+825, 1.00% Floor)	10/21/24	24,612	24,201	23,874	(10)
Genesis Healthcare, Inc.	First Lien Secured Debt	8.31% (3M L+600, 0.50% Floor)	03/06/23	25,000	24,630	24,630	(9)
	First Lien Secured Debt - Unfunded Delayed Draw	2.00% Unfunded	03/06/23	9,130	(180)	(135)	(8)(9)(21)(23)
	First Lien Secured Debt - Revolver	8.03% (3M L+600, 0.50% Floor)	03/06/23	23,835	23,835	23,483	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	03/06/23	37,035	(877)	(547)	(8)(9)(21)(23)
					47,408	47,431	
Elements Behavioral Health, Inc.	Second Lien Secured Debt	15.06% (3M L+1275, 1.00% Floor)	02/11/20	12,353	11,911	—	(13)(14)
Invuity, Inc.	First Lien Secured Debt	8.38% (1M L+650, 1.50% Floor)	03/01/22	10,000	9,855	9,750	(9)
	First Lien Secured Debt - Revolver	5.13% (1M L+325, 1.50% Floor)	03/01/22	657	657	649	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	03/01/22	1,343	(8)	(17)	(8)(9)(21)(23)
	Common Equity/Interests - Warrants	N/A	N/A	32,803 Warrants	180	69	(9)(13)
					10,684	10,451	
Lanai Holdings III, Inc.	Second Lien Secured Debt	10.29% (2M L+850, 1.00% Floor)	08/28/23	17,391	16,991	16,696	(10)
LSCS Holdings, Inc	Second Lien Secured Debt	10.31% (3M L+825)	03/16/26	20,455	19,995	20,352	
	Second Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	03/16/26	4,545	(102)	(23)	(8)(21)(23)
					19,893	20,329	
Maxor National Pharmacy Services,	First Lien Secured Debt	8.25% (3M L+600, 1.00%	11/22/23	21,577	21,070	21,373	(9)

LLC		Floor)					
	First Lien Secured Debt - Revolver	9.75% (P+500)	11/22/22	195	195	193	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	11/22/22	1,363	(19)	(12)	(8)(9)(21)(23)
					21,246	21,554	
Oxford Immunotec, Inc.	First Lien Secured Debt	9.48% (1M L+760, 0.50% Floor)	10/01/21	9,750	9,886	9,916	(9)(17)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	10/01/21	1,000	(4)	—	(9)(17)(21)(23)
					9,882	9,916	
Partner Therapeutics, Inc	First Lien Secured Debt	8.53% (1M L+665, 1.00% Floor)	01/01/23	10,000	9,821	9,846	(9)
	Preferred Equity - Preferred Stock	N/A	N/A	55,556 Shares	333	333	(9)
	Common Equity/Interests - Warrants	N/A	N/A	33,333 Warrants	135	104	(9)(13)
					10,289	10,283	
PTC Therapeutics, Inc	First Lien Secured Debt	8.03% (1M L+615, 1.00% Floor)	05/01/21	12,667	12,618	12,743	(9)(17)
	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	05/01/21	6,333	(24)	—	(9)(17)(21)(23)
					12,594	12,743	
RiteDose Holdings I, Inc.	First Lien Secured Debt	8.81% (3M L+650, 1.00% Floor)	09/13/23	14,963	14,520	14,681	(9)
	First Lien Secured Debt - Revolver	8.81% (3M L+650, 1.00% Floor)	09/13/22	1,067	1,067	1,048	(9)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	09/13/22	933	(58)	(17)	(8)(9)(21)(23)
					15,529	15,712	

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Teladoc, Inc.	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	07/14/20	1,289	(52)	(1)	(8)(17)(21)(23)
	First Lien Secured Debt - Letter of Credit	7.25%	01/12/19	378	—	—	(8)(17)(23)
					(52)	(1)	
Wright Medical Group, Inc.	First Lien Secured Debt - Revolver	6.13% (1M L+425, 0.75% Floor)	12/23/21	18,333	18,333	18,333	(9)(17)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/23/21	31,667	(373)	—	(9)(17)(21)(23)
					17,960	18,333	
Total Healthcare & Pharmaceuticals					$264,154	$253,177	
High Tech Industries							
ChyronHego Corporation	First Lien Secured Debt	7.43% (3M L+643, 1.00% Floor)	03/09/20	$35,277	$34,967	$33,866	(18)
DigiCert Holdings, Inc.	Second Lien Secured Debt	9.77% (3M L+800, 1.00% Floor)	10/31/25	20,196	20,100	20,405	(10)
LabVantage Solutions							
LabVantage Solutions Inc.	First Lien Secured Debt	9.38% (1M L+750, 1.00% Floor)	12/29/20	13,688	13,441	13,551	
LabVantage Solutions Limited	First Lien Secured Debt	8.50% (1M E+750, 1.00% Floor)	12/29/20	€12,539	13,246	15,267	(17)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/29/20	€3,435	(63)	(42)	(8)(17)(21)(23)
					26,624	28,776	
Omnitracs, LLC	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	03/23/23	3,750	(336)	(338)	(8)(21)(23)
Smokey Merger Sub, Inc.	Second Lien Secured Debt	10.44% (3M L+850, 1.00% Floor)	05/24/24	30,000	29,208	29,250	(9)
Telestream Holdings	First Lien Secured Debt	7.61% (6M L+645, 1.00%	03/24/22	36,748	36,446	36,014	(18)

Corporation		Floor)					
Tibco Software Inc.	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/05/19	6,000	(20)	(840)	(8)(21)(23)
ZPower, LLC	First Lien Secured Debt	9.63% (1M L+775, 1.00% Floor)	07/01/22	6,667	6,607	6,593	(9)
	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	07/01/22	1,667	71	(18)	(8)(9)(21)(23)
	Common Equity/Interests - Warrants	N/A	N/A	29,630 Warrants	48	78	(9)(13)
					6,726	6,653	
Total High Tech Industries					$153,715	$153,786	
Hotel, Gaming, Leisure, Restaurants							
GFRC Holdings LLC	First Lien Secured Debt	9.77% (3M L+800 Cash (L+800 PIK Toggle), 1.50% Floor))	02/01/22	$2,500	$2,500	$2,500	
Total Hotel, Gaming, Leisure, Restaurants					$2,500	$2,500	
Insurance							
Alliant Holdings Intermediate, LLC	First Lien Secured Debt - Revolver	7.25% (P+250)	08/14/20	$3,375	$3,375	$3,278	(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	08/14/20	11,438	(810)	(327)	(8)(21)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	04/23/18	37	—	(1)	(8)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	05/04/18	8	—	—	(8)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	07/30/18	97	—	(2)	(8)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	11/30/18	37	—	(1)	(8)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	05/31/19	8	—	—	(8)(23)
					2,565	2,947	

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Industry / Company	Investment Type	Interest Rate (20)	Maturity Date	Par / Shares (12)	Cost (30)	Fair Value (1) (31)	
Confie Seguros Holding II Co.	Second Lien Secured Debt	11.48% (3M L+950, 1.25% Floor)	05/08/19	21,844	21,807	21,216	(10)
Total Insurance					$24,372	$24,163	
Manufacturing, Capital Equipment							
MedPlast Holdings Inc.	Second Lien Secured Debt	10.43% (2M L+875, 1.00% Floor)	06/06/23	$8,000	$7,832	$7,740	
Power Products, LLC	Second Lien Secured Debt	10.74% (3M L+900, 1.00% Floor)	12/20/23	32,500	31,568	32,226	(9)
Total Manufacturing, Capital Equipment					$39,400	$39,966	
Media – Diversified & Production							
SESAC Holdco II LLC	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	02/23/22	$587	$(41)	$(44)	(8)(21)(23)
	Second Lien Secured Debt	9.13% (1M L+725, 1.00% Floor)	02/24/25	3,241	3,213	3,233	(10)
Total Media – Diversified & Production					$3,172	$3,189	
Metals & Mining							
Magnetation, LLC	First Lien Secured Debt	10.31% (3M L+800 Cash (PIK Toggle))	12/31/19	$1,352	$1,273	$451	(13)(14)
Total Metals & Mining					$1,273	$451	
Telecommunications							
Securus Technologies Holdings, Inc.	Second Lien Secured Debt	10.13% (1M L+825, 1.00% Floor)	11/01/25	$12,878	$12,755	$13,051	(10)
UniTek Global Services Inc.	First Lien Secured Debt	10.81% (3M L+850, 1.00% Floor)	01/13/19	32,367	32,367	33,014	
	First Lien Secured Debt	10.81% (3M L+750 Cash plus 1.00% PIK, 1.00% Floor)	01/13/19	1,951	1,951	1,951	
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/13/19	5,000	—	—	(21)(23)
	First Lien Secured Debt - Letter of Credit	7.50%	01/13/19	5,857	—	—	(23)
	Unsecured Debt	15.00% PIK	07/13/19	9,918	9,918	10,117	

					44,236	45,082	
Wave Holdco Merger Sub, Inc.	Second Lien Secured Debt	11.13% (1M L+925, 1.00% Floor)	05/27/23	10,000	9,810	9,890	
Total Telecommunications					$66,801	$68,023	
Transportation – Cargo, Distribution							
American Tire							
Accelerate Parent Corp.	Common Equity/Interests - Common Stock	N/A	N/A	1,664,046 Shares	$1,715	$2,310	(13)
American Tire Distributors, Inc.	Unsecured Debt	10.25%	03/01/22	$12,741	12,798	13,049	(10)(11)
					14,513	15,359	
Dynamic Product Tankers, LLC (5)	First Lien Secured Debt	9.30% (3M L+700)	06/30/23	42,000	41,790	42,000	(17)
	First Lien Secured Debt - Letter of Credit	2.25%	09/20/18	2,250	—	—	(17)(23)
	First Lien Secured Debt - Letter of Credit	2.25%	01/31/21	500	—	—	(17)(23)
	Common Equity/Interests - Class A Units	N/A	N/A	N/A	48,106	41,479	(17)(24)
					89,896	83,479	
MSEA Tankers LLC (5)	Common Equity/Interests - Class A Units	N/A	N/A	N/A	74,450	72,256	(17)(25)
PT Intermediate Holdings III, LLC	Second Lien Secured Debt	10.30% (3M L+800, 1.00% Floor)	12/08/25	9,375	9,284	9,516	
Total Transportation – Cargo, Distribution					$188,143	$180,610	

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Utilities – Electric							
Asset Repackaging Trust Six B.V.	Structured Products and Other	12.81%	05/18/27	$58,411	$26,030	$28,860	(11)(17)(19)
Total Utilities – Electric					$26,030	$28,860	
Total Investments before Cash Equivalents and Option Contracts					$2,268,596	$2,248,047	
J.P. Morgan U.S. Government Money Market Fund	N/A	N/A	N/A	$14,035	$14,035	$14,035	(22)
Total Investments after Cash Equivalents and before Option Contracts					$2,282,631	$2,262,082	

Counterparty	Instrument	Exercise Price	Maturity Date	Number of Contracts	Notional Amount (27)	Cost (Proceeds)	Fair Value (1)	
Purchased Put Options								
CME Group	WTI Crude Oil Put Options	$45.00	4/30/18 - 4/30/19	2,750	$123,750	$5,758	$1,226	(10)
Total Purchased Put Options						$5,758	$1,226	(16)
Written Call Options								
CME Group	WTI Crude Oil Call Options	$54.30	4/30/18 - 3/29/19	660	$(35,838)	$(1,713)	$(6,388)	(10)
CME Group	WTI Crude Oil Call Options	55.00	4/30/18 - 3/29/19	660	(36,300)	(1,647)	(6,021)	(10)
CME Group	WTI Crude Oil Call Options	57.50	4/30/18 - 4/30/19	715	(41,113)	(1,499)	(5,150)	(10)
CME Group	WTI Crude Oil Call Options	62.75	4/30/18 - 4/30/19	715	(44,866)	(877)	(2,791)	(10)
Total Written Call Options						$(5,736)	$(20,350)	(16)
Total Investments after Cash Equivalents and Option Contracts						$2,282,653	$2,242,958	(6)(7)

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(1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (See Note 2 to the financial statements).

(2) Preferred and ordinary shares in Solarplicity UK Holdings Limited are GBP denominated equity investments.

(3) Denotes investments in which the Company owns greater than 25% of the equity, where the governing documents of each entity preclude the Company from exercising a controlling influence over the management or policies of such entity. The Company does not have the right to elect or appoint more than 25% of the directors or another party has the right to elect or appoint more directors than the Company and has the right to appoint certain members of senior management. Therefore, the Company has determined that these entities are not controlled affiliates. As of March 31, 2018, we had a 100% and 28% equity ownership interest in Golden Bear 2016-R, LLC and Solarplicity Group Limited, respectively. Equity ownership in Solarplicity Group Limited was written off as it was deemed worthless.

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(4) Denotes investments in which we are an "Affiliated Person," as defined in the 1940 Act, due to holding the power to vote or owning 5% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of March 31, 2017 and March 31, 2018 along with transactions during the year ended March 31, 2018 in these affiliated investments are as follows:

Name of Issuer	Fair Value at March 31, 2017	Gross Additions	Gross Reductions	Net Change in Unrealized Gains (Losses)	Fair Value at March 31, 2018	Net Realized Gains (Losses)	Interest/Dividend/Other Income
AIC SPV Holdings I, LLC, Membership Interests	$ 24,285	$ 35	$ (69,074)	$ 44,754	$ —	$ (43,284)	$ 114
AIC SPV Holdings II, LLC, Preferred Stock	—	534	—	391	925	—	—
AMP Solar Group, Inc., Class A Common Unit	4,687	—	—	364	5,051	—	—
Golden Bear 2016-R, LLC, Membership Interests	17,066	47	—	(2,966)	14,147	—	—
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes	9,537	—	(9,159)	(378)	—	1,954	1,008
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes	10,841	—	(11,078)	237	—	(238)	905
LVI Group Investments, LLC, Common Units	—	—	(17,505)	17,505	—	(17,505)	(306)
MCF CLO I, LLC, Membership Interests	—	—	—	—	—	(19)	120
MCF CLO III, LLC, Membership Interests	—	—	—	—	—	(19)	427
Pelican Energy, LLC, First Lien Term Loan	15,417	—	(26,665)	11,248	—	—	—
Pelican Energy, LLC, Membership Interests	—	26,664	(3,322)	(10,396)	12,946	—	—
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series B Preferred Stock	19,383	—	—	(348)	19,035	—	—
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series D Preferred Stock	6,254	—	—	422	6,676	—	—
Renew JV LLC, Membership Interests	4,701	10,062	(9,282)	(1,370)	4,111	7,831	67
Solarplicity Group Limited, First Lien Term Loan	119,426	5,064	(145,851)	27,424	6,063	(24,885)	7,554
Solarplicity Group Limited, Class B Common Shares	—	—	(2,472)	2,472	—	(2,472)	—
	—	7,637	(7,778)	141	—	—	21

Solarplicity UK Holdings Limited, First Lien Term Loan							
Solarplicity UK Holdings Limited, Unsecured Debt	2,501	223	(2,721)	(3)	—	246	204
Solarplicity UK Holdings Limited, Ordinary Shares	4,952	—	(928)	(4,024)	—	—	—
Solarplicity UK Holdings Limited, Preferred Stock	—	5,832	(5,008)	(824)	—	—	—
Venoco, Inc., Unsecured Debt	—	—	(338)	338	—	(338)	—
Venoco, Inc., LLC Units	—	—	(40,517)	40,517	—	(40,517)	—
Venoco, Inc., Series A Warrants	—	—	(48,170)	48,170	—	(48,170)	—
	$ 239,050	$ 56,098	$ (399,868)	$ 173,674	$ 68,954	$ (167,416)	$ 10,114

Gross additions includes increases in the basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

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(5) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Fair value as of March 31, 2017 and March 31, 2018 along with transactions during the year ended March 31, 2018 in these controlled investments are as follows:

Name of Issuer	Fair Value at March 31, 2017	Gross Additions	Gross Reductions	Net Change in Unrealized Losses	Fair Value at March 31, 2018	Net Realized Losses	Interest/Dividend/Other Income
Dynamic Product Tankers, LLC, First Lien Term Loan	$—	$41,790	$—	$210	$42,000	$—	$1
Dynamic Product Tankers, LLC, Letters of Credit	—	—	—	—	—	—	—
Dynamic Product Tankers, LLC, Class A Units	42,644	—	—	(1,165)	41,479	—	—
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), First Lien Term Loan	10,000	5,000	—	—	15,000	—	1,133
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Second Lien Term Loan	27,617	2,893	—	—	30,510	—	2,885
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Common Stock	18,862	—	—	1,441	20,303	—	—
Merx Aviation Finance Assets Ireland Limited, Letters of Credit	—	—	—	—	—	—	—
Merx Aviation Finance, LLC, Letter of Credit	—	—	—	—	—	—	—
Merx Aviation Finance, LLC, Revolver	374,084	139,700	(153,984)	—	359,800	—	49,244
Merx Aviation Finance, LLC, Membership Interests	48,811	—	(4,205)	(2,225)	42,381	—	12,350
MSEA Tankers LLC, Class A Units	72,797	—	—	(541)	72,256	—	4,803
SHD Oil & Gas, LLC, Tranche A Note	40,891	2,545	—	1,303	44,739	—	5,924
SHD Oil & Gas, LLC, Tranche B Note	32,793	—	—	8,023	40,816	—	—
SHD Oil & Gas, LLC, Tranche C Note	6,750	12,450	—	576	19,776	—	2,033
SHD Oil & Gas, LLC, Unfunded Tranche C Note	—	—	—	—	—	—	—
SHD Oil & Gas, LLC, Series A Units	—	—	—	—	—	—	—
	$675,249	$204,378	$(158,189)	$7,622	$729,060	$—	$78,373

Gross additions includes increases in the basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

As of March 31, 2018, the Company had a 85%, 47%, 100%, 98% and 38% equity ownership interest in Dynamic Product Tankers, LLC; Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.); Merx Aviation Finance, LLC; MSEA Tankers, LLC; and SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), respectively.

(6) Aggregate gross unrealized gain and loss for federal income tax purposes is $143,712 and $138,978, respectively. Net unrealized gain is $4,734 based on a tax cost of $2,238,224.

(7) Substantially all securities are pledged as collateral to our multi-currency revolving credit facility (the “Senior Secured Facility” as defined in Note 8 to the financial statements). As such, these securities are not available as collateral to our general creditors.

(8) The negative fair value is the result of the commitment being valued below par.

(9) These are co-investments made with the Company’s affiliates in accordance with the terms of the exemptive order the Company received from the Securities and Exchange Commission (the “SEC”) permitting us to do so. (See Note 3 to the financial statements for discussion of the exemptive order from the SEC.)

(10) Other than the investments noted by this footnote, the fair value of the Company’s investments is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 2 to the financial statements for more information regarding ASC 820, Fair Value Measurements (“ASC 820”).

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(11) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
(12) Par amount is denominated in USD unless otherwise noted, Euro ("€"), British Pound ("£"), and Canadian Dollar ("C$").
(13) Non-income producing security.
(14) Non-accrual status (See Note 2 to the financial statements).
(15) The underlying investments of AIC SPV Holdings II, LLC is a securitization in which the Company has a 14.25% ownership interest in the residual tranche.
(16) Refer to Note 7 to the financial statements for details of the Offsetting Assets and Liabilities. On the Statement of Assets and Liabilities, the fair value of purchased put options and written call options that are settled-to-market are offset against the cash collateral posted with the clearing house as variation margin amounting to $20,970.
(17) Investments that the Company has determined are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. The Company monitors the status of these assets on an ongoing basis. As of March 31, 2018, non-qualifying assets represented approximately 15.13% of the total assets of the Company.
(18) In addition to the interest earned based on the stated rate of this loan, the Company may be entitled to receive additional interest as a result of its arrangement with other lenders in a syndication.
(19) This investment represents a leveraged subordinated interest in a trust that holds one foreign currency denominated bond and a derivative instrument.
(20) Generally, the interest rate on floating interest rate investments is at benchmark rate plus spread. The borrower has an option to choose the benchmark rate, such as the London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR"), the federal funds rate or the prime rate. The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to 30-day, 60-day, 90-day or 180-day LIBOR rates (1M L, 2M L, 3M L or 6M L, respectively), and EURIBOR loans are typically indexed to 90-day EURIBOR rates (3M E), at the borrower's option. LIBOR and EURIBOR loans may be subject to interest floors. As of March 31, 2018, rates for 1M L, 2M L, 3M L, 6M L, 1M E, 3M E, and Prime are 1.88%, 2.00%, 2.31%, 2.45%, (0.41%), (0.37%) and 4.75%, respectively.
(21) The rates associated with these undrawn committed revolvers and delayed draw term loans represent rates for commitment and unused fees.
(22) This security is included in the Cash and Cash Equivalents on the Statements of Assets and Liabilities.

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(23) As of March 31, 2018, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. Such commitments are subject to the satisfaction of certain conditions set forth in the documents governing these loans and letters of credit and there can be no assurance that such conditions will be satisfied. See Note 10 to the financial statements for further information on revolving and delayed draw loan commitments, including commitments to issue letters of credit, related to certain portfolio companies.

Portfolio Company	Total Commitment	Drawn Commitment	Letters of Credit	Undrawn Commitment
Access CIG, LLC	$ 3,765	$ —	$—	$ 3,765
Aero Operating LLC	4,812	2,486	—	2,326
Alliant Holdings Intermediate, LLC	15,000	3,375	187	11,438
Altasciences US Acquisition, Inc.	4,276	285	—	3,991
American Media, Inc.	1,778	948	84	746
Carbonfree Caustic SPE LLC	6,111	—	—	6,111
Dynamic Product Tankers, LLC	2,750	—	2,750	—
Erickson Inc	45,000	21,140	7,659	16,201
Genesis Healthcare, Inc.	70,000	23,835	—	46,165
Invuity, Inc.	2,000	657	—	1,343
LabVantage Solutions Limited*	4,225	—	—	4,225
LSCS Holdings, Inc	4,545	—	—	4,545
Maxor National Pharmacy Services, LLC	1,558	195	—	1,363
Merx Aviation Finance Assets Ireland Limited	3,600	—	3,600	—
Merx Aviation Finance, LLC	177	—	177	—
Newscycle Solutions, Inc.	500	—	—	500
Omnitracs, LLC	3,750	—	—	3,750
Oxford Immunotec, Inc.	1,000	—	—	1,000
PSI Services, LLC*	462	238	—	224
PTC Therapeutics, Inc	6,333	—	—	6,333
Purchasing Power, LLC	4,500	3,068	—	1,432
RA Outdoors, LLC	1,200	—	—	1,200
RiteDose Holdings I, Inc.	2,000	1,067	—	933
SESAC Holdco II LLC	587	—	—	587
SHD Oil & Gas, LLC	2,800	—	—	2,800
Simplifi Holdings, Inc.	2,400	—	—	2,400
Teladoc, Inc.	1,667	—	378	1,289
Ten-X, LLC	4,680	520	—	4,160
Tibco Software Inc.	6,000	—	—	6,000
TricorBraun Holdings, Inc.	5,625	1,560	—	4,065
UniTek Global Services Inc.	10,857	—	5,857	5,000
Wright Medical Group, Inc.	50,000	18,333	—	31,667
ZPower, LLC	1,667	—	—	1,667
Total Commitments	$ 275,625	$ 77,707	$20,692	$ 177,226

* These investments are in a foreign currency and the total commitment has been converted to USD using the March 31, 2018 exchange rate.

(24) As of March 31, 2018, Dynamic Product Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-3 units which are identical except that Class A-1 unit is voting and Class A-3 unit is non-voting. The units entitle the Company to appoint three out of five managers to the board of managers.

(25) As of March 31, 2018, MSEA Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-2 units which are identical except that Class A-1 unit is voting and Class A-2 unit is non-voting. The units entitle the Company to appoint two out of three managers to the board of managers.

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(26) The Company holds three classes of warrants in Sprint Industrial Holdings, LLC. The Company holds 5,595 warrants of Class G, 507 warrants of Class H, and 1,239 warrants of Class I.

(27) The notional value represents the number of contracts open multiplied by the exercise price as of March 31, 2018.

(28) The unused line fees of 0.50% and 0.25% are collected for the Unfunded Delayed Draw and Unfunded Revolver, respectively from both Altasciences US Acquisition, Inc. and Altasciences / 9360-1367 Quebec Inc. as each borrower has access to the respective lending facilities.

(29) AIC Spotted Hawk Holdings, LLC, AIC SHD Holdings, LLC and AIC Pelican Holdings, LLC are consolidated wholly-owned special purpose vehicles which only hold equity investments of the underlying portfolio companies and have no other significant assets or liabilities. AIC Spotted Hawk Holdings, LLC and AIC SHD Holdings, LLC hold equity investments in SHD Oil & Gas, LLC. AIC Pelican Holdings, LLC holds an equity investment in Pelican Energy, LLC.

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(30) The following shows the composition of the Company's portfolio at cost by control designation, investment type and industry as of March 31, 2018:

Industry	First Lien - Secured Debt	Second Lien - Secured Debt	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Non-Controlled / Non-Affiliated Investments								
Advertising, Printing & Publishing	$26,259	$7,473	$—	$—	$—	$ —	$ —	$33,732
Aerospace & Defense	20,682	46,988	—	—	—	—	—	67,670
Automotive	14,565	26,550	—	—	—	—	—	41,115
Business Services	109,729	218,112	80,000	—	—	4,500	—	412,341
Chemicals, Plastics & Rubber	59,305	14,423	—	—	—	—	—	73,728
Consumer Goods – Durable	14,572	24,649	—	—	—	—	—	39,221
Consumer Goods – Non-Durable	—	25,043	—	—	—	—	—	25,043
Consumer Services	—	24,628	—	—	—	—	—	24,628
Containers, Packaging & Glass	1,189	18,107	—	—	—	—	—	19,296
Diversified Investment Vehicles, Banking, Finance, Real Estate	3,156	12,867	—	25,691	—	—	—	41,714
Energy – Electricity	37,637	—	—	—	5,832	4	—	43,473
Food & Grocery	19,533	24,784	—	—	—	—	—	44,317
Healthcare & Pharmaceuticals	163,567	99,939	—	—	333	—	315	264,154
High Tech Industries	104,359	49,308	—	—	—	—	48	153,715
Hotel, Gaming, Leisure, Restaurants	2,500	—	—	—	—	—	—	2,500
Insurance	2,565	21,807	—	—	—	—	—	24,372
Manufacturing, Capital Equipment	—	39,400	—	—	—	—	—	39,400
Media – Diversified & Production	(41)	3,213	—	—	—	—	—	3,172
Metals & Mining	1,273	—	—	—	—	—	—	1,273
Telecommunications	34,318	22,565	9,918	—	—	—	—	66,801
Transportation – Cargo, Distribution	—	9,284	12,798	—	—	1,715	—	23,797
Utilities – Electric	—	—	—	26,030	—	—	—	26,030
Total Non-Controlled / Non-Affiliated Investments	$615,168	$689,140	$102,716	$51,721	$6,165	$ 6,219	$ 363	$1,471,492
Non-Controlled / Affiliated Investments								
Diversified Investment Vehicles, Banking, Finance, Real Estate	$—	$—	$—	$16,506	$—	$ —	$ —	$16,506
Energy – Electricity	5,811	—	—	—	13,911	13,274	—	32,996
Energy – Oil & Gas	—	—	—	—	—	24,441	—	24,441
Total Non-Controlled / Affiliated Investments	$5,811	$—	$—	$16,506	$13,911	$ 37,715	$ —	$73,943
Controlled Investments								
	$359,800	$—	$—	$—	$—	$ 15,000	$ —	$374,800

Aviation and Consumer Transport								
Energy – Oil & Gas	122,016	30,510	—	—	—	31,489	—	184,015
Transportation – Cargo, Distribution	41,790	—	—	—	—	122,556	—	164,346
Total Controlled Investments	$523,606	$30,510	$—	$—	$—	$ 169,045	$ —	$723,161
Total	$1,144,585	$719,650	$102,716	$68,227	$20,076	$ 212,979	$ 363	$2,268,596

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(31) The following shows the composition of the Company's portfolio at fair value by control designation, investment type and industry as of March 31, 2018:

Industry	First Lien - Secured Debt	Second Lien - Secured Debt	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total	% of Net Assets
Non-Controlled / Non-Affiliated Investments									
Advertising, Printing & Publishing	$26,879	$7,611	$—	$—	$—	$—	$—	$34,490	2.4 %
Aerospace & Defense	20,466	47,893	—	—	—	—	—	68,359	4.8 %
Automotive	14,550	26,325	—	—	—	—	—	40,875	2.9 %
Business Services	108,839	219,271	80,000		—	4,500	—	412,610	29.1 %
Chemicals, Plastics & Rubber	47,170	16,360	—	—	—	—	—	63,530	4.5 %
Consumer Goods – Durable	14,564	24,647	—	—	—	466	—	39,677	2.8 %
Consumer Goods – Non-Durable	—	25,476	—	—	—	—	—	25,476	1.8 %
Consumer Services	—	24,623	—	—	—	—	—	24,623	1.8 %
Containers, Packaging & Glass	1,561	10,159	—	—	—	—	—	11,720	0.8 %
Diversified Investment Vehicles, Banking, Finance, Real Estate	3,149	13,107	—	24,960	—	—	—	41,216	2.9 %
Energy – Electricity	37,778	—	—	—	5,008	929	—	43,715	3.1 %
Food & Grocery	19,502	25,250	—	—	—	—	—	44,752	3.2 %
Healthcare & Pharmaceuticals	164,419	88,252	—	—	333	—	173	253,177	17.9 %
High Tech Industries	104,053	49,655	—	—	—	—	78	153,786	10.8 %
Hotel, Gaming, Leisure, Restaurants	2,500	—	—	—	—	—	—	2,500	0.2 %
Insurance	2,947	21,216	—	—	—	—	—	24,163	1.7 %
Manufacturing, Capital Equipment	—	39,966	—	—	—	—	—	39,966	2.8 %
Media – Diversified & Production	(44)	3,233	—	—	—	—	—	3,189	0.2 %
Metals & Mining	451	—	—	—	—	—	—	451	0%
Telecommunications	34,965	22,941	10,117	—	—	—	—	68,023	4.8 %
Transportation – Cargo, Distribution	—	9,516	13,049	—	—	2,310	—	24,875	1.8 %
Utilities – Electric	—	—	—	28,860	—	—	—	28,860	2.0 %
Total Non-Controlled /	$603,749	$675,501	$103,166	$53,820	$5,341	$8,205	$251	$1,450,033	102.3 %

Non-Affiliated Investments									
% of Net Assets	42.6%	47.6%	7.3%	3.8%	0.4%	0.6%	0%	102.3%	
Non-Controlled / Affiliated Investments									
Diversified Investment Vehicles, Banking, Finance, Real Estate	$—	$—	$—	$14,147	$—	$—	$—	$14,147	1.0%
Energy – Electricity	6,063	—	—	—	25,711	10,087	—	41,861	3.0%
Energy – Oil & Gas	—	—	—	—	—	12,946	—	12,946	0.9%
Total Non-Controlled / Affiliated Investments	$6,063	$—	$—	$14,147	$25,711	$23,033	$—	$68,954	4.9%
% of Net Assets	0.4%	—%	—%	1.0%	1.8%	1.7%	—%	4.9%	
Controlled Investments									
Aviation and Consumer Transport	$359,800	$—	$—	$—	$—	$42,381	$—	$402,181	28.3%
Energy – Oil & Gas	120,331	30,510	—	—	—	20,303	—	171,144	12.1%
Transportation – Cargo, Distribution	42,000	—	—	—	—	113,735	—	155,735	11.0%
Total Controlled Investments	$522,131	$30,510	$—	$—	$—	$176,419	$—	$729,060	51.4%
% of Net Assets	36.8%	2.2%	—%	—%	—%	12.4%	—%	51.4%	
Total	$1,131,943	$706,011	$103,166	$67,967	$31,052	$207,657	$251	$2,248,047	158.6%
% of Net Assets	79.8%	49.8%	7.3%	4.8%	2.2%	14.7%	0%	158.6%	

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Industry Classification	Percentage of Total Investments (at Fair Value) as of March 31, 2018
Business Services	18.4%
Aviation and Consumer Transport	17.9%
Healthcare & Pharmaceuticals	11.3%
Energy – Oil & Gas	8.2%
Transportation – Cargo, Distribution	8.0%
High Tech Industries	6.9%
Energy – Electricity	3.8%
Aerospace & Defense	3.0%
Telecommunications	3.0%
Chemicals, Plastics & Rubber	2.8%
Diversified Investment Vehicles, Banking, Finance, Real Estate	2.5%
Food & Grocery	2.0%
Automotive	1.8%
Manufacturing, Capital Equipment	1.8%
Consumer Goods – Durable	1.8%
Advertising, Printing & Publishing	1.5%
Utilities – Electric	1.3%
Consumer Goods – Non-durable	1.1%
Consumer Services	1.1%
Insurance	1.1%
Containers, Packaging & Glass	0.5%
Media – Diversified & Production	0.1%
Hotel, Gaming, Leisure, Restaurants	0.1%
Metals & Mining	0.0%
Total Investments	100.0%

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Advertising, Printing & Publishing							
A-L Parent LLC	Second Lien Secured Debt	8.25% (1M L+725, 1.00% Floor)	12/02/24	$10,048	$9,951	$10,023	(10)
American Media, Inc.	First Lien Secured Debt	8.50% (1M L+750, 1.00% Floor)	08/24/20	15,467	15,048	15,467	(16)
	First Lien Secured Debt - Letter of Credit	7.50%	08/24/20	154	—	—	(16)(23)
	First Lien Secured Debt - Revolver	8.56% (3M L+750, 1.00% Floor)	08/24/20	770	770	770	(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	08/24/20	854	(45)	—	(16)(21)(23)
					15,773	16,237	
Total Advertising, Printing & Publishing					$25,724	$26,260	
Aerospace & Defense							
PAE Holding Corporation	Second Lien Secured Debt	10.50% (1M L+950, 1.00% Floor)	10/20/23	$22,026	$21,297	$22,246	(10)
Total Aerospace & Defense					$21,297	$22,246	
Automotive							
K&N Parent, Inc.	Second Lien Secured Debt	9.75% (3M L+875, 1.00% Floor)	10/21/24	$30,000	$29,425	$29,849	
Total Automotive					$29,425	$29,849	
Aviation and Consumer Transport							
Merx Aviation							
Merx Aviation Finance Assets Ireland Limited (5)	First Lien Secured Debt - Letter of Credit	2.25%	09/30/17	$3,600	$—	$—	(16)(23)
Merx Aviation Finance, LLC (5)	Common Equity/Interests - Membership Interests	N/A	N/A	N/A	19,204	48,811	
	First Lien Secured Debt - Letter of Credit	2.25%	07/31/17	177	—	—	(16)(23)
	First Lien Secured Debt - Revolver	12.00%	10/31/18	374,084	374,084	374,084	(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.00% Unfunded	10/31/18	125,916	—	—	(16)(21)(23)

Total Aviation and Consumer Transport					$393,288	$422,895	
Broadcasting & Subscription							
SiTV, Inc.	Second Lien Secured Debt	10.38%	07/01/19	$2,219	$2,219	$1,340	(10)(11)
Total Broadcasting & Subscription					$2,219	$1,340	
Business Services							
Access CIG, LLC	Second Lien Secured Debt	9.78% (3M L+875, 1.00% Floor)	10/17/22	$50,970	$49,054	$51,313	(16)
Active Network, LLC	Second Lien Secured Debt	10.50% (1M L+950, 1.00% Floor)	11/15/21	17,875	17,712	17,819	(10)
Appriss Holdings, Inc.	Second Lien Secured Debt	10.40% (3M L+925, 1.00% Floor)	05/21/21	23,309	23,057	23,309	
Aptean, Inc.	Second Lien Secured Debt	10.50% (1M L+950, 1.00% Floor)	12/20/23	9,548	9,409	9,571	(10)
Electro Rent Corporation	Second Lien Secured Debt	10.00% (1M L+900, 1.00% Floor)	01/31/25	18,333	17,795	17,967	(9)
GCA Services Group, Inc.	Second Lien Secured Debt	10.05% (3M L+900, 1.00% Floor)	03/01/24	16,250	16,022	16,189	(10)
Institutional Shareholder Services, Inc.	Second Lien Secured Debt	9.61% (3M L+850, 1.00% Floor)	04/30/22	8,232	8,162	8,314	
Ministry Brands, LLC	Second Lien Secured Debt	10.25% (1M L+925, 1.00% Floor)	06/02/23	10,000	9,856	9,851	(16)(23)
My Alarm Center, LLC	First Lien Secured Debt - Revolver	11.00% (P+700)	01/09/19	5,083	5,083	5,083	(16)(23)
	First Lien Secured Debt - Term Loan A	9.00% (1M L+800, 1.00% Floor)	01/09/19	28,035	28,035	28,035	(16)

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	First Lien Secured Debt - Term Loan B	9.00% (1M L+800, 1.00% Floor)	01/09/19	8,320	8,320	8,320	(16)(23)
	First Lien Secured Debt - Term Loan C	9.00% (1M L+800, 1.00% Floor)	01/09/19	3,554	3,554	3,554	(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.35% Unfunded	01/09/19	1,167	—	—	(16)(21)(23)
	First Lien Secured Debt - Unfunded Term Loan B	0.35% Unfunded	01/09/19	441	—	—	(16)(21)(23)
	First Lien Secured Debt - Unfunded Term Loan C	0.35% Unfunded	01/09/19	557	—	—	(16)(21)(23)
					44,992	44,992	
Poseidon Merger Sub, Inc.	Second Lien Secured Debt	9.56% (3M L+850, 1.00% Floor)	08/15/23	18,000	17,568	18,000	
PSI Services, LLC	First Lien Secured Debt	6.00% (1M L+500, 1.00% Floor)	01/20/23	7,698	7,511	7,508	(9)(16)
	First Lien Secured Debt - Revolver	6.00% (3M L+500, 1.00% Floor)	01/20/22	198	198	194	(9)(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/20/22	198	(10)	(5)	(8)(9)(16)(21)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/20/22	£ 47	—	—	(9)(16)(21)(23)
	Second Lien Secured Debt	10.00% (1M L+900, 1.00% Floor)	01/20/24	25,714	24,964	24,950	(9)(16)
					32,663	32,647	
SCM Insurance Services, Inc.	First Lien Secured Debt	9.25%	08/22/19	C$ 39,480	33,387	25,527	(17)
Dodge Data/Skyline Data							
Dodge Data & Analytics LLC	First Lien Secured Debt	9.94% (3M L+875,	10/31/19	51,234	50,647	49,825	

		1.00% Floor)					
Skyline Data, News and Analytics LLC	Common Equity/Interest - Class A Common Unit	N/A	N/A	4,500,000 Shares	4,500	4,500	(13)
					55,147	54,325	
Sterling Holdings Ultimate Parent, Inc.	Second Lien Secured Debt	9.40% (3M L+825, 1.00% Floor)	06/19/23	20,000	19,824	19,800	
STG-Fairway Acquisitions, Inc.	Second Lien Secured Debt	10.30% (3M L+925, 1.00% Floor)	06/30/23	15,000	14,685	14,663	
U.S. Security Associates Holdings, Inc.	Unsecured Debt	11.00%	07/28/18	135,000	135,000	135,000	
Velocity Technology Solutions, Inc.	Second Lien Secured Debt	9.50% (3M L+825, 1.25% Floor)	09/28/20	16,500	16,298	16,335	
Total Business Services					$520,631	$515,622	
Chemicals, Plastics & Rubber							
Avantor Performance Materials Holdings, LLC	First Lien Secured Debt - Letter of Credit	4.00%	03/10/18	$ 72	$1	$—	(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	03/10/22	4,928	(617)	(13)	(8)(16)(21)(23)
	Second Lien Secured Debt	9.25% (1M L+825, 1.00% Floor)	03/10/25	737	730	742	(10)(16)
	Second Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	03/10/25	892	(9)	—	(10)(16)(21)(23)
					105	729	
Hare Bidco, Inc.	Second Lien Secured Debt	9.75% (3M L+875, 1.00% Floor)	08/01/24	€ 13,574	14,381	14,228	
Maxus Capital Carbon SPE I, LLC	First Lien Secured Debt	5.22% PIK	12/31/18	59,305	59,305	50,585	
Total Chemical, Plastics & Rubber					$73,791	$65,542	
Consumer Goods – Durable							
Sequential Brands Group, Inc.	Second Lien Secured Debt	9.83% (1M L+900)	07/01/22	$ 17,512	$17,319	$17,252	(17)

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Sorenson Holdings, LLC	Common Equity/Interest - Membership Interests	N/A	N/A	587 Shares	—	231	(13)
	Unsecured Debt	13.85% Cash (13.85% PIK Toggle)	10/31/21	52	35	47	(10)(11)
					35	278	
Total Consumer Goods - Durable					$17,354	$17,530	
Containers, Packaging & Glass							
Sprint Industrial Holdings, LLC	Second Lien Secured Debt	13.50% PIK	11/14/19	$16,707	$16,213	$9,297	
TricorBraun Holdings, Inc.	First Lien Secured Debt - Revolver	6.25% (P+225)	11/30/21	960	960	960	(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	11/30/21	4,665	(472)	—	(16)(21)(23)
					488	960	
Total Containers, Packaging & Glass					$16,701	$10,257	
Diversified Investment Vehicles, Banking, Finance, Real Estate							
Armor Holding II LLC	Second Lien Secured Debt	10.25% (3M L+900, 1.25% Floor)	12/26/20	$8,000	$7,906	$8,000	(10)
AIC SPV Holdings I, LLC (4)(15)	Common Equity/Interest - Membership Interests	N/A	N/A	N/A	69,040	24,285	(17)(23)
Craft 2013-1	Structured Products and Other - Credit-Linked Note	9.98% (3M L+925)	04/17/22	7,625	7,694	7,625	(16)(17)
	Structured Products and Other - Credit-Linked Note	10.31% (3M L+925)	04/17/22	25,000	25,013	25,000	(11)(16)(17)
					$32,707	$32,625	
Craft 2014-1A	Structured Products and Other - Credit-Linked Note	10.89% (3M L+965)	05/15/21	$42,500	$42,376	$41,820	(11)(17)
Craft 2015-2	Structured Products and Other - Credit-Linked Note	10.31% (3M L+925)	01/16/24	26,000	25,827	25,389	(11)(17)
Golden Bear 2016-R, LLC (3)(4)	Structured Products and Other - Membership Interests	N/A	09/20/42	N/A	16,459	17,066	(17)(22)

Ivy Hill Middle Market Credit Fund IX, Ltd. (3)(4)	Structured Products and Other - Subordinated Notes	13.34%	10/18/25	12,500	9,158	9,537	(11)(17)(22)
Ivy Hill Middle Market Credit Fund X, Ltd. (3)(4)	Structured Products and Other - Subordinated Notes	11.25%	07/18/27	14,000	11,078	10,841	(11)(17)(22)
Total Diversified Investment Vehicles, Banking, Finance, Real Estate					$214,551	$169,563	
Education							
Delta/Gryphon							
Delta Career Education Corporation	Preferred Equity - Super Senior Preferred Stock A	N/A	N/A	7,812 Shares	$7,049	$—	(13)
	Preferred Equity - Super Senior Preferred Stock B	N/A	N/A	10,585 Shares	8,788	—	(13)
	Preferred Equity - Super Senior Preferred Stock C	N/A	N/A	23,769 Shares	20,665	—	(13)
Gryphon Colleges Corp.	Common Equity/Interest - Common Stock	N/A	N/A	17,500 Shares	175	—	(13)
	Preferred Equity - Preferred Stock	13.50% PIK	N/A	12,360 Shares	27,685	—	(13)(14)
	Preferred Equity - Preferred Stock	12.50% PIK	N/A	332,500 Shares	6,863	—	(13)(14)
	Warrants - Class A-1 Preferred Stock Warrants	N/A	N/A	45,947 Warrants	460	—	(13)

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	Warrants - Class B-1 Preferred Stock Warrants	N/A	N/A	104,314 Warrants	1,043	—	(13)
	Warrants - Common Stock Warrants	N/A	N/A	9,820 Warrants	98	—	(13)
Total Education					$72,826	$—	
Energy – Electricity							
AMP Solar Group, Inc. (4)	Common Equity/Interest - Class A Common Unit	N/A	N/A	243,646 Shares	$10,000	$4,687	(13)(17)
Renew Financial							
Renew Financial LLC (f/k/a Renewable Funding, LLC) (4)	Preferred Equity - Series B Preferred Stock	N/A	N/A	1,505,868 Shares	8,343	19,383	(13)
	Preferred Equity - Series D Preferred Stock	N/A	N/A	436,689 Shares	5,568	6,254	(13)
Renew JV LLC (4)	Common Equity/Interest - Membership Interests	N/A	N/A	1,959,906 Shares	1,960	4,701	(13)(17)
					15,871	30,338	
Solarplicity Group							
Solarplicity Group Limited (3)(4)	Common Equity/Interest - Class B Common Shares	N/A	N/A	2,825 Shares	2,472	—	(2)(13)(17)(26)
	First Lien - Secured Debt	8.00% Cash (8.00% PIK Toggle)	11/30/22	£ 125,468	146,598	119,426	(17)
Solarplicity UK Holdings Limited (4)	Common Equity/Interest - Ordinary Shares	N/A	N/A	2,825 Shares	3	4,952	(2)(13)(17)
	Unsecured Debt	8.00% Cash (8.00% PIK Toggle)	02/24/22	£ 2,000	2,499	2,501	(17)
					151,572	126,879	
Sungevity Inc.	Preferred Equity - Series D Preferred Stock	N/A	N/A	114,678,899 Shares	4,409	$—	(13)

Westinghouse Electric Co LLC	First Lien Secured Debt	7.25% (1M L+625, 1.00% Floor)	03/31/18	$ 17,500	17,064	17,064	(9)(16)
	First Lien Secured Debt	0.50% Unfunded	03/31/18	22,500	—	—	(9)(21)
					17,064	17,064	
Total Energy – Electricity					$198,916	$178,968	
Energy – Oil & Gas							
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.) (5)	Common Equity/Interest - Common Stock	N/A	N/A	5,000,000 Shares	$30,078	$18,862	(13)
	First Lien Secured Debt	8.00% Cash (10.00% PIK Toggle)	03/29/19	$ 10,000	10,000	10,000	(16)(23)
	Second Lien Secured Debt	10.00% PIK Toggle (8.00% Cash)	03/29/21	27,617	27,617	27,617	(16)
					67,695	56,479	
Pelican Energy, LLC (4)	Common Equity/Interest - Membership Interests	N/A	N/A	1,228 Shares	1,099	—	(13)(17)
	First Lien Secured Debt	10.00% PIK Toggle (10.00% Cash)	12/31/18	31,141	26,665	15,417	(14)(17)
					27,764	15,417	
SHD Oil & Gas, LLC (5)	Common Equity/Interest - Series A Units	N/A	N/A	7,600,000 Shares	1,412	—	(13)
	First Lien Secured Debt - Tranche A Note	14.00% (8.00% Cash plus 6.00% PIK)	12/31/19	40,891	40,891	40,891	(16)
	First Lien Secured Debt - Tranche B Note	14.00% PIK	12/31/19	63,697	44,380	32,793	(14)(16)
	First Lien Secured Debt - Tranche C Note	12.00%	12/31/19	6,750	6,750	6,750	(16)(23)
	First Lien Secured Debt - Unfunded Tranche C Note	0.00% Unfunded	12/31/19	11,250	—	—	(16)(21)(23)
					93,433	80,434	

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Industry / Company	Investment Type	Interest Rate (20)	Maturity Date	Par / Shares (12)	Cost (28)	Fair Value (1) (29)	
Venoco, Inc. (4)	Common Equity/Interest - LLC Units	N/A	N/A	192,177 Shares	40,517	—	(13)
	Unsecured Debt	10.00% PIK	07/25/17	338	337	—	
	Warrants - Series A Warrants	N/A	N/A	23,125 Warrants	48,170	—	(13)
					89,024	—	
Total Energy – Oil & Gas					$277,916	$152,330	
Environmental Industries							
LVI Group Investments, LLC (3)(4)	Common Equity/Interest - Common Units	N/A	N/A	212,460 Shares	$17,505	$—	(13)
Total Environmental Industries					$17,505	$—	
Food & Grocery							
Grocery Outlet, Inc.	Second Lien Secured Debt	9.40% (3M L+825, 1.00% Floor)	10/21/22	$25,000	$24,713	$25,094	(10)
Total Food & Grocery					$24,713	$25,094	
Healthcare & Pharmaceuticals							
Aptevo Therapeutics Inc.	First Lien Secured Debt	8.38% (1M L+760)	02/01/21	$8,571	$8,605	$8,419	(9)(16)(23)
	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	02/01/21	6,429	(27)	114	(9)(16)(21)(23)
					8,578	8,533	
BioClinica Holding I, LP	Second Lien Secured Debt	9.25% (1M L+825, 1.00% Floor)	10/21/24	24,612	24,144	24,474	(10)
Clothesline Holdings, Inc.	Common Equity/Interest - Common Stock	N/A	N/A	6,000 Shares	6,000	—	(13)
Elements Behavioral Health, Inc.	Second Lien Secured Debt	13.04% (3M L+1200 PIK, 1.00% Floor)	02/11/20	11,192	11,141	9,289	
Endologix, Inc.	First Lien Secured Debt - Unfunded Revolver	N/A	07/29/20	5,000	(21)	(25)	(8)(9)(17)(21)(23)
Invuity, Inc.	First Lien Secured Debt	8.00% (1M L+650, 1.50% Floor)	03/01/22	6,667	6,558	6,539	(9)(16)

	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	03/01/22	3,333	(16)	(64)	(8)(9)(16)(21)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	03/01/22	2,000	(9)	(10)	(8)(9)(16)(21)(23)
	Warrants - Warrants	N/A	N/A	16,873 Warrants	80	94	(9)
					6,613	6,559	
Lanai Holdings III, Inc.	Second Lien Secured Debt	9.50% (1M L+850, 1.00% Floor)	08/28/23	17,391	16,907	17,217	(10)
Novadaq Technologies Inc.	First Lien Secured Debt	7.98% (1M L+720, 0.50% Floor)	01/01/22	3,333	3,324	3,325	(9)(16)(17)(23)
	First Lien Secured Debt - Unfunded Delayed Draw	0.00% Unfunded	01/01/22	6,666	(32)	(18)	(8)(9)(16)(17)(21)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/01/22	3,000	(14)	(14)	(8)(9)(16)(17)(21)(23)
					3,278	3,293	
Oxford Immunotec, Inc.	First Lien Secured Debt	8.38% (1M L+760)	10/01/21	9,750	9,752	9,756	(9)(16)(17)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	10/01/21	1,000	(5)	(5)	(8)(9)(16)(17)(21)(23)
					9,747	9,751	
PetVet Care Centers, LLC	Second Lien Secured Debt	9.65% (3M L+850, 1.00% Floor)	06/17/21	13,500	13,120	13,298	
Wright Medical Group, Inc.	First Lien Secured Debt - Revolver	5.03% (1M L+425, 0.75% Floor)	12/23/21	10,000	10,000	9,900	(9)(16)(17)(23)

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	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/23/21	40,000	(302)	(400)	(8)(9)(16)(17)(21)(23)
					9,698	9,500	
Total Healthcare & Pharmaceuticals					$109,205	$101,889	
High Tech Industries							
ChyronHego Corporation	First Lien Secured Debt	7.43% (1M L+643, 1.00% Floor)	03/09/20	$36,208	$35,697	$35,484	(18)
ECN Holding Company (Emergency Communications Network)	First Lien Secured Debt	9.50% (2M L+850, 1.00% Floor)	06/12/21	22,190	21,944	22,040	(16)(18)
LabVantage Solutions							
LabVantage Solutions Inc.	First Lien Secured Debt	9.00% (3M L+800, 1.00% Floor)	12/29/20	14,438	14,085	14,293	
LabVantage Solutions Limited	First Lien Secured Debt	9.00% (3M E+800, 1.00% Floor)	12/29/20	€13,226	13,852	14,004	(16)(17)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/29/20	€3,435	(90)	(37)	(8)(16)(17)(21)(23)
					27,847	28,260	
MSC Software Corp.	Second Lien Secured Debt	8.50% (1M L+750, 1.00% Floor)	05/31/21	13,448	13,359	13,464	(17)
Nextech Systems, LLC	First Lien Secured Debt	8.40% (3M L+725, 1.00% Floor)	06/22/21	21,716	21,256	21,282	(18)
Saba Software, Inc.	First Lien Secured Debt	9.00% (1M L+800, 1.00%	03/30/21	9,825	9,825	9,825	(18)

		Floor)					
Telestream Holdings Corporation	First Lien Secured Debt	7.61% (3M L +645, 1.00% Floor)	01/15/20	37,119	36,745	36,376	(18)
Tibco Software Inc.	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	12/05/19	6,000	(32)	(839)	(8)(21)(23)
Total High Tech Industries					$166,641	$165,892	
Hotel, Gaming, Leisure, Restaurants							
GFRC Holdings LLC	Common Equity/Interest - Membership Interests	N/A	N/A	2,500,000 Shares	$—	$—	(13)
	First Lien Secured Debt	10.50% (1M L+900 Cash (L+900 PIK Toggle), 1.50% Floor)	02/01/22	$2,500	2,500	2,375	
					2,500	2,375	
SMG	Second Lien Secured Debt	9.40% (3M L+825, 1.00% Floor)	02/27/21	19,649	19,649	19,625	
Total Hotel, Gaming, Leisure, Restaurants					$22,149	$22,000	
Insurance							
Alliant Holdings Intermediate, LLC	First Lien Secured Debt - Letter of Credit	3.375%	04/24/17	$37	$—	$(2)	(8)(16)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	05/04/17	8	—	—	(8)(16)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	06/30/17	17	—	(1)	(8)(16)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	07/29/17	80	—	(4)	(8)(16)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	10/03/17	8	—	—	(8)(16)(23)
	First Lien Secured Debt - Letter of Credit	3.375%	11/30/17	38	—	(2)	(8)(16)(23)
	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	08/14/20	14,812	(1,152)	(697)	(8)(16)(21)(23)
					(1,152)	(706)	

Confie Seguros Holding II Co.	Second Lien Secured Debt	10.25% (1M L+900, 1.25% Floor)	05/08/19	22,344	22,276	22,260	(10)
Asurion Corporation	Second Lien Secured Debt	8.50% (1M L+750, 1.00% Floor)	03/03/21	39,590	39,404	40,167	(10)
Total Insurance					$60,528	$61,721	

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Manufacturing, Capital Equipment							
MedPlast Holdings Inc.	Second Lien Secured Debt	9.78% (3M L+875, 1.00% Floor)	06/06/23	$8,000	$7,800	$7,800	
MW Industries, Inc.	Second Lien Secured Debt	10.40% (3M L+925, 1.00% Floor)	12/28/20	20,000	19,569	20,100	(10)
Power Products, LLC	Second Lien Secured Debt	10.34% (3M L+900, 1.00% Floor)	12/20/23	37,500	36,239	36,847	(9)
Total Manufacturing, Capital Equipment					$63,608	$64,747	
Media – Diversified & Production							
SESAC Holdco II LLC	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	02/23/22	$587	$(52)	$(44)	(8)(16)(21)(23)
	Second Lien Secured Debt	8.25% (3M L+725, 1.00% Floor)	02/24/25	3,241	3,209	3,254	(10)(16)
Total Media – Diversified & Production					$3,157	$3,210	
Metals & Mining							
Magnetation, LLC	First Lien Secured Debt	9.15% (3M L+800 Cash (PIK Toggle))	12/31/19	$2,081	$2,050	$705	(14)(16)
	First Lien Secured Debt	12.00% PIK	12/31/19	12,527	10,378	—	(14)(16)
Total Metals & Mining					$12,428	$705	
Telecommunications							
UniTek Global Services Inc.	First Lien Secured Debt	11.50% (P+750)	01/13/19	$10,000	$10,000	$10,000	(16)
	First Lien Secured Debt	9.65% (3M L+750 Cash plus 1.00% PIK, 1.00% Floor)	01/13/19	32,367	32,366	33,013	(16)
	First Lien Secured Debt	9.65% (3M L+750 Cash plus 1.00% PIK, 1.00% Floor)	01/13/19	1,709	1,709	1,709	(16)
	First Lien Secured Debt - Letter of Credit	7.50%	01/13/19	7,762	—	—	(16)(23)

	First Lien Secured Debt - Unfunded Revolver	0.50% Unfunded	01/13/19	5,000	—	—	(16)(21)(23)
	Unsecured Debt	15.00% PIK	07/13/19	8,547	8,547	8,717	(16)
					52,622	53,439	
Wave Holdco Merger Sub, Inc.	Second Lien Secured Debt	10.25% (1M L+925, 1.00% Floor)	05/27/23	10,000	9,768	9,874	
Total Telecommunication					$62,390	$63,313	
Transportation – Cargo, Distribution							
American Tire							
Accelerate Parent Corp.	Common Equity/Interest - Common Stock	N/A	N/A	1,664,046 Shares	$1,714	$1,730	(13)
American Tire Distributors, Inc.	Unsecured Debt	10.25%	03/01/22	$14,741	14,808	15,119	(10)(11)
					16,522	16,849	
Dynamic Product Tankers, LLC (5)	Common Equity/Interest - Class A Units	N/A	N/A	—	48,106	42,644	(17)(24)
	First Lien Secured Debt - Letter of Credit	2.25%	09/20/17	2,250	—	—	(17)(23)
					48,106	42,644	
MSEA Tankers LLC (5)	Common Equity/Interest - Class A Units	N/A	N/A	N/A	74,450	72,797	(17)(25)
TMK Hawk Parent, Corp.	Second Lien Secured Debt	8.50% (1M L+750, 1.00% Floor)	10/01/22	34,000	33,745	33,830	
Total Transportation – Cargo, Distribution					$172,823	$166,120	
Utilities – Electric							
Asset Repackaging Trust Six B.V.	Structured Products and Other	13.11%	05/18/27	$58,411	$25,637	$29,615	(11)(17)(19)
Total Utilities – Electric					$25,637	$29,615	
Total Investments before Cash Equivalents					$2,605,423	$2,316,708	(10)
J.P. Morgan U.S. Government Money Market Fund	N/A	N/A	N/A	$9,783	$9,783	$9,783	(27)
Total Investments after Cash Equivalents					$2,615,206	$2,326,491	(6)(7)

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(1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (See Note 2 to the financial statements).

(2) Solarplicity Group Limited and Solarplicity UK Holdings Limited are GBP denominated equity investments.

(3) Denotes investments in which the Company owns greater than 25% of the equity, where the governing documents of each entity preclude the Company from exercising a controlling influence over the management or policies of such entity. The Company does not have the right to elect or appoint more than 25% of the directors or another party has the right to elect or appoint more directors than the Company and has the right to appoint certain members of senior management. Therefore, the Company has determined that these entities are not controlled affiliates. As of March 31, 2017, we had a 100%, 32%, 32%, 36% and 28% equity ownership interest in Golden Bear 2016-R, LLC; Ivy Hill Middle Market Credit Fund IX, Ltd.; Ivy Hill Middle Market Credit Fund X, Ltd.; LVI Group Investments, LLC and Solarplicity Group Limited, respectively.

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(4) Denotes investments in which we are an "Affiliated Person," as defined in the 1940 Act, due to holding the power to vote or owning 5% or more of the outstanding voting securities of the investment but not controlling the company. Fair value as of March 31, 2016 and March 31, 2017 along with transactions during the year ended March 31, 2017 in these affiliated investments are as follows:

Name of Issue	Fair Value at March 31, 2016	Gross Additions	Gross Reductions	Net Change in Unrealized Gains (Losses)	Fair Value at March 31, 2017	Net Realized Gains (Losses)	Interest/Dividend/Other Income
AIC SPV Holdings I, LLC, Membership Interests	$—	$69,039	$—	$(44,754)	$24,285	$—	$ 599
AMP Solar Group, Inc., Class A Common Unit	—	7,022	—	(2,335)	4,687	—	—
Generation Brands Holdings, Inc., Basic Common Stock	9,712	1	—	(9,713)	—	10,155	—
Generation Brands Holdings, Inc., Series 2L Common Stock	39,572	—	(11,242)	(28,330)	—	29,963	—
Generation Brands Holdings, Inc., Series H Common Stock	8,087	—	(2,298)	(5,789)	—	6,123	—
Golden Bear 2016-R, LLC, Membership Interests	—	16,460	—	606	17,066	—	—
Golden Bear Warehouse LLC, Membership Interests	49,617	27,777	(60,685)	(16,709)	—	34,216	3,020
Highbridge Loan Management 3-2014, Ltd., Subordinated Notes	4,975	—	(5,547)	572	—	(75)	113
Ivy Hill Middle Market Credit Fund IX, Ltd., Subordinated Notes	9,717	—	(1,022)	842	9,537	—	1,465
Ivy Hill Middle Market Credit Fund X, Ltd., Subordinated Notes	10,722	—	(1,212)	1,331	10,841	—	1,509
Jamestown CLO I Ltd., Subordinated Notes	380	—	(2,875)	2,495	—	(1,448)	—
LVI Group Investments, LLC, Common Units	21,486	—	—	(21,486)	—	—	44
MCF CLO I, LLC, Membership Interests	33,145	—	(33,268)	123	—	2,113	3,904
MCF CLO III, LLC, Class E Notes	10,073	1,180	(12,753)	1,500	—	—	1,719
MCF CLO III, LLC, Membership Interests	31,180	—	(34,700)	3,520	—	5,184	4,500
Pelican Energy, LLC, First Lien Term Loan	17,500	—	(143)	(1,940)	15,417	—	—
Pelican Energy, LLC, Membership Interests	—	—	—	—	—	—	—
Renew Financial LLC (f/k/a Renewable Funding, LLC), Series B Preferred Stock	20,459	—	—	(1,076)	19,383	—	—

Renew Financial LLC (f/k/a Renewable Funding, LLC), Series D Preferred Stock	5,933	—	—	321	6,254	—	—
Renew JV LLC, Membership Interests	—	1,960	—	2,741	4,701	—	—
Solarplicity Group Limited, First Lien Term Loan	—	160,281	(57,085)	16,230	119,426	(36,217)	2,385
Solarplicity Group Limited, Common Shares	—	—	—	—	—	—	—
Solarplicity UK Holdings Limited, Unsecured Debt	—	2,499	—	2	2,501	—	20
Solarplicity UK Holdings Limited, Ordinary Shares	—	4	—	4,948	4,952	—	—
Venoco, Inc., Unsecured Debt	—	338	—	(338)	—	—	—
Venoco, Inc., LLC Units	—	40,517	—	(40,517)	—	—	—
Venoco, Inc., Series A Warrants	—	48,170	—	(48,170)	—	—	—
	$272,558	$375,248	$(222,830)	$(185,926)	$239,050	$50,014	$ 19,278

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Gross additions includes increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

(5) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Fair value as of March 31, 2016 and March 31, 2017 along with transactions during the year ended March 31, 2017 in these Controlled investments are as follows:

Name of Issue	Fair Value at March 31, 2016	Gross Additions	Gross Reductions	Net Change in Unrealized Losses	Fair Value at March 31, 2017	Net Realized Losses	Interest/Dividend/Other Income
Dynamic Product Tankers, LLC, Letter of Credit	$—	$—	$—	$—	$—	$—	$ 25
Dynamic Product Tankers, LLC, Class A Units	48,264	—	—	(5,620)	42,644	—	1,200
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), First Lien Term Loan	—	10,000	—	—	10,000	—	470
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Second Lien Term Loan	25,000	2,617	—	—	27,617	—	2,619
Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.), Common Stock	30,078	—	—	(11,216)	18,862	—	—
Merx Aviation Finance, LLC, Revolver	403,084	11,000	(40,000)	—	374,084	—	48,256
Merx Aviation Finance, LLC, Letter of Credit	—	—	—	—	—	—	(1)
Merx Aviation Finance Assets Ireland Limited, Letter of Credit	—	—	—	—	—	—	(18)
Merx Aviation Finance, LLC, Membership Interests	93,714	—	(45,049)	146	48,811	—	9,700
MSEA Tankers LLC, Class A Units	84,138	—	(10,550)	(791)	72,797	—	6,850
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), Tranche A Note	—	40,890	—	1	40,891	—	2,095
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), Tranche B Note	—	28,936	—	3,857	32,793	—	—

SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), Tranche C Note	—	6,750	—	—	6,750	—	262
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), Unfunded Tranche C Note	—	—	—	—	—	—	—
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), Series A Units	—	—	—	—	—	—	—
Solarplicity Group Limited, First lien Term Loan	163,034	41,732	(169,365)	(35,401)	—	(2,173)	14,228
Solarplicity Group Limited, Class B Common Shares	6,665	—	—	(6,665)	—	—	—
	$853,977	$141,925	$(264,964)	$(55,689)	$675,249	$(2,173)	$ 85,686

Gross additions includes increases in the cost basis of investments resulting from new portfolio investments, payment-in-kind interest or dividends, the accretion of discounts, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company into this category from a different category.

Gross reductions include decreases in the cost basis of investments resulting from principal collections related to investment repayments or sales, the amortization of premiums, the exchange of one or more existing securities for one or more new securities and the movement of an existing portfolio company out of this category into a different category.

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As of March 31, 2017, the Company had a 85%, 48%, 100%, 98% and 38% equity ownership interest in Dynamic Product Tankers, LLC; Glacier Oil & Gas Corp. (f/k/a Miller Energy Resources, Inc.); Merx Aviation Finance, LLC; MSEA Tankers, LLC; and SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC), respectively.

(6) Aggregate gross unrealized gain and loss for federal income tax purposes is $70,774 and $314,345, respectively. Net unrealized loss is $243,571 based on a tax cost of $2,560,279.

(7) Substantially all securities are pledged as collateral to our multi-currency revolving credit facility (the "Senior Secured Facility" as defined in Note 8 to the financial statements). As such, these securities are not available as collateral to our general creditors.

(8) The negative fair value is the result of the commitment being valued below par.

(9) These are co-investments made with the Company's affiliates in accordance with the terms of the exemptive order the Company received from the Securities and Exchange Commission (the "SEC") permitting us to do so. (See Note 3 to the financial statements for discussion of the exemptive order from the SEC.)

(10) Other than the investments noted by this footnote, the fair value of the Company's investments is determined using unobservable inputs that are significant to the overall fair value measurement. See Note 2 to the financial statements for more information regarding ASC 820, Fair Value Measurements ("ASC 820").

(11) These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.

(12) Par amount is denominated in USD unless otherwise noted, Euro ("€"), British Pound ("£"), and Canadian Dollar ("C$").

(13) Non-income producing security.

(14) Non-accrual status (See Note 2 to the financial statements).

(15) The underlying investments of AIC SPV Holdings I, LLC are two secured debt positions and one preferred equity position in SquareTwo Financial Corporation. One of the secured debt positions and the preferred equity position are on non-accrual status.

(16) Denotes debt securities where the Company owns multiple tranches of the same broad asset type but whose security characteristics differ. Such differences may include level of subordination, call protection and pricing, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

(17) Investments that the Company has determined are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act is subject to change. The Company monitors the status of these assets on an ongoing basis. As of March 31, 2017, non-qualifying assets represented approximately 23.0% of the total assets of the Company.

(18) In addition to the interest earned based on the stated rate of this loan, the Company may be entitled to receive additional interest as a result of its arrangement with other lenders in a syndication.

(19) This investment represents a leveraged subordinated interest in a trust that holds one foreign currency denominated bond and a derivative instrument.

(20) Generally, the interest rate on floating interest rate investments is at benchmark rate plus spread. The borrower has an option to choose the benchmark rate, such as the London Interbank Offered Rate ("LIBOR"), the Euro Interbank Offered Rate ("EURIBOR"), the federal funds rate or the prime rate. The spread may change based on the type of rate used. The terms in the Schedule of Investments disclose the actual interest rate in effect as of the reporting period. LIBOR loans are typically indexed to 30-day, 60-day, 90-day or 180-day LIBOR rates (1M L, 3M L, or 6M L, respectively), and EURIBOR loans are typically indexed to 90-day EURIBOR rates (3M E), at the borrower's option. LIBOR and EURIBOR loans may be subject to interest floors. As of March 31, 2017, rates for 1M L, 2M L, 3M L, 6M L, 3M E, and prime are 0.98%, 1.03%, 1.15%, 1.42%, (0.33%), and 4.00%,

respectively.

(21) The rates associated with these undrawn committed revolvers and delayed draw term loans represent rates for commitment and unused fees.

(22) The collateralized loan obligation ("CLO") equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The current estimated yield is based on the current projections of this excess cash flow taking into account assumptions such as expected prepayments, losses and future reinvestment rates. These assumptions are periodically reviewed and adjusted. Ultimately, the actual yield may be higher or lower than the estimated yield if actual results differ from those used for the assumptions.

See notes to financial statements.

APOLLO INVESTMENT CORPORATION
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March 31, 2017
(In thousands, except share data)

(23) As of March 31, 2017, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. Such commitments are subject to the satisfaction of certain conditions set forth in the documents governing these loans and letters of credit and there can be no assurance that such conditions will be satisfied. See Note 10 to the financial statements for further information on revolving and delayed draw loan commitments, including commitments to issue letters of credit, related to certain portfolio companies.

Portfolio Company	Total Commitment	Drawn Commitment	Letters of Credit	Undrawn Commitment
AIC SPV Holdings I, LLC	$ 8,888	$ 4,629	$—	$ 4,259
Alliant Holdings Intermediate, LLC	15,000	—	188	14,812
American Media, Inc.	1,778	770	154	854
Aptevo Therapeutics Inc.	15,000	8,571	—	6,429
Avantor Performance Materials Holdings, LLC	6,629	737	72	5,820
Dynamic Product Tankers, LLC	2,250	—	2,250	—
Endologix, Inc.	5,000	—	—	5,000
Invuity, Inc.	12,000	6,667	—	5,333
LabVantage Solutions Limited	3,674	—	—	3,674
Merx Aviation Finance, LLC	3,600	—	3,600	—
Merx Aviation Finance Assets Ireland Limited	177	—	177	—
My Alarm Center, LLC	19,122	16,958	—	2,164
Novadaq Technologies Inc.	13,000	3,333	—	9,667
Oxford Immunotec, Inc.	1,000	—	—	1,000
PSI Services, LLC	455	198	—	257
SESAC Holdco II LLC	587	—	—	587
SHD Oil & Gas, LLC (f/k/a Spotted Hawk Development LLC)	18,000	6,750	—	11,250
Tibco Software Inc.	6,000	—	—	6,000
TricorBraun Holdings, Inc.	5,625	960	—	4,665
UniTek Global Services Inc.	12,762	—	7,762	5,000
Westinghouse Electric Co LLC	40,000	17,500	—	22,500
Wright Medical Group, Inc.	50,000	10,000	—	40,000
Total Commitments	$ 240,547	$ 77,073	$14,203	$ 149,271

(24) As of March 31, 2017, Dynamic Product Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-3 units which are identical except that Class A-1 unit is voting and Class A-3 unit is non-voting. The units entitle the Company to appoint three out of five managers to the board of managers.

(25) As of March 31, 2017, MSEA Tankers, LLC had various classes of limited liability interests outstanding of which the Company holds Class A-1 and Class A-2 units which are identical except that Class A-1 unit is voting and Class A-2 unit is non-voting. The units entitle the Company to appoint two out of three managers to the board of managers.

(26) As of March 31, 2017, the Company holds two classes of shares in Solarplicity Group Limited. The Company holds 434 shares of Class A shares (non-voting) and 2,391 shares of Class B (voting).

(27) This security is included in the Cash and Cash Equivalents on the Statements of Assets and Liabilities.

See notes to financial statements.

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(In thousands, except share data)

(28) The following shows the composition of the Company's portfolio at cost by control designation, investment type and industry as of March 31, 2017:

Industry	First Lien - Secured Debt	Second Lien - Secured Debt	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Non-Controlled / Non-Affiliated Investments								
Advertising, Printing & Publishing	$15,773	$9,951	$—	$—	$—	$ —	$—	$25,724
Aerospace & Defense	—	21,297	—	—	—	—	—	21,297
Automotive	—	29,425	—	—	—	—	—	29,425
Broadcasting & Subscription	—	2,219	—	—	—	—	—	2,219
Business Services	136,726	244,405	135,000	—	—	4,500	—	520,631
Chemicals, Plastics & Rubber	58,689	15,102	—	—	—	—	—	73,791
Consumer Goods – Durable	—	17,319	35	—	—	—	—	17,354
Containers, Packaging & Glass	488	16,213	—	—	—	—	—	16,701
Diversified Investment Vehicles, Banking, Finance, Real Estate	—	7,906	—	100,910	—	—	—	108,816
Education	—	—	—	—	71,050	175	1,601	72,826
Energy – Electricity	17,064	—	—	—	4,409	—	—	21,473
Food & Grocery	—	24,713	—	—	—	—	—	24,713
Healthcare & Pharmaceuticals	37,811	65,312	—	—	—	6,002	80	109,205
High Tech Industries	153,282	13,359	—	—	—	—	—	166,641
Hotel, Gaming, Leisure, Restaurants	2,500	19,649	—	—	—	—	—	22,149
Insurance	(1,152)	61,680	—	—	—	—	—	60,528
Manufacturing, Capital Equipment	—	63,608	—	—	—	—	—	63,608
Media – Diversified & Production	(52)	3,209	—	—	—	—	—	3,157
Metals & Mining	12,428	—	—	—	—	—	—	12,428
Telecommunications	44,076	9,768	8,546	—	—	—	—	62,390
Transportation – Cargo, Distribution	—	33,746	14,809	—	—	1,712	—	50,267
Utilities – Electric	—	—	—	25,637	—	—	—	25,637
Total Non-Controlled / Non-Affiliated Investments	$477,633	$658,881	$158,390	$126,547	$75,459	$ 12,389	$1,681	$1,510,980
Non-Controlled / Affiliated Investments								
Diversified Investment Vehicles, Banking, Finance, Real Estate	$—	$—	$—	$36,695	$—	$ 69,040	$—	$105,735
Energy – Electricity	146,598	—	2,499	—	13,911	14,435	—	177,443
Energy – Oil & Gas	26,665	—	337	—	—	41,616	48,170	116,788
Environmental Industries	—	—	—	—	—	17,505	—	17,505

Total Non-Controlled / Affiliated Investments	$173,263	$—	$2,836	$36,695	$13,911	$ 142,596	$48,170	$417,471
Controlled Investments								
Aviation and Consumer Transport	$374,084	$—	$—	$—	$—	$ 19,204	$—	$393,288
Energy – Oil & Gas	102,021	27,617	—	—	—	31,490	—	161,128
Transportation – Cargo, Distribution	—	—	—	—	—	122,556	—	122,556
Total Controlled Investments	$476,105	$27,617	$—	$—	$—	$ 173,250	$—	$676,972
Total	$1,127,001	$686,498	$161,226	$163,242	$89,370	$ 328,235	$49,851	$2,605,423

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APOLLO INVESTMENT CORPORATION
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(In thousands, except share data)

(29) The following shows the composition of the Company’s portfolio at fair value by control designation, investment type and industry as of March 31, 2017:

Industry	First Lien - Secured Debt	Second Lien - Secured Debt	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total	% of Net Assets
Non-Controlled / Non-Affiliated Investments									
Advertising, Printing & Publishing	$16,237	$10,023	$—	$—	$—	$—	$—	$26,260	1.7 %
Aerospace & Defense	—	22,246	—	—	—	—	—	22,246	1.5 %
Automotive	—	29,849	—	—	—	—	—	29,849	2.0 %
Broadcasting & Subscription	—	1,340	—	—	—	—	—	1,340	0.1 %
Business Services	128,042	248,080	135,000	—	—	4,500	—	515,622	34.7 %
Chemicals, Plastics & Rubber	50,572	14,970	—	—	—	—	—	65,542	4.4 %
Consumer Goods – Durable	—	17,252	47	—	—	231	—	17,530	1.2 %
Containers, Packaging & Glass	960	9,297	—	—	—	—	—	10,257	0.7 %
Diversified Investment Vehicles, Banking, Finance, Real Estate	—	8,000	—	99,834	—	—	—	107,834	7.3 %
Energy – Electricity	17,064	—	—	—	—	—	—	17,064	1.2 %
Food & Grocery	—	25,094	—	—	—	—	—	25,094	1.7 %
Healthcare & Pharmaceuticals	37,517	64,278	—	—	—	—	94	101,889	6.9 %
High Tech Industries	152,427	13,465	—	—	—	—	—	165,892	11.2 %
Hotel, Gaming, Leisure, Restaurants	2,375	19,625	—	—	—	—	—	22,000	1.5 %
Insurance	(706)	62,427	—	—	—	—	—	61,721	4.2 %
Manufacturing, Capital Equipment	—	64,747	—	—	—	—	—	64,747	4.4 %
Media – Diversified & Production	(44)	3,254	—	—	—	—	—	3,210	0.2 %
Metals & Mining	705	—	—	—	—	—	—	705	— %
Telecommunications	44,722	9,874	8,717	—	—	—	—	63,313	4.3 %
Transportation – Cargo, Distribution	—	33,830	15,119	—	—	1,730	—	50,679	3.4 %
Utilities – Electric	—	—	—	29,615	—	—	—	29,615	2.0 %
Total Non-Controlled / Non-Affiliated	$449,871	$657,651	$158,883	$129,449	$—	$6,461	$94	$1,402,409	94.6 %

Investments									
% of Net Assets	30.4%	44.4%	10.7%	8.7%	—%	0.4%	—%	94.6%	
Non-Controlled / Affiliated Investments									
Diversified Investment Vehicles, Banking, Finance, Real Estate	$—	$—	$—	$37,444	$—	$24,285	$—	$61,729	4.2%
Energy – Electricity	119,426	—	2,501	—	25,637	14,340	—	161,904	10.9%
Energy – Oil & Gas	15,417	—	—	—	—	—	—	15,417	1.0%
Total Non-Controlled / Affiliated Investments	$134,843	$—	$2,501	$37,444	$25,637	$38,625	$—	$239,050	16.1%
% of Net Assets	9.1%	—%	0.2%	2.5%	1.7%	2.6%	—%	16.1%	
Controlled Investments									
Aviation and Consumer Transport	$374,084	$—	$—	$—	$—	$48,811	$—	$422,895	28.6%
Energy – Oil & Gas	90,434	27,617	—	—	—	18,862	—	136,913	9.2%
Transportation – Cargo, Distribution	—	—	—	—	—	115,441	—	115,441	7.8%
Total Controlled Investments	$464,518	$27,617	$—	$—	$—	$183,114	$—	$675,249	45.6%
% of Net Assets	31.3%	1.9%	—%	—%	—%	12.4%	—%	45.6%	
Total	$1,049,232	$685,268	$161,384	$166,893	$25,637	$228,200	$94	$2,316,708	156.3%
% of Net Assets	70.8%	46.3%	10.9%	11.2%	1.7%	15.4%	—%	156.3%	

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APOLLO INVESTMENT CORPORATION
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Industry Classification	Percentage of Total Investments (at Fair Value) as of March 31, 2017
Business Services	22.3%
Aviation and Consumer Transport	18.3%
Energy – Electricity	7.7%
Diversified Investment Vehicles, Banking, Finance, Real Estate	7.3%
Transportation – Cargo, Distribution	7.2%
High Tech Industries	7.2%
Energy – Oil & Gas	6.6%
Healthcare & Pharmaceuticals	4.4%
Chemicals, Plastics & Rubber	2.8%
Manufacturing, Capital Equipment	2.8%
Telecommunications	2.7%
Insurance	2.7%
Automotive	1.3%
Utilities – Electric	1.3%
Advertising, Printing & Publishing	1.1%
Food & Grocery	1.1%
Aerospace & Defense	1.0%
Hotel, Gaming, Leisure, Restaurants	0.9%
Consumer Goods – Durable	0.7%
Containers, Packaging & Glass	0.4%
Media – Diversified & Production	0.1%
Broadcasting & Subscription	0.1%
Metals & Mining	0.0%
Education	0.0%
Environmental Industries	0.0%
Total Investments	100.0%

See notes to financial statements.
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APOLLO INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
(In thousands, except share and per share data)

Note 1. Organization

Apollo Investment Corporation (the “Company,” “Apollo Investment,” “AIC,” “we,” “us,” or “our”), a Maryland corporation incorporated 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 Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). We commenced operations on April 8, 2004 receiving net proceeds of $870,000 from our initial public offering by selling 62 million shares of common stock at a price of $15.00 per share. Since then, and through March 31, 2018, we have raised approximately $2,210,067 in net proceeds from additional offerings of common stock and repurchased common stock for $120,101.

Apollo Investment Management, L.P. (the “Investment Adviser” or “AIM”) is our investment adviser and an affiliate of Apollo Global Management, LLC and its consolidated subsidiaries (“AGM”). The Investment Adviser, subject to the overall supervision of our Board of Directors, manages the day-to-day operations of and provides investment advisory services to the Company.

Apollo Investment Administration, LLC (the “Administrator” or “AIA”), an affiliate of AGM, provides, among other things, administrative services and facilities for the Company. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Our investment objective is to generate current income and capital appreciation. We invest primarily in various forms of debt investments, including secured and unsecured debt, loan investments, and/or equity in private middle-market companies. We may also invest in the securities of public companies and in structured products and other investments such as collateralized loan obligations (“CLOs”) and credit-linked notes (“CLNs”). 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 may include equity interests such as common stock, preferred stock, warrants and/or options.

Note 2. Significant Accounting Policies

The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) pursuant to the requirements on Form 10-K, ASC 946, Financial Services — Investment Companies (“ASC 946”), and Articles 6, 10 and 12 of Regulation S-X. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of the financial statements for the periods presented, have been included.

Under the 1940 Act, ASC 946, and the regulations pursuant to Article 6 of Regulation S-X, we are precluded from consolidating any entity other than another investment company or an operating company which provides substantially all of its services to benefit us. Consequently, as of March 31, 2018, the Company consolidated some special purposes entities. These special purposes entities only hold investments of the Company and have no other significant asset and liabilities. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income, expenses, gains and losses during the reported periods. Changes in the economic environment, financial markets, credit worthiness of our portfolio companies and any other parameters used in determining these estimates could cause actual results to differ materially.

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Cash and Cash Equivalents

The Company defines cash equivalents as securities that are readily convertible into known amounts of cash and near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with a maturity of three months or less from the date of purchase would qualify, with limited exceptions. The Company deems that certain money market funds, U.S. Treasury bills, repurchase agreements, and other high-quality, short-term debt securities would qualify as cash equivalents.

Cash and cash equivalents are carried at cost which approximates fair value. Cash equivalents held as of March 31, 2018 was $14,035. Cash equivalents held as of March 31, 2017 was $9,783.

Collateral on Option Contracts

Collateral on option contracts represents restricted cash held by our counterparty as collateral against our derivative instruments until such contracts mature or are settled upon per agreement of buyer and seller of the contract. In accordance with Accounting
Standards Update No. 2016-18, Statement of Cash Flows: Restricted Cash, the Statements of Cash Flows outline the changes in cash, including both restricted and unrestricted cash, cash equivalents and foreign currencies.

Investment Transactions

Investments are recognized when we assume an obligation to acquire a financial instrument and assume the risks for gains and losses related to that instrument. Investments are derecognized when we assume an obligation to sell a financial instrument and forego the risks for gains or losses related to that instrument. Specifically, we record all security transactions on a trade date basis. Amounts for investments recognized or derecognized but not yet settled are reported as a receivable for investments sold and a payable for investments purchased, respectively, in the Statements of Assets and Liabilities.

Fair Value Measurements

The Company follows guidance in ASC 820, Fair Value Measurement ("ASC 820"), where fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are determined within a framework that establishes a three-tier hierarchy which maximizes the use of observable market data and minimizes the use of unobservable inputs to establish a classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as the risk inherent in a particular valuation technique used to measure fair value using a pricing model and/or the risk inherent in the inputs for the valuation technique. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the information available. The inputs or methodology used for valuing assets or liabilities may not be an indication of the risks associated with investing in those assets or liabilities.

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 us 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. The level assigned to the investment valuations may not be indicative of the risk or liquidity associated with investing in such investments. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may differ materially from the values that would be received upon an actual disposition of such investments.

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Investment Valuation Process

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, 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 unavailable or 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 third party valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such investments. Investments purchased within 15 business days before the valuation date and debt investments with remaining maturities of 60 days or less may each be valued at cost with interest accrued or discount amortized to the date of maturity (although they are typically valued at available market quotations), unless such valuation, in the judgment of our Investment Adviser, does not represent fair value. In this case such investments shall be valued at fair value as determined in good faith by or under the direction of our Board of Directors including using market quotations where available. 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 investment being initially valued by the investment professionals of our Investment Adviser who are responsible for the 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 firms and responds, if warranted, to the valuation recommendation of the independent valuation firms.
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, and the Audit Committee of the Board of Directors.

Investments determined by these valuation procedures which have a fair value of less than $1 million during the prior fiscal quarter may be valued based on inputs identified by the Investment Adviser without the necessity of obtaining valuation from an independent valuation firm, if once annually an independent valuation firm using the procedures described herein provides an independent assessment of value. 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, seniority of investment in the investee company’s capital structure, 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 as an input in the valuation process. During the year ended March 31, 2018, there were no significant changes to the Company's valuation techniques and related inputs considered in the valuation process.

Derivative Instruments

The Company recognizes all derivative instruments as assets or liabilities at fair value in its financial statements. Derivative contracts entered into by the Company are not designated as hedging instruments, and as result the Company presents changes in fair value and realized gains or losses through current period earnings.

Derivative instruments are measured in terms of the notional contract amount and derive their value based upon one or more underlying instruments. Derivative instruments are subject to various risks similar to non-derivative instruments including market, credit, liquidity, and operational risks. The Company manages these risks on an aggregate basis as part of its risk management process. The derivatives may require the Company to pay or receive an upfront fee or premium. These upfront fees or premiums are carried forward as cost or proceeds to the derivatives.

Exchange-traded derivatives which include put and call options are valued based on the last reported sales price on the date of valuation. Over-the-counter ("OTC") derivatives, including credit default swaps, are valued by the Investment Adviser using quotations from counterparties. In instances where models are used, the value of the OTC derivative is derived from the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs, such as credit spreads.

Offsetting Assets and Liabilities

The Company has elected not to offset cash collateral against the fair value of derivative contracts. The fair values of these derivatives are presented on a gross basis, even when derivatives are subject to master netting agreements. The Company's disclosures regarding offsetting are discussed in Note 7 to the financial statements.

Valuation of Other Financial Assets and Financial Liabilities

ASC 825, Financial Instruments, permits an entity to choose, at specified election dates, to measure certain assets and liabilities at fair value (the "Fair Value Option"). We have not elected the Fair Value Option to report selected financial assets and financial liabilities. Debt issued by the Company is reported at amortized cost (see Note 8 to the financial statements). The carrying value of all other financial assets and liabilities approximates fair value due to their short maturities or their close proximity of the originations to the measurement date.

Realized Gains or Losses

Security transactions are accounted for on a trade date basis. Realized gains or losses on investments are calculated by using the specific identification method. Securities that have been called by the issuer are recorded at the call price on the call effective date.

Investment Income 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 payment-in-kind ("PIK") interest or dividends. PIK income computed at the contractual rate is 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 fully 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 believes that PIK is expected to be realized.

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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.

Loan origination fees, original issue discount ("OID"), and market discounts are capitalized and accreted into interest income over the respective terms of the applicable loans using the effective interest method or straight-line, as applicable. Upon the prepayment of a loan, prepayment premiums, any unamortized loan origination fees, OID, or market discounts are recorded as interest income. Other income generally includes amendment fees, bridge fees, and structuring fees which are recorded when earned.

The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults) of the underlying pool of assets. These assumptions are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. A structured product investment typically has an underlying pool of assets. Payments on structured product investments are and will be payable solely from the cash flows from such assets. As such, any unforeseen event in these underlying pools of assets might impact the expected recovery of principal and future accrual of income.

Expenses

Expenses include management fees, performance-based incentive fees, insurance expenses, administrative service fees, legal fees, directors' fees, audit and tax service expenses, third-party valuation fees and other general and administrative expenses. Expenses are recognized on an accrual basis.

Financing Costs

The Company records expenses related to shelf filings and applicable offering costs as deferred financing costs in the Statements of Assets and Liabilities. To the extent such expenses relate to equity offerings, these expenses are charged as a reduction of capital upon utilization, in accordance with ASC 946-20-25, or charged to expense if no offering is completed.

The Company records origination and other expenses related to its debt obligations as deferred financing costs. The deferred financing cost for all outstanding debt is presented as a direct deduction from the carrying amount of the related debt liability, except that incurred under the Senior Secured Facility (as defined in Note 8 to the financial statements), which the Company presents as an asset on the Statements of Assets and Liabilities. These expenses are deferred and amortized as part of interest expense using the straight-line method over the stated life of the obligation which approximates the effective yield method. In the event that we modify or extinguish our debt before maturity, the Company follows the guidance in ASC 470-50, Modification and Extinguishments ("ASC 470-50"). For modifications to or exchanges of our Senior Secured Facility (as defined in Note 8 to the financial statements), any unamortized deferred financing costs relating to lenders who are not part of the new lending group are expensed. For extinguishments of our senior secured notes and senior unsecured notes, any unamortized deferred financing costs are deducted from the carrying amount of the debt in determining the gain or loss from the extinguishment.

Foreign Currency Translations

The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the foreign exchange rate on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. The Company's investments in foreign securities may involve certain risks, including without limitation: foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

Dividends and Distributions

Dividends and distributions to common stockholders are recorded as of the ex-dividend date. The amount to be paid out as a distribution is determined by the Board of Directors each quarter. Net realized capital gains, if any, are generally distributed or deemed distributed at least annually.

Share Repurchases

In connection with the Company's share repurchase program, the cost of shares repurchased is charged to net assets on the trade date.

Federal and State Income Taxes

We have elected to be treated as a RIC under the Code and operate in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must (among other requirements) meet certain source-of-income and asset diversification requirements and timely distribute to its stockholders at least 90% of its investment company taxable income as defined by the Code, for each year. The Company (among other requirements) has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from corporate-level income taxes. For income tax purposes, distributions made to stockholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The tax character of distributions paid to stockholders through March 31, 2018 may include return of capital, however, the exact amount cannot be determined at this point. The final determination of the tax character of distributions will not be made until we file our tax return for the tax year ending March 31, 2018. The character of income and gains that we will distribute is determined in accordance with income tax regulations that may differ from GAAP. Book and tax basis differences relating to stockholder dividend and distributions and other permanent book and tax difference are reclassified to paid-in capital.

If we do not distribute (or are not deemed to have distributed) at least 98% of our annual ordinary income and 98.2% of our capital gains in the calendar year earned, we will generally be required to pay excise tax equal to 4% of the amount by which 98% of our annual ordinary income and 98.2% of our capital gains exceed the distributions from such taxable income for the year. To the extent that we determine that our estimated current year annual taxable income will be in excess of estimated current year dividend distributions from such taxable income, we accrue excise taxes, if any, on estimated undistributed taxable income.

If we fail to satisfy the annual distribution requirement or otherwise fail to qualify as a RIC in any taxable year, we would be subject to tax on all of our taxable income at regular corporate rates. Distribution would generally be taxable to our individual and other non-corporate taxable stockholders as ordinary dividend income eligible for the reduced maximum rate applicable to qualified dividend income to the extent of our current and accumulated earnings and profits provided certain holding period and other requirements are met. Subject to certain limitation under the Code, corporate distributions would be eligible for the dividend-received deduction. To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our accumulated earnings and profits payable by us as an additional tax. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then, in order to qualify as a RIC in a subsequent year, we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of five years.

We follow ASC 740, Income Taxes ("ASC 740"). ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are recorded as a tax benefit or expense in the current year. Penalties or interest, if applicable, that may be assessed relating to income taxes would be classified as other operating expenses in the financial statements. As of March 31, 2018, there were no uncertain tax positions and no amounts accrued for interest or penalties. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based upon factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof. Although we file both federal and state income tax returns, our major tax jurisdiction is federal. Our tax returns for each of our federal tax years since 2015 remain subject to examination by the Internal Revenue Service.

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Recent Accounting Pronouncements

In May 2014, the FASB issued guidance to establish a comprehensive and converged standard on revenue recognition to enable financial statement users to better understand and consistently analyze an entity's revenue across industries, transactions, and geographies. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As such, this new guidance could impact the timing of revenue recognition. The new guidance also requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The new guidance will apply to all entities. In August 2015, FASB issued its final standard formally amending the effective date of the new revenue recognition guidance. The amended guidance defers the effective date of the new guidance to interim reporting periods within annual reporting periods beginning after December 15, 2017. Public business entities are permitted to apply the new guidance early, but not before the original effective date (i.e., interim periods within annual periods beginning after December 15, 2016). The application of this guidance is not expected to have a material impact on our financial statements.

In August 2016, the FASB issued guidance intended to reduce diversity in practice in how certain cash receipts and payments are classified in the statement of cash flows, including debt prepayment or extinguishment costs, the settlement of contingent liabilities arising from a business combination, proceeds from insurance settlements, and distributions from certain equity method investments. The guidance is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The application of this guidance is not expected to have a material impact on our financial statements.

Note 3. Related Party Agreements and Transactions

Investment Advisory Agreement with AIM

The Company has an investment advisory management agreement with the Investment Adviser (the "Investment Advisory Agreement") under which AIM receives a fee from the Company, consisting of two components — a base management fee and a performance-based incentive fee.

Base Management Fee

The base management fee is determined by taking the average value of our gross assets, net of the average of any payable for investments at the end of the two most recently completed calendar quarters calculated at an annual rate of 2%.

Management Fee Waiver

Effective April 1, 2017 through March 31, 2018 (the "waiver period"), the Investment Adviser has agreed to waive 25% of its base management fee so that base management fee is reduced from 2% to 1.50%.

The same waiver was in effect for the year ended March 31, 2017.

Performance-based Incentive Fee

Incentive Fee on Pre-Incentive Fee Net Investment Income

The first part of the incentive fee is calculated and payable quarterly in arrears based on our pre-incentive fee net investment income for the immediately preceding calendar quarter at an annual rate of 20%. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as structuring fees, administrative fees, amendment fees, rebate fees, and bridge fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus our operating expenses for the quarter (including the base management fee, any expenses payable under an administration agreement between the Company and the Administrator, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized) (the “performance threshold”). If the resulting incentive fee rate is less than 20% due to the incentive fee waiver discussed below, the percentage at which the Investment Adviser’s 100% catch-up is complete will also be reduced ratably from 2.1875% (8.75% annualized) to as low as 2.06% (8.24% annualized) (“catch-up threshold”).

The Company pays the Investment Adviser an incentive fee with respect to our pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 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 1.75% but does not exceed the catch-up threshold in any calendar quarter; and (3) 15% to 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds catch-up threshold in any calendar quarter. These calculations are appropriately prorated 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 catch-up threshold, the Investment Adviser will receive a fee of 15% to 20% of our pre-incentive fee net investment income for the quarter.

Incentive Fee Waiver

Effective April 1, 2017 through March 31, 2018, the Investment Adviser has agreed to waive up to 25% of its performance-based incentive fee so that the incentive fee on pre-incentive fee net investment income could be accrued at as low a rate as 15% to the extent the Company experiences cumulative net realized and change in unrealized losses during the waiver period ("cumulative net losses"). The inclusion of cumulative net gains and cumulative net losses will be measured on a cumulative basis from April 1, 2017 through the end of each quarter during the waiver period. Any cumulative net gains will result in a dollar for dollar increase in the incentive fee payable up to a maximum rate of 20% and any cumulative net losses will result in a dollar for dollar decrease in the incentive fee payable down to a minimum rate of 15%.

The same waiver and calculation was in effect for the year ended March 31, 2017.

Incentive Fee on Cumulative Net Realized Gains

The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory Agreement, as of the termination date) and will equal 20% of our cumulative realized capital gains less cumulative realized capital losses, unrealized capital loss (unrealized loss on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser. For accounting purposes only, we are required under GAAP to accrue a theoretical capital gains incentive fee based upon net realized capital gains and unrealized capital gain and loss on investments held at the end of each period. The accrual of this theoretical capital gains incentive fee assumes all unrealized capital gain and loss is realized in order to reflect a theoretical capital gains incentive fee that would be payable to the Investment Adviser at each measurement date. There was no accrual for theoretical capital gains incentive fee for the years ended March 31, 2018 and March 31, 2017. It should be noted that a fee so calculated and accrued would not be payable under the Investment Advisers Act of 1940 (the "Advisers Act") or the Investment Advisory Agreement, and would not be paid based upon such computation of capital gains incentive fees in subsequent periods. Amounts actually paid to the Investment Adviser will be consistent with the Advisers Act and formula reflected in the Investment Advisory Agreement which specifically excludes consideration of unrealized capital gain.

Management Fee and Incentive Fee Waivers Prior to April 1, 2016

Effective April 2, 2012 through March 31, 2016, AIM has agreed to voluntarily waive the management fees and incentive fees on the common shares issued on April 2, 2012 and May 20, 2013. The Investment Adviser has also entered into an investment sub-advisory agreement with CION Investment Corporation ("CION") (the "Sub-Advisory Agreement") under which AIM receives management and incentive fees from CION in connection with the investment advisory services provided. For the period between April 1, 2014 and March 31, 2016, the Investment Adviser has agreed to waive all base management fees receivable under the Investment Advisory Agreement with the Company in the amount equal to the amount actually received by AIM from CION less the fully allocated incremental expenses accrued by AIM.

Deferred Payment of Certain Incentive Fees

For the period between April 1, 2013 and March 31, 2018, AIM has agreed to be paid the portion of the incentive fee that is attributable to interest or dividend income on PIK securities when the Company receives such interest or dividend income in cash. The accrual of incentive fee shall be reversed if such interest or dividend income is written off or determined to be no longer realizable. Upon payment of the deferred incentive fee, AIM will also receive interest on the deferred incentive fee at an annual rate of 3.25% for the period between the date in which the incentive fee is earned and the date of payment.

For the years ended March 31, 2018, 2017 and 2016, the Company recognized $47,937, $52,934 and $66,176, respectively, of management fees, and $28,710, $18,776 and $43,943, respectively, of incentive fees before impact of waived fees. For the years ended March 31, 2018, 2017 and 2016, management fees waived were $11,984, $13,234 and $14,351, respectively, and incentive fees waived were $7,734, $7,999 and $5,089, respectively. As of March 31, 2018 and March 31, 2017, management and performance-based incentive fees payable were $16,585 and $16,306, respectively.

For the years ended March 31, 2018, 2017 and 2016, the amount of incentive fees on PIK income for which payments have been deferred were $1,543, $1,955 and $7,001, respectively. For the years ended March 31, 2018, 2017 and 2016, the Company reversed $2,224, $13,220 and $874, respectively, of the deferred incentive fee payable related to PIK income which were deemed to be no longer realizable. As of March 31, 2018 and March 31, 2017, the cumulative deferred incentive fee on PIK income included in management and performance-based incentive fee payable line of the Statements of Assets and Liabilities were $3,066 and $2,317, respectively.

For the years ended March 31, 2018, 2017 and 2016, the amount of interest on deferred incentive fees accrued were $100, $300 and $309. For the years ended March 31, 2018, 2017 and 2016, the Company reversed $43, $573 and $20 of the accrued interest payable on deferred incentive fees related to PIK income which were deemed to be no longer realizable. As of March 31, 2018 and March 31, 2017, the accrued interest payable on deferred incentive fees were $85 and $29, respectively.

Administration Agreement with AIA

The Company has also entered into an administration agreement with the Administrator (the “Administration Agreement”) under which AIA provides administrative services for the Company. For providing these services, facilities and personnel, the Company reimburses the Administrator for the allocable portion of overhead and other expenses incurred by the Administrator and requested to be reimbursed by the Administrator in performing its obligations under the Administration Agreement. The expenses include rent and the Company’s allocable portion of compensation and other related expenses for its Chief Financial Officer, Chief Legal Officer and Chief Compliance Officer and their respective staffs. For the years ended March 31, 2018, 2017 and 2016, the Company recognized administrative services expense under the Administration Agreement of $6,915, $7,513 and $6,449, respectively. There was no payable to AIA and its affiliates for expenses paid on our behalf as of March 31, 2018 and March 31, 2017.

Administrative Service Expense Reimbursement

Merx Aviation Finance, LLC (“Merx”), a wholly-owned portfolio company of the Company, has entered into an administration agreement with the Administrator (the “Merx Administration Agreement”) under which AIA provides administrative services to Merx. For the years ended March 31, 2018, 2017 and 2016, the Company recognized administrative service expense reimbursements of $250, $250 and $150, respectively, under the Merx Administration Agreement.

Debt Expense Reimbursements

The Company has also entered into debt expense reimbursement agreements with Merx Aviation Finance Assets Ireland Limited (an affiliate of Merx), Dynamic Product Tankers, LLC and UniTek Global Services Inc. which will reimburse the Company for reasonable out-of-pocket expenses incurred, including any interest, fees or other amounts incurred by the Company in connection with letters of credit issued on their behalf. For the years ended March 31, 2018, 2017 and 2016, the Company recognized debt expense reimbursements of $332, $86 and $85, respectively, under the debt expense reimbursement agreements.

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Co-Investment Activity

We may co-invest on a concurrent basis with affiliates of ours, subject to compliance with applicable regulations and our allocation procedures. Certain types of negotiated co-investments may be made only in accordance with the terms of the exemptive order we received from the SEC permitting us to do so. On March 29, 2016, we received an exemptive order from the SEC (the “Order”) permitting us greater flexibility to negotiate the terms of co-investment transactions with certain of our affiliates, including investment funds managed by AIM or its affiliates, subject to the conditions included therein. Under the terms of the Order, a “required majority” (as defined in Section 57(o) of the 1940 Act) of our independent directors must be able to reach certain conclusions in connection with a co-investment transaction, including that (1) the terms of the proposed transaction are reasonable and fair to us and our stockholders and do not involve overreaching of us or our stockholders on the part of any person concerned, and (2) the transaction is consistent with the interests of our stockholders and is consistent with our Board of Directors’ approved criteria. In certain situations where co-investment with one or more funds managed by AIM or its affiliates is not covered by the Order, the personnel of AIM or its affiliates will need to decide which fund will proceed with the investment. Such personnel will make these determinations based on allocation policies and procedures, which are designed to reasonably ensure that investment opportunities are allocated fairly and equitably among affiliated funds over time and in a manner that is consistent with applicable laws, rules and regulations. The Order is subject to certain terms and conditions so there can be no assurance that we will be permitted to co-invest with certain of our affiliates other than in the circumstances currently permitted by regulatory guidance and the Order.

As of March 31, 2018, the Company’s co-investment holdings were 22% of the portfolio or $498,704, measured at fair value. On a cost basis, 22% of the portfolio or $497,418 were co-investments. As of March 31, 2017, the Company’s co-investment holdings were 6% of the portfolio or $142,133, measured at fair value. On a cost basis, 5% of the portfolio or $141,654 were co-investments.

Note 4. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share (“EPS”), pursuant to ASC 260-10, for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
Basic and Diluted Earnings (Loss) Per Share (1)			
Net increase (decrease) in net assets resulting from operations	$87,029	$ 18,370	$ (44,526)
Weighted average shares outstanding	218,623,840	222,415,073	232,555,815
Basic and diluted earnings (loss) per share	$0.40	$ 0.08	$ (0.19)

(1) Diluted earnings (loss) per share is calculated using the if-converted method. In applying the if-converted method, conversion is not assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For the years ended March 31, 2018 and March 31, 2017, the Company did not have any convertible notes. As such, diluted EPS was not applicable. For the year ended March 31, 2016, anti-dilution would total $0.04.

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Note 5. Investments
Fair Value Measurement and Disclosures
The following table shows the composition of our investment and derivative portfolio as of March 31, 2018, with the fair value disaggregated into the three levels of the fair value hierarchy in accordance with ASC 820:

			Fair Value Hierarchy		
	Cost	Fair Value	Level 1	Level 2	Level 3
First Lien Secured Debt	$1,144,585	$1,131,943	$—	$—	$1,131,943
Second Lien Secured Debt	719,650	706,011	—	290,673	415,338
Unsecured Debt	102,716	103,166	—	13,049	90,117
Structured Products and Other	68,227	67,967	—	—	67,967
Preferred Equity	20,076	31,052	—	—	31,052
Common Equity/Interests	212,979	207,657	—	—	207,657
Warrants	363	251	—	—	251
Total Investments before Option Contracts and Cash Equivalents	$2,268,596	$2,248,047	$—	$303,722	$1,944,325
Purchased Put Options	$5,758	$1,226	$1,226	$—	$—
Written Call Options	(5,736)	(20,350)	(20,350)	—	—
Total Option Contracts	$22	$(19,124)	$(19,124)	$—	$—
Money Market Fund	$14,035	$14,035	$14,035	$—	$—
Total Cash Equivalents	$14,035	$14,035	$14,035	$—	$—
Total Investments after Option Contracts and Cash Equivalents	$2,282,653	$2,242,958	$(5,089)	$303,722	$1,944,325

The following table shows the composition of our investment portfolio as of March 31, 2017, with the fair value disaggregated into the three levels of the fair value hierarchy in accordance with ASC 820:

			Fair Value Hierarchy		
	Cost	Fair Value	Level 1	Level 2	Level 3
First Lien Secured Debt	$1,127,001	$1,049,232	$—	$—	$1,049,232
Second Lien Secured Debt	686,498	685,268	—	238,496	446,772
Unsecured Debt	161,226	161,384	—	15,166	146,218
Structured Products and Other	163,242	166,893	—	—	166,893
Preferred Equity	89,370	25,637	—	—	25,637
Common Equity/Interests	328,235	228,200	—	—	228,200
Warrants	49,851	94	—	—	94
Total Investments before Cash Equivalents	$2,605,423	$2,316,708	$—	$253,662	$2,063,046
Money Market Fund	$9,783	$9,783	$9,783	$—	$—
Total Cash Equivalents	$9,783	$9,783	$9,783	$—	$—
Total Investments after Cash Equivalents	$2,615,206	$2,326,491	$9,783	$253,662	$2,063,046

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The following table shows changes in the fair value of our Level 3 investments during the year ended March 31, 2018:

	First Lien Secured Debt (2)	Second Lien Secured Debt (2)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of March 31, 2017	$1,049,232	$446,772	$146,218	$166,893	$25,637	$ 228,200	$ 94	$2,063,046
Net realized gains (losses)	(38,176)	48	(92)	1,314	(98,134)	(79,448)	(49,771)	(264,259)
Net change in unrealized gains (losses)	65,126	(12,364)	363	(3,911)	97,384	72,039	49,645	268,282
Net amortization on investments	3,504	1,986	—	393	—	35	—	5,918
Purchases, including capitalized PIK (3)	682,359	250,474	1,595	46	6,165	37,261	283	978,183
Sales (3)	(630,102)	(238,464)	(57,967)	(96,768)	—	(50,430)	—	(1,073,731)
Transfers out of Level 3 (1)	—	(40,725)	—	—	—	—	—	(40,725)
Transfers into Level 3 (1)	—	7,611	—	—	—	—	—	7,611
Fair value as of March 31, 2018	$1,131,943	$415,338	$90,117	$67,967	$31,052	$ 207,657	$ 251	$1,944,325
Net change in unrealized gains (losses) on Level 3 investments still held as of March 31, 2018	$10,079	$(6,792)	$27	$(4,406)	$1,723	$ (2,722)	$ (126)	$(2,217)

(1) Transfers out of Level 3 are due to an increase in the quantity and reliability of broker quotes obtained and transfers into Level 3 are due to a decrease in the quantity and reliability of broker quotes obtained as assessed by the Investment Adviser. Transfers are assumed to have occurred at the end of the period. There were no transfers between Level 1 and Level 2 fair value measurements during the period shown.
(2) Includes unfunded commitments measured at fair value of $(3,346).
(3) Includes reorganizations and restructuring of investments.

The following table shows changes in the fair value of our Level 3 investments during the year ended March 31, 2017:

	First Lien Secured Debt (1)	Second Lien Secured Debt (1)	Unsecured Debt	Structured Products and Other	Preferred Equity	Common Equity/Interests	Warrants	Total
Fair value as of March 31, 2016	$1,089,156	$491,488	$227,222	$319,530	$68,562	$ 356,940	$—	$2,552,898
Net realized gains (losses)	(71,393)	(53,649)	—	42,375	(246)	45,381	(2,374)	(39,906)
Net change in unrealized gains (losses)	25,726	81,654	16,525	(4,736)	(41,569)	(169,483)	(44,931)	(136,814)
Net amortization on investments	2,609	1,146	320	362	—	139	—	4,576

Purchases, including capitalized PIK (2)	313,272	201,773	16,734	44,235	37,081	115,793	48,250	777,138
Sales (2)	(310,138)	(275,640)	(114,583)	(234,873)	(38,191)	(120,570)	(851)	(1,094,846)
Fair value as of March 31, 2017	$1,049,232	$446,772	$146,218	$166,893	$25,637	$ 228,200	$94	$2,063,046
Net change in unrealized gains (losses) on Level 3 investments still held as of March 31, 2017	$(26,378)	$4,753	$(1,514)	$5,377	$(27,163)	$ (118,983)	$(20,752)	$(184,660)

(1) Includes unfunded commitments measured at fair value of $(2,181).
(2) Includes reorganizations and restructuring of investments.

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The following tables summarize the significant unobservable inputs the Company used to value its investments categorized within Level 3 as of March 31, 2018 and March 31, 2017. In addition to the techniques and inputs noted in the tables below, according to our valuation policy we may also use other valuation techniques and methodologies when determining our fair value measurements. The below tables are not intended to be all-inclusive, but rather provide information on the significant unobservable inputs as they relate to the Company's determination of fair values.
The unobservable inputs used in the fair value measurement of our Level 3 investments as of March 31, 2018 were as follows:

		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average (1)
First Lien Secured Debt	$ (885)	Broker Quoted	Broker Quote	N/A	N/A	N/A
	401,800	Discounted Cash Flow	Discount Rate	2.3%	14.6%	12.3%
	(337)	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	120,331	Recovery Analysis	Commodity Price	$60.00	$66.00	$63.27
	47,170	Recovery Analysis	Recoverable Amount	N/A	N/A	N/A
		Market Comparable Technique	Comparable Multiple	4.9x	4.9x	4.9x
	451	Recovery Analysis	Recoverable Amount	N/A	N/A	N/A
		Yield Analysis	Discount Rate	25.0%	25.0%	25.0%
	6,063	Transaction Price	Expected Proceeds	N/A	N/A	N/A
	557,350	Yield Analysis	Discount Rate	3.7%	14.8%	10.8%
Second Lien Secured Debt	37,456	Broker Quoted	Broker Quote	N/A	N/A	N/A
	10,159	Market Comparable Technique	Comparable Multiple	0.8x	7.9x	7.9x
	30,510	Recovery Analysis	Commodity Price	$64.00	$66.00	$65.54
	337,213	Yield Analysis	Discount Rate	10.9%	14.1%	12.7%
Unsecured Debt	90,117	Yield Analysis	Discount Rate	11.2%	17.0%	11.9%
Structured Products and Other	67,967	Discounted Cash Flow	Discount Rate	9.0%	11.0%	10.4%
Preferred Equity	25,711	Option Pricing Model	Expected Volatility	39.5%	39.5%	39.5%
	5,341	Yield Analysis	Discount Rate	10.8%	12.5%	12.4%
Common Equity/Interests	466	Broker Quoted	Broker Quote	N/A	N/A	N/A
	167,132	Discounted Cash Flow	Discount Rate	10.0%	25.0%	13.4%
	6,810	Market Comparable Technique	Comparable Multiple	7.7x	11.4x	9.0x
	33,249	Recovery Analysis	Commodity Price	$60.00	$66.00	$62.51
Warrants	251	Option Pricing Model	Expected Volatility	37.5%	60.0%	53.0%

Total Level 3 Investments	$1,944,325

(1) The weighted average information is generally derived by assigning each disclosed unobservable input a proportionate weight based on the fair value of the related investment. For the commodity price unobservable input, the weighted average price is an undiscounted price based upon the estimated production level from the underlying reserves.

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The unobservable inputs used in the fair value measurement of our Level 3 investments as of March 31, 2017 were as follows:

		Quantitative Information about Level 3 Fair Value Measurements				
Asset Category	Fair Value	Valuation Techniques/Methodologies	Unobservable Input	Range		Weighted Average (1)
First Lien Secured Debt	$(896)	Broker Quoted	Broker Quote	N/A	N/A	N/A
	493,509	Discounted Cash Flow	Discount Rate	2.3%	14.3%	10.6%
	17,063	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	105,851	Recovery Analysis	Commodity Price	$54.00	$66.00	$64.88
	50,585	Recovery Analysis	Recoverable Amount	N/A	N/A	N/A
		Market Comparable Approach	Comparable Multiple	4.5x	4.5x	4.5x
	705	Yield Analysis	Discount Rate	22.5%	22.5%	22.5%
		Recovery Analysis	Recoverable Amount	N/A	N/A	N/A
	382,415	Yield Analysis	Discount Rate	4.9%	17.5%	11.5%
Second Lien Secured Debt	139,546	Broker Quoted	Broker Quote	N/A	N/A	N/A
	9,296	Market Comparable Approach	Comparable Multiple	7.8x	7.8x	7.8x
	7,800	Recent Transaction	Recent Transaction	N/A	N/A	N/A
	27,618	Recovery Analysis	Commodity Price	$54.00	$66.00	$61.64
	262,512	Yield Analysis	Discount Rate	10.2%	21.1%	12.1%
Unsecured Debt	2,501	Discounted Cash Flow	Discount Rate	21.1%	21.1%	21.1%
	143,717	Yield Analysis	Discount Rate	10.5%	16.1%	10.8%
Structured Products and Other	134,268	Discounted Cash Flow	Discount Rate	10.0%	15.0%	11.3%
	32,625	Recent Transaction	Recent Transaction	N/A	N/A	N/A
Preferred Equity	25,637	Option Pricing Model	Expected Volatility	52.0%	52.0%	52.0%
Common Equity/Interests	231	Broker Quoted	Broker Quote	N/A	N/A	N/A
	178,591	Discounted Cash Flow	Discount Rate	6.0%	21.1%	12.7%
	6,230	Market Comparable Approach	Comparable Multiple	3.9x	12.1x	9.3x
	24,285	Proposed Transaction	Proposed Transaction	N/A	N/A	N/A
	18,863	Recovery Analysis	Commodity Price	$54.00	$66.00	61.6x
Warrants	94	Option Pricing Model	Expected Volatility	60.0%	60.0%	60.0%
Total Level 3 Investments	$2,063,046					

(1) The weighted average information is generally derived by assigning each disclosed unobservable input a proportionate weight based on the fair value of the related investment. For the commodity price unobservable input, the weighted average price is an undiscounted price based upon the estimated production level from the underlying reserves.

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The significant unobservable inputs used in the fair value measurement of the Company's debt and equity securities are primarily earnings before interest, taxes, depreciation and amortization ("EBITDA") comparable multiples and market discount rates. The Company typically uses EBITDA comparable multiples on its equity securities to determine the fair value of investments. The Company uses market discount rates for debt securities to determine if the effective yield on a debt security is commensurate with the market yields for that type of debt security. If a debt security's effective yield is significantly less than the market yield for a similar debt security with a similar credit profile, the resulting fair value of the debt security may be lower. For certain investments where fair value is derived based on a recovery analysis, the Company uses underlying commodity prices from third party market pricing services to determine the fair value and/or recoverable amount, which represents the proceeds expected to be collected through asset sales or liquidation. Further, for certain investments, the Company also considered the probability of future events which are not in management's control. Significant increases or decreases in any of these inputs in isolation would result in a significantly lower or higher fair value measurement. The significant unobservable inputs used in the fair value measurement of the structured products include the discount rate applied in the valuation models in addition to default and recovery rates applied to projected cash flows in the valuation models. Specifically, when a discounted cash flow model is used to determine fair value, the significant input used in the valuation model is the discount rate applied to present value the projected cash flows. Increases in the discount rate can significantly lower the fair value of an investment; conversely decreases in the discount rate can significantly increase the fair value of an investment. The discount rate is determined based on the market rates an investor would expect for a similar investment with similar risks. For certain investments such as warrants, the independent valuation firms engaged by the Company may use an option pricing technique, of which the applicable method is the Black-Scholes Option Pricing Method ("BSM"), to perform independent valuations. The BSM is a model of price variation over time of financial instruments, such as equity, that is used to determine the price of call or put options. Various inputs are required but the primary unobservable input into the BSM model is the underlying asset volatility.

Investment Transactions

For the years ended March 31, 2018, 2017 and 2016, purchases of investments on a trade date basis were $1,049,363, $601,065 and $1,088,517, respectively. For the years ended March 31, 2018, 2017 and 2016, sales and repayments (including prepayments and unamortized fees) of investments on a trade date basis were $1,153,978, $1,094,634 and $1,338,689, respectively.

PIK Income

The Company holds loans and other investments, including certain preferred equity investments, that have contractual PIK income. PIK income computed at the contractual rate is accrued into income and reflected as receivable up to the capitalization date. During the years ended March 31, 2018, 2017 and 2016, PIK income earned was $20,241, $28,164 and $40,078, respectively.

The following table shows the change in capitalized PIK balance for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
PIK balance at beginning of period	$53,262	$73,409	$86,903
PIK income capitalized	14,616	33,389	40,836
Adjustments due to investments exited or written off	(43,054)	(50,646)	(4,688)
PIK income received in cash	(370)	(2,890)	(49,642)
PIK balance at end of period	$24,454	$53,262	$73,409

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Dividend Income

The Company holds structured products and other investments. The CLO equity investments are entitled to recurring distributions which are generally equal to the excess cash flow generated from the underlying investments after payment of the contractual payments to debt holders and fund expenses. The Company records as dividend income the accretable yield from its beneficial interests in structured products such as CLOs based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. During the years ended March 31, 2018, 2017 and 2016 dividend income from structured products was $2,461, $11,465 and $24,920, respectively.

Investments on Non-Accrual Status

As of March 31, 2018, 3.3% of total investments at amortized cost, or 2.3% of total investments at fair value, were on non-accrual status. As of March 31, 2017, 7.0% of total investments at amortized cost, or 3.0% of total investments at fair value, were on non-accrual status.

Unconsolidated Significant Subsidiary

Our investments are generally in small and mid-sized companies in a variety of industries. In accordance with Rules 3-09 and 4-08(g) of Regulation S-X (“Rule 3-09” and “Rule 4-08(g),” respectively), we must determine which of our unconsolidated controlled portfolio companies are considered “significant subsidiaries,” if any. In evaluating these investments, there are three tests utilized to determine if any of our controlled investments are considered significant subsidiaries: the investment test, the asset test, and the income test. Rule 3-09 requires separate audited financial statements of an unconsolidated majority-owned subsidiary in an annual report if any of the three tests exceeds 20%. Rule 4-08(g) requires summarized financial information in an annual report if any of the three tests exceeds 10% and summarized financial information in a quarterly report if any of the three tests exceeds 20%.

As of March 31, 2018, our investment in Merx Aviation Finance, LLC exceeded the 20% threshold in at least one of the tests under Rule 3-09. Accordingly, we are attaching the audited financial statements of Merx Aviation Finance, LLC to Form 10-K.

As of March 31, 2018, our investment in SHD Oil & Gas, LLC exceeded the 10% threshold in at least one of the tests under Rule 4-08(g). Accordingly, summarized financial information is presented below for the unconsolidated significant subsidiary.

SHD Oil & Gas, LLC

SHD Oil & Gas, LLC and its subsidiaries is headquartered in Houston, Texas and is engaged in oil and natural gas exploration, development and production.

Balance Sheet

	December 31, 2017
Total current assets	$ 12,657
Total non-current assets	121,770
Total current liabilities	13,120
Total non-current liabilities	328,521
Members’ deficit	(207,214)

Income Statement

	Year Ended December 31, 2017
Total revenues	$ 50,818
Operating net income	5,068
Other expenses	(41,668)
Net loss	(36,600)

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Note 6. Derivative Instruments

In the normal course of business, the Company enters into derivative instruments which serve as components of the Company's investment strategies and are utilized primarily to structure the portfolio to economically match the investment strategies of the Company. These instruments are subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risks. The Investment Adviser manages these risks on an aggregate basis along with the risks associated with the Company's investing activities as part of its overall risk management policy.

Purchased Put Options

Purchased put option contracts give the Company the right, but not the obligation, to sell within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. Purchasing put options tends to decrease exposure to the underlying instrument. The Company pays a premium, which is recorded as an asset and subsequently marked-to-market to reflect the current value of the option. Premiums paid for purchasing options which expire unexercised are treated as realized losses. Premiums paid for purchasing options which are exercised are added to the amounts paid for, or offset against the proceeds received on, the underlying security or reference investment. The risk associated with purchasing put options is limited to the premium paid.

Written Call Options

Written call options obligate the Company to buy within a limited time, a financial instrument, commodity or currency at a contracted price that may also be settled in cash, based on differentials between specified indices or prices. When the Company writes a call option, an amount equal to the premium received by the Company is treated as a liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the written call option. If an option which the Company has written either expires unexercised on its stipulated expiration date or the Company enters into a closing purchase transaction, the Company realizes a gain or loss (if the cost of a closing purchase transaction is less than or exceeds, respectively, the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security or derivative instrument, and the liability related to such option is extinguished. If a call option which the Company has written is exercised, the Company recognizes a realized gain or loss from the sale of the underlying security or derivative instrument and the proceeds from the sale are increased by the premium originally received. In writing a call option, the Company bears the market risk of an unfavorable change in the price, potentially unlimited in amount, of the derivative instrument or security underlying the written call option.

Credit Default Swaps

Credit default swap contracts ("CDS") represent agreements in which one party, the protection buyer, pays a fixed fee, the premium, in return for a payment by the other party, the protection seller, contingent upon a specified default event relating to the underlying reference asset or pool of assets. The valuation of the swaps for the approximate net amount to be received or paid (i.e., the fair value) is marked to market either by using pricing vendor quotations, counterparty prices or model prices, and such valuations are based on the fair value of the underlying security, current credit spreads for the referenced obligation of the underlying issuer relative to the terms of the contract, current interest rates, interest accrual through the valuation date and certain other factors. We held no CDS contracts as of March 31, 2018 and March 31, 2017.

The net amount received/paid during the life of the swap is included in net realized gain (loss) from credit default swaps, and changes in unrealized gain (loss) of these swaps, including accrual of periodic interest payments, are reflected in net change in unrealized gain (loss) on credit default swaps in the Statements of Operations. Entering into swaps involves varying degrees of risk, including the possibility that there is no liquid market for the contracts, the counterparty to the swap may default on its obligation to perform and there may be unfavorable changes in the credit spreads of the underlying financial instruments.

The following table sets forth the gross fair value of derivative contracts, by major risk type, as of March 31, 2018. The table also includes information on the volume of derivatives based on the base notional value of option contracts open at March 31, 2018. We held no derivative instruments as of March 31, 2017.

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	March 31, 2018			
Underlying Risk Type	Base Notional Assets	Derivative Assets Fair Value	Base Notional Liabilities	Derivative Liabilities Fair Value
Commodity:				
Purchased Put Options	$123,750	$ 1,226	$ —	$ —
Written Call Options	—	—	(158,117)	(20,350)

The volume of derivatives presented in the table above is representative of activities from September 6, 2017, when the Company started re-entering into these derivatives, through March 31, 2018.

The effect of transactions in derivative instruments to the Statements of Operations during the years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,		
	2018	2017	2016
Net Change in Unrealized Losses on Derivatives			
Purchased Put Options	$(4,531)	$ —	$ —
Written Call Options	(14,614)	—	—
Net Change in Unrealized Losses on Derivatives	$(19,145)	$ —	$ —

	Year Ended March 31,		
	2018	2017	2016
Net Realized Losses on Derivatives			
Purchased Put Options	$(2,609)	$(1,573)	$ —
Written Call Options	(1,666)	2,325	—
Credit Default Swaps	—	(878)	—
Net Realized Losses on Derivatives	$(4,275)	$(126)	$ —

The Company's CDS are entered into on an over-the-counter basis pursuant to a master agreement in the form promulgated by the International Swaps and Derivatives Association, Inc. (together with related documentation, including a schedule thereto and one or more trade confirmations thereunder, the "ISDA"). In very limited circumstances, the Company's CDS counterparty has the right to terminate early all (but not fewer than all) transactions governed by the ISDA and close out all such transactions on a net basis at their then-current market value. The CDS would be included in those transactions subject to such a termination right.

The Investment Adviser is exempt from registration with the U.S. Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") with respect to the Company. To the extent such exemption is no longer available and the Investment Adviser is required to register with the CFTC as a CPO, compliance with the CFTC's disclosure, reporting and recordkeeping requirements may increase the Company's expenses and may affect the ability of the Company to use commodity interests (including futures, option contracts, commodities, and swaps) to the extent or in the manner desired.

Note 7. Offsetting Assets and Liabilities

The Company entered into centrally cleared derivative contracts with Chicago Mercantile Exchange ("CME"). Upon entering into the centrally cleared derivative contracts, the Company is required to deposit with the relevant clearing organization cash or securities, which is referred to as the initial margin. Cash deposited as initial margin is reported as cash collateral on the Statements of Assets and Liabilities. Centrally cleared derivative contracts entered into with CME are considered settled-to-market contracts where daily variation margin posted is legally characterized as a settlement payment as opposed to collateral. The settlement payment does not terminate the derivative contract and the contract will continue to exist with no changes to its terms. Daily changes in fair value are recorded as a payable or receivable on the Statements of Assets and Liabilities as variation margin.

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The Company has elected not to offset assets and liabilities in the Statements of Assets and Liabilities that may be received or paid as part of collateral arrangements, even when an enforceable master netting arrangement or other agreement is in place that provides the Company, in the event of counterparty default, the right to liquidate collateral and the right to offset a counterparty’s rights and obligations. The following table presents both gross and net information about derivative instruments eligible for offset in the Statements of Assets and Liabilities as of March 31, 2018.

Counterparty	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Statements of Assets and Liabilities	Net Amounts Presented in the Statements of Assets and Liabilities	Gross Amounts Not Offset in the Statements of Assets and Liabilities		
				Financial Instruments	Cash Collateral	Net Amounts
CME Group:						
Variation Margin	1,846	—	1,846 (a)	—	—	1,846 (b)

(a) The variation margin receivable on option contracts is the result of purchased put options and written call options that are settled-to-market with a fair value of $1,226 and ($20,350), respectively, as of March 31, 2018, offset against the variation margin posted with the CME amounting to $20,970.

(b) Per GAAP disclosure requirements, the table above does not include excess cash collateral paid in the amount of $5,016.

Note 8. Debt and Foreign Currency Transactions and Translations

The Company’s outstanding debt obligations as of March 31, 2018 were as follows:

	Date Issued/Amended	Total Aggregate Principal Amount Committed	Principal Amount Outstanding	Fair Value	Final Maturity Date
Senior Secured Facility	12/22/2016	$ 1,190,000	$ 285,216 *	$ 292,338 (1)	12/22/2021
Senior Secured Notes (Series B)	9/29/2011	16,000	16,000	16,191 (1)	9/29/2018
2043 Notes	6/17/2013	150,000	150,000	152,040 (2)	7/15/2043
2025 Notes	3/3/2015	350,000	350,000	351,676 (3)	3/3/2025
Total Debt Obligations		$ 1,706,000	$ 801,216	$ 812,245	
Deferred Financing Cost and Debt Discount			$ (11,370)		
Total Debt Obligations, net of Deferred Financing Cost and Debt Discount			$ 789,846		

* Includes foreign currency debt obligations as outlined in Foreign Currency Transactions and Translations within this note to the financial statements.

(1) The fair value of these debt obligations would be categorized as Level 3 under ASC 820 as of March 31, 2018. The valuation is based on a yield analysis and discount rate commensurate with the market yields for similar types of debt.

(2) The fair value of these debt obligations would be categorized as Level 1 under ASC 820 as of March 31, 2018. The valuation is based on quoted prices of identical liabilities in active markets.

(3)

The fair value of these debt obligations would be categorized as Level 2 under ASC 820 as of March 31, 2018. The valuation is based on broker quoted prices.

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The Company’s outstanding debt obligations as of March 31, 2017 were as follows:

	Date Issued/Amended	Total Aggregate Principal Amount Committed	Principal Amount Outstanding		Fair Value		Final Maturity Date
Senior Secured Facility	12/22/2016	$ 1,140,000	$ 200,923	*	$200,873	(1)	12/22/2021
Senior Secured Notes (Series B)	9/29/2011	16,000	16,000		16,523	(1)	9/29/2018
2042 Notes	10/9/2012	150,000	150,000		152,160	(2)	10/15/2042
2043 Notes	6/17/2013	150,000	150,000		156,180	(2)	7/15/2043
2025 Notes	3/3/2015	350,000	350,000		367,556	(1)	3/3/2025
Total Debt Obligations		$ 1,806,000	$ 866,923		$893,292		
Deferred Financing Cost and Debt Discount			$ (18,474	)			
Total Debt Obligations, net of Deferred Financing Cost and Debt Discount			$ 848,449				

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* Includes foreign currency debt obligations as outlined in Foreign Currency Transactions and Translations within this note.

(1) The fair value of these debt obligations would be categorized as Level 3 under ASC 820 as of March 31, 2017. The valuation is based on a yield analysis and discount rate commensurate with the market yields for similar types of debt.

(2) The fair value of these debt obligations would be categorized as Level 1 under ASC 820 as of March 31, 2017. The valuation is based on quoted prices of identical liabilities in active markets.

Senior Secured Facility

On December 22, 2016, the Company amended and restated its senior secured, multi-currency, revolving credit facility (the “Senior Secured Facility”) from the previous April 24, 2015 amendment. The amended and restated agreement decreased the lenders’ commitments from $1,310,000 to $1,140,000, extended the final maturity date through December 22, 2021, and included an accordion provision which allows the Company to increase the total commitments under the existing revolving facility up to an aggregate principal amount of $1,965,000 from new or existing lenders on the same terms and conditions as the existing commitments. On August 29, 2017, the Company entered into an amendment to its Senior Secured Facility to increase the multicurrency commitments under the Senior Secured Facility by $50,000 from $1,140,000 to $1,190,000 pursuant to the accordion provisions therein. The Senior Secured Facility is secured by substantially all of the assets in the Company’s portfolio, including cash and cash equivalents. Commencing January 31, 2021, the Company is required to repay, in twelve consecutive monthly installments of equal size, the outstanding amount under the Senior Secured Facility as of December 22, 2020. In addition, the stated interest rate on the facility remains as a formula-based calculation based on a minimum borrowing base, resulting in a stated interest rate, depending on the type of borrowing, of (a) either LIBOR plus 1.75% per annum or LIBOR plus 2.00% per annum, or (b) either Alternate Base Rate plus 0.75% per annum or Alternate Base Rate plus 1% per annum. As of March 31, 2018, the stated interest rate on the facility was LIBOR plus 2.00%. The Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Senior Secured Facility and participation fees and fronting fees of up to 2.25% per annum on the letters of credit issued.

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The Senior Secured Facility contains affirmative and restrictive covenants, events of default and other customary provisions for similar debt facilities, including: (a) periodic financial reporting requirements, (b) maintaining minimum stockholders' equity of the greater of (i) 40% of the total assets of the Company and its consolidated subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) $870,000 plus (B) 25% of the net proceeds from the sale of equity interests in the Company after the closing date of the Senior Secured Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of the Company and its consolidated subsidiaries, of not less than 2.0:1.0, (d) limitations on the incurrence of additional indebtedness, including a requirement to meet a certain minimum liquidity threshold before the Company can incur such additional debt, (e) limitations on liens, (f) limitations on investments (other than in the ordinary course of the Company's business), (g) limitations on mergers and disposition of assets (other than in the normal course of the Company's business activities), (h) limitations on the creation or existence of agreements that permit liens on properties of the Company's consolidated subsidiaries and (i) limitations on the repurchase or redemption of certain unsecured debt and debt securities. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Senior Secured Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio.

The Senior Secured Facility also provides for the issuance of letters of credit up to an aggregate amount of $150,000. As of March 31, 2018 and March 31, 2017, the Company had $14,234 and $15,640, respectively, in standby letters of credit issued through the Senior Secured Facility. The amount available for borrowing under the Senior Secured Facility is reduced by any standby letters of credit issued through the Senior Secured Facility. Under GAAP, these letters of credit are considered commitments because no funding has been made and as such are not considered a liability. These letters of credit are not senior securities because they are not in the form of a typical financial guarantee and the portfolio companies are obligated to refund any drawn amounts. The available remaining capacity under the Senior Secured Facility was $890,550 and $923,438 as of March 31, 2018 and March 31, 2017, respectively. Terms used in this disclosure have the meanings set forth in the Senior Secured Facility agreement.

Senior Secured Notes — Series A and Series B

On September 29, 2011, the Company closed a private offering of $45,000 aggregate principal amount of senior secured notes consisting of two series: $29,000 aggregate principal amount of 5.875% Senior Secured Notes, Series A, due September 29, 2016 (the "Series A Notes"); and $16,000 aggregate principal amount of 6.250% Senior Secured Notes, Series B, due September 29, 2018 (the "Series B Notes," and together with the Series A Notes, the "Series A and B Notes"). The Series A and B Notes were issued in a private placement only to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. Interest on the Series A and B Notes is due semi-annually on March 29 and September 29, commencing on March 29, 2012.

On September 29, 2016, the Series A Notes, which had an outstanding principal balance of $29,000, matured and were repaid in full.

Senior Unsecured Notes

2042 Notes

On October 9, 2012, the Company issued $150,000 aggregate principal amount of senior unsecured notes for net proceeds of $145,275 (the "2042 Notes"). The 2042 Notes will mature on October 15, 2042. Interest on the 2042 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at an annual rate of 6.625%, commencing on January 15, 2013. The Company may redeem the 2042 Notes in whole or in part at any time or from time to time on or after October 15, 2017. The 2042 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2042 Notes were listed on the New York Stock Exchange under the ticker symbol "AIB."

On October 16, 2017, the Company redeemed the entire $150,000 aggregate principal amount outstanding of the 2042 Notes in accordance with the terms of the indenture governing the 2042 Notes, before its stated maturity date, which resulted in a realized loss on the extinguishment of debt of $5,790.

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2043 Notes

On June 17, 2013, the Company issued $135,000 aggregate principal amount of senior unsecured notes and on June 24, 2013, an additional $15,000 in aggregate principal amount of such notes was issued pursuant to the underwriters' over-allotment option exercise. In total, $150,000 of aggregate principal was issued for net proceeds of $145,275 (the "2043 Notes"). The 2043 Notes will mature on July 15, 2043. Interest on the 2043 Notes is paid quarterly on January 15, April 15, July 15 and October 15, at an annual rate of 6.875%, commencing on October 15, 2013. The Company may redeem the 2043 Notes in whole or in part at any time or from time to time on or after July 15, 2018. The 2043 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior, unsecured indebtedness. The 2043 Notes are listed on the New York Stock Exchange under the ticker symbol "AIY."

2025 Notes

On March 3, 2015, the Company issued $350,000 aggregate principal amount of senior unsecured notes for net proceeds of $343,650 (the "2025 Notes"). The 2025 Notes will mature on March 3, 2025. Interest on the 2025 Notes is due semi-annually on March 3 and September 3, at an annual rate of 5.25%, commencing on September 3, 2015. The 2025 Notes are general, unsecured obligations and rank equal in right of payment with all of our existing and future senior unsecured indebtedness.

The following table summarizes the average and maximum debt outstanding, and the interest and debt issuance cost for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016 (2)
Average debt outstanding	$899,289	$1,048,667	$1,456,397
Maximum amount of debt outstanding	1,056,929	1,363,533	1,657,288
Weighted average annualized interest cost (1)	5.28 %	5.12 %	4.97 %
Annualized amortized debt issuance cost	0.60 %	0.52 %	0.48 %
Total annualized interest cost	5.88 %	5.64 %	5.45 %

(1) Includes the stated interest expense and commitment fees on the unused portion of the Senior Secured Facility. Commitment fees for the years ended March 31, 2018, 2017 and 2016 were $3,188, $3,264 and $2,958, respectively.

(2) Numbers were updated due to the retrospective application of the new accounting pronouncements (ASU 2015-03 and ASU 2015-15) adopted as of April 1, 2016.

Foreign Currency Transactions and Translations

The Company had the following foreign-denominated debt outstanding on the Senior Secured Facility as of March 31, 2018:

	Original Principal Amount (Local)	Original Principal Amount (USD)	Principal Amount Outstanding	Unrealized Gain/(Loss)	Reset Date
Canadian Dollar	C$2,300	$ 1,894	$ 1,784	$ 110	4/16/2018
Euro	€ 14,000	15,129	17,218	(2,089)	4/12/2018
Euro	€ 12,500	13,507	15,372	(1,865)	4/30/2018
British Pound	£ 14,500	21,941	20,340	1,601	4/30/2018
		$ 52,471	$ 54,714	$ (2,243)	

(In thousands, except share and per share data)

The Company had the following foreign-denominated debt outstanding on the Senior Secured Facility as of March 31, 2017:

	Original Principal Amount (Local)	Original Principal Amount (USD)	Principal Amount Outstanding	Unrealized Gain	Reset Date
Canadian Dollar	C$33,000	$29,721	$ 24,744	$ 4,977	4/28/2017
Euro	€ 14,000	15,129	14,974	155	4/3/2017
Euro	€ 13,000	14,046	13,904	142	4/18/2017
British Pound	£ 8,700	13,319	10,879	2,440	4/21/2017
British Pound	£ 100,500	152,658	125,670	26,988	4/28/2017
British Pound	£ 3,800	5,058	4,752	306	4/6/2017
		$229,931	$ 194,923	$ 35,008	

As of March 31, 2018 and March 31, 2017, the Company was in compliance with all debt covenants for all outstanding debt obligations.

Note 9. Stockholders' Equity

There were no equity offerings of common stock during the years ended March 31, 2018 and March 31, 2017.

The Company adopted the following plans, approved by the Board of Directors, for the purpose of repurchasing its common stock in accordance with applicable rules specified in the Securities Exchange Act of 1934 (the "1934 Act") (the "Repurchase Plans"):

Date of Agreement/Amendment	Maximum Cost of Shares That May Be Repurchased	Cost of Shares Repurchased	Remaining Cost of Shares That May Be Repurchased
August 5, 2015	$ 50,000	$ 50,000	$ —
December 14, 2015	50,000	50,000	—
September 14, 2016	50,000	20,101	29,899
Total as of March 31, 2018	$ 150,000	$ 120,101	$ 29,899

The Repurchase Plans were designed to allow the Company to repurchase its shares both during its open window periods and at times when it otherwise might be prevented from doing so under applicable insider trading laws or because of self-imposed trading blackout periods. A broker selected by the Company will have the authority under the terms and limitations specified in an agreement with the Company to repurchase shares on the Company's behalf in accordance with the terms of the Repurchase Plans. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the Repurchase Plans. Pursuant to the Repurchase Plans, the Company may from time to time repurchase a portion of its shares of common stock and the Company is hereby notifying stockholders of its intention as required by applicable securities laws.

Under the Repurchase Plans described above, the Company allocated the following amounts to be repurchased in accordance with SEC Rule 10b5-1 (the "10b5-1 Repurchase Plans"):

Effective Date	Termination Date	Amount Allocated to 10b5-1 Repurchase Plans
September 15, 2015	November 5, 2015	$ 5,000
January 1, 2016	February 5, 2016	10,000

April 1, 2016	May 19, 2016	5,000
July 1, 2016	August 5, 2016	15,000
September 30, 2016	November 8, 2016	20,000
January 4, 2017	February 6, 2017	10,000
March 31, 2017	May 19, 2017	10,000
June 30, 2017	August 7, 2017	10,000
October 2, 2017	November 6, 2017	10,000
January 3, 2018	February 8, 2018	10,000

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(In thousands, except share and per share data)

During the year ended March 31, 2018, the Company repurchased 3,382,558 shares at a weighted average price per share of $5.84, inclusive of commissions, for a total cost of $19,746. This represents a discount of approximately 12.47% of the average net asset value per share for the year ended March 31, 2018.

During the year ended March 31, 2017, the Company repurchased 6,461,842 shares at a weighted average price per share of $5.87, inclusive of commissions, for a total cost of $37,918. This represents a discount of approximately 15.50% of the average net asset value per share for the year ended March 31, 2017.

Since the inception of the Repurchase Plans through March 31, 2018, the Company repurchased 20,429,255 shares at a weighted average price per share of $5.88, inclusive of commissions, for a total cost of $120,101.

On September 12, 2014, the Company announced an at-the-market offering program (the "ATM Program") through which it can sell up to 16 million shares of its common stock from time to time. As of March 31, 2018, no shares had been sold through the Company's ATM Program.

Note 10. Commitments and Contingencies

The Company has various commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. As of March 31, 2018 and March 31, 2017, the Company had the following unfunded commitments to its portfolio companies:

	March 31, 2018	March 31, 2017
Unfunded revolver obligations and bridge loan commitments (1)	$239,689	$227,906
Standby letters of credit issued and outstanding (2)	20,692	14,203
Unfunded delayed draw loan commitments (3)	21,959	28,649
Unfunded delayed draw loan commitments (performance thresholds not met) (4)	15,244	30,678
Total Unfunded Commitments	$297,584	$301,436

(1) The unfunded revolver obligations may or may not be funded to the borrowing party in the future. The amounts relate to loans with various maturity dates, but the entire amount was eligible for funding to the borrowers as of March 31, 2018 and March 31, 2017, subject to the terms of each loan's respective credit agreements which includes borrowing covenants that need to be met prior to funding. As of March 31, 2018 and March 31, 2017, the bridge loan commitments included in the balances were $99,666 and $137,962, respectively.

(2) For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of the letters of credit issued and outstanding are recorded as a liability on the Company's Statements of Assets and Liabilities as such letters of credit are considered in the valuation of the investments in the portfolio company.

(3) The Company's commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions which can include covenants to maintain specified leverage levels and other related borrowing base covenants.

(4) The borrowers are required to meet certain performance thresholds before the Company is obligated to fulfill the commitments and those performance thresholds were not met as of March 31, 2018 and March 31, 2017.

Of the unfunded commitments which existed as of March 31, 2018, $197,918 were outstanding as of May 17, 2018.

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Note 11. Income Taxes

For income tax purposes, distributions made to stockholders are reported as ordinary income, capital gains, non-taxable return of capital, or a combination thereof. The final determination of the tax character of distributions will not be made until we file our tax return for each tax year and the tax characteristics of all distributions will be reported to stockholders on Form 1099 after the end of each calendar year. The tax character of distributions paid to stockholders during the tax years ended March 31, 2018, 2017 and 2016 were as follows:

	Year Ended March 31,		
	2018	2017	2016
Ordinary income	$86,906	$76,950	$111,853
Capital gains	—	—	—
Return of capital	44,088	67,286	73,211
Total distributions paid to stockholders	$130,994	$144,236	$185,064

Taxable income generally differs from net increase in net assets resulting from operations for financial reporting purposes due to temporary and permanent differences in the recognition of income and expenses, and generally excludes net unrealized gains or losses, as unrealized gains or losses are generally not included in taxable income until they are realized.

The following table reconciles the net increase in net assets resulting from operations to taxable income for the tax years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
Net increase (decrease) in net assets resulting from operations	$87,029	$18,370	$(44,526)
Adjustments:			
Net realized losses	258,128	41,823	195,364
Net change in unrealized losses	(211,770)	89,050	42,419
Income not currently taxable	—	(55,053)	(69,038)
Income (loss) recognized for tax but not book	(38,479)	21,145	11,366
Expenses not currently deductible	749	—	—
Expenses incurred for tax but not book	—	(9,507)	(5,385)
Realized gain/loss differences (1)	(8,243)	(16,601)	(16,230)
Taxable income before deductions for distributions	$87,414	$89,227	$113,970

(1) These pertain to book income/losses treated as capital gains/losses for tax purposes or book realized gains/losses treated as ordinary income/losses for tax purposes.

The following table shows the components of accumulated losses on a tax basis for the years ended March 31, 2018, 2017 and 2016:

	Year Ended March 31,		
	2018	2017	2016
Distributable ordinary income	$—	$—	$—
Capital loss carryforward	(1,185,617)	(1,189,004)	(1,147,397)
Other temporary book-to-tax differences	(35,513)	(45,631)	(147,161)
Unrealized appreciation (depreciation)	2,493	(208,563)	(87,009)
Total accumulated losses	$(1,218,637)	$(1,443,198)	$(1,381,567)

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On December 22, 2010, the Regulated Investment Company Modernization Act (the “Act”) was enacted which changed various technical rules governing the tax treatment of RICs. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Company will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment for an unlimited period. However, any losses incurred during those future taxable years will be required to be utilized prior to the losses incurred in pre-enactment taxable years, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused. Additionally, post-enactment capital losses that are carried forward will retain their character as either short-term or long-term losses rather than being considered all short-term as under previous law.

As of March 31, 2018, the Company had a post-enactment short-term capital loss carryforward of $237,288 and long-term capital loss carryforward of $536,331. As of March 31, 2017, the Company had a post-enactment short-term capital loss carryforward of $142,792 and long-term capital loss carryforward of $434,883. As of March 31, 2016, the Company had a post-enactment short-term capital loss carryforward of $95,174 and long-term capital loss carryforward of $404,806.

As of March 31, 2018, the Company had pre-enactment net capital loss carryforward of $411,998 which expires on March 31, 2019. None of the pre-enactment net capital loss carryforwards were utilized in the past three years. $199,331 of pre-enactment net capital loss carryforward expired on March 31, 2018.

As of March 31, 2018, the Company had no net post-October capital loss deferral deemed to arise on April 1, 2018. As of March 31, 2017, we had a net post-October capital loss deferral of $6,783 which is deemed to arise on April 1, 2017. As of March 31, 2016, we had a net post-October capital loss deferral of $87,407 which is deemed to arise on April 1, 2016.

Management has analyzed the Company’s tax positions taken, or to be taken, on federal income tax returns for all open tax years, and has concluded that no provision for income tax is required in the Company’s financial statements. The Company’s federal tax returns are subject to examination by the Internal Revenue Service for a period of three fiscal years after they are filed.

In general, we may make certain reclassifications to the components of net assets as a result of permanent book-to-tax differences and book-to-tax differences relating to stockholder distributions. Accordingly, as of March 31, 2018, we adjusted accumulated net realized loss by $369,281 to $1,166,471 and overdistributed net investment income by $100,755 to $10,229. Total earnings and net asset value were not affected. As of March 31, 2017, we adjusted accumulated net realized loss by $52,339 to $1,277,625 and underdistributed net investment income by $11,896 to $88,134. Total earnings and net asset value were not affected.

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Note 12. Financial Highlights
The following is a schedule of financial highlights for each of the five years ended March 31, 2018.

	Year Ended March 31,				
	2018	2017	2016	2015	2014
Per Share Data*					
Net asset value at beginning of period	$6.74	$7.28	$8.18	$8.67	$8.27
Net investment income (1)	0.61	0.67	0.83	0.96	0.91
Net realized and change in unrealized losses (1)	(0.21)	(0.59)	(1.02)	(0.64)	0.30
Net increase in net assets resulting from operations	0.40	0.08	(0.19)	0.32	1.20
Distribution of net investment income (2)	(0.40)	(0.35)	(0.48)	(0.70)	(0.80)
Distribution of return of capital (2)	(0.20)	(0.30)	(0.32)	(0.10)	—
Offering costs for the issuance of common stock (3)	—	—	—	—	—
Accretion due to share repurchases	0.01	0.04	0.09	—	—
Net asset value at end of period	$6.56	$6.74	$7.28	$8.18	$8.67
Per share market value at end of period	$5.22	$6.56	$5.55	$7.68	$8.31
Total return (4)	(12.06)%	31.44%	(17.53)%	1.86%	9.40%
Shares outstanding at end of period	216,312,096	219,694,654	226,156,496	236,741,351	236,741,351
Weighted average shares outstanding	218,623,840	222,415,073	232,555,815	236,741,351	222,800,255
Ratio/Supplemental Data					
Net assets at end of period (in millions)	$1,418.1	$1,481.8	$1,645.6	$1,937.6	$2,051.6
Ratio of operating expenses to average net assets (5)	5.02%	4.59%	5.85%	6.25%	6.01%
Ratio of interest and other debt expenses to average net assets	3.61%	3.86%	4.47%	3.91%	3.70%
Ratio of total expenses to average net assets (5)	8.63%	8.45%	10.32%	10.16%	9.71%
Ratio of net investment income to average net assets	9.15%	9.66%	10.70%	11.27%	10.85%
Average debt outstanding (in millions)	$899.3	$1,048.7	$1,456.4	$1,586.0	$1,238.4
Average debt per share (6)	$4.11	$4.71	$6.26	$6.70	$5.56
Portfolio turnover rate	45.06%	23.25%	34.35%	62.14%	75.91%
Asset coverage per unit (7)	$2,770	$2,709	$2,235	$2,288	$2,495

* Totals may not foot due to rounding.

(1) Financial highlights are based on the weighted average number of shares outstanding for the period presented.

(2) The tax character of distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under GAAP. Although the tax character of distributions paid to stockholders through March 31, 2018 may include return of capital, the exact amount cannot be determined at this point. Per share amounts are based on actual rate per share.

(3) Offering costs per share represent less than one cent per weighted average share for the years ended March 31, 2015 and March 31, 2014.

(4) Total return is based on the change in market price per share during the respective periods. Total return also takes into account distributions, if any, reinvested in accordance with the Company’s dividend reinvestment plan.

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(5) The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets are shown inclusive of all voluntary management and incentive fee waivers (See Note 3 to the financial statements). For the years ended March 31, 2018, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 6.39% and 10.03%, respectively, without the voluntary fee waivers. For the year ended March 31, 2017, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 5.98% and 9.85%, respectively, without the voluntary fee waivers. For the year ended March 31, 2016, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 6.94% and 11.41%, respectively, without the voluntary fee waivers. For the year ended March 31, 2015, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 7.03% and 10.95%, respectively, without the voluntary fee waivers. For the year ended March 31, 2014, the ratio of operating expenses to average net assets and the ratio of total expenses to average net assets would be 6.66% and 10.36%, respectively, without the voluntary fee waivers.

(6) Numbers prior to March 31, 2017 were updated due to the retrospective application of the new accounting pronouncements (ASU 2015-03 and ASU 2015-15) adopted as of April 1, 2016.

(7) 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 one thousand to determine the asset coverage per unit.

Note 13. Selected Quarterly Financial Data

The following table sets forth selected financial data for each quarter within the three years ended March 31, 2018:

	Investment Income		Net Investment Income		Net Realized And Change in Unrealized Gains (Losses)		Net Increase (Decrease) in Net Assets from Operations — Basic		Net Increase (Decrease) in Net Assets from Operations — Diluted (1)	
Quarter Ended	Total	Per Share*	Total	Per Share*	Total	Per Share*	Total	Per Share*	Total	Per Share*
March 31, 2018	$61,489	$ 0.28	$31,942	$ 0.15	$(11,315)	$(0.05)	$ 20,627	$ 0.10	N/A	N/A
December 31, 2017	64,753	0.30	33,968	0.16	(28,134)	(0.13)	5,834	0.03	N/A	N/A
September 30, 2017	66,398	0.30	34,157	0.16	(2,370)	(0.01)	31,787	0.14	N/A	N/A
June 30, 2017	66,647	0.30	33,320	0.15	(4,539)	(0.02)	28,781	0.13	N/A	N/A
March 31, 2017	66,297	0.30	37,290	0.17	(29,238)	(0.13)	8,052	0.04	N/A	N/A
December 31, 2016	68,071	0.31	36,352	0.17	(25,062)	(0.11)	11,290	0.05	N/A	N/A
September 30, 2016	69,026	0.31	39,537	0.18	1,577	0.01	41,114	0.18	N/A	N/A
June 30, 2016	76,469	0.34	36,064	0.16	(78,150)	(0.35)	(42,086)	(0.19)	N/A	N/A
March 31, 2016	85,335	0.38	44,618	0.20	(68,015)	(0.30)	(23,397)	(0.10)	(23,397)	(0.10)
December 31, 2015	94,325	0.41	48,091	0.21	(73,864)	(0.32)	(25,772)	(0.11)	(25,772)	(0.11)
September 30, 2015	98,420	0.42	49,561	0.21	(51,308)	(0.22)	(1,747)	(0.01)	(1,747)	(0.01)
June 30, 2015	101,666	0.43	50,987	0.22	(44,596)	(0.19)	6,390	0.03	6,390	0.03

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* Totals may not foot due to rounding.

(1) In applying the if-converted method, conversion is not assumed for purposes of computing diluted EPS if the effect would be anti-dilutive. For each of the quarters within the years ended March 31, 2018 and March 31, 2017, the Company did not have any convertible notes. As such, diluted EPS was not applicable. For the quarters ended December 31, 2015, September 30, 2015 and June 30, 2015, anti-dilution would total $0.02, $0.01 and $0.01, respectively.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date of issuance of these financial statements and has determined that there are no subsequent events outside the ordinary scope of business that require adjustment to, or disclosure in, the financial statements other than those disclosed below.
On April 4, 2018, the Board of Directors approved the application of the modified asset coverage requirements set forth in Section 61(a)(2) of the 1940 Act. As a result, the asset coverage ratio test applicable to the Company will be decreased from 200% to 150%, effective April 4, 2019.

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On May 17, 2018, at an in-person meeting, the Board of Directors approved an amended and restated investment advisory management agreement. The amended and restated investment advisory management agreement reduced the base management fee and revised the incentive fee on income to include a total return requirement.
Effective April 1, 2018, the base management fee was reduced from 2.0% to 1.5% of the average value of the Company's gross assets (excluding cash or cash equivalents but including other assets purchased with borrowed amounts) at the end of each of the two most recently completed calendar quarters; provided, however, the base management fee will be 1.0% of the average value of the Company's gross assets (excluding cash or cash equivalents but including other assets purchased with borrowed amounts) that exceeds the product of (i) 200% and (ii) the value of the Company's net asset value at the end of the most recently completed calendar quarter.
In addition, beginning, January 1, 2019, the incentive fee on income calculation will include a total return requirement with a rolling twelve quarter look-back starting from April 1, 2018. The incentive fee rate remains 20% and the performance threshold remains 1.75% per quarter (7% annualized). There is no change to the catch-up provision. For the period between April 1, 2018 through December 31, 2018, the incentive fee rate post waiver will be 15%, subject to the 7% annualized performance threshold. As a result, the new contractual fee rate structure will not result in higher fees (on a cumulative basis) payable to the Investment Adviser than the contractual fees payable to the Investment Adviser under the prior investment advisory management agreement (excluding current voluntary fee waivers).
Effective as of May 17, 2018, the Board amended and restated the Company's bylaws to increase the size of the Board from nine directors to ten.
On May 17, 2018, the Board appointed Howard Widra as a director of the Company. Mr. Widra was appointed as an interested Class I director. His term will expire at the 2020 annual meeting of stockholders of the Company at which the Class I directors stand for election.
On May 17, 2018, the Board also appointed Mr. Widra as Chief Executive Officer of the Company, effective May 21, 2018. James Zelter will no longer serve as Chief Executive Officer of the Company but will remain an Interested Director of the Company. Mr. Widra is the President of the Company through May 21, 2018 and has been with Apollo Global Management, LLC and/or its affiliates since 2013. He became the President of Apollo Investment Corporation in June 2016. Mr. Widra is a co-founder of MidCap Financial ("MidCap"), an $8 billion specialty finance business, and was formerly its Chief Executive Officer. Prior to MidCap, Mr. Widra was the founder and President of Merrill Lynch Capital Healthcare Finance. Prior to Merrill Lynch, Mr. Widra was President of GE Capital Healthcare Commercial Finance and held senior roles in its predecessor entities including President of Heller Healthcare Finance, and COO of Healthcare Financial Partners. Mr. Widra holds a J.D., cum laude, from the Harvard Law School and a B.A. in Economics from the University of Michigan. Mr. Widra is 49 years old.
On May 17, 2018, the Board appointed Tanner Powell as President of the Company, effective May 21, 2018. Mr. Powell has been with Apollo Global Management, LLC since 2006 and has served as Chief Investment Officer for Apollo Investment Management, L.P., the investment adviser for the Company since June 2016. From 2004 to 2006, Mr. Powell served as an analyst in Goldman Sachs' Principal Investment Area (PIA), concentrating on mezzanine investing. From 2002 to 2004, Mr. Powell was an analyst in the Industrials group at Deutsche Bank. Mr. Powell holds a B.A. from Princeton University.
On May 17, 2018, the Board of Directors declared a distribution of $0.15 per share, payable on July 6, 2018 to stockholders of record as of June 21, 2018.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2018 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

Management’s Report on Internal Control Over Financial Reporting

Management’s Report on Internal Control Over Financial Reporting, which is contained in “Item 8. Financial Statements and Supplementary Data” of this report, is incorporated by reference herein.

Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an attestation report on the Company’s internal control over financial reporting, which is contained in “Item 8. Financial Statements and Supplementary Data” of this report.

Changes in Internal Control Over Financial Reporting

Management has not identified any change in the Company’s internal control over financial reporting that occurred during the fourth fiscal quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information required by this item will be contained in the Company’s definitive Proxy Statement for its 2018 Annual Stockholder Meeting, to be filed with the SEC within 120 days after March 31, 2018, and is incorporated herein by reference.

Item 11. Executive Compensation

Information required by this item will be contained in the Company’s definitive Proxy Statement for its 2018 Annual Stockholder Meeting, to be filed with the SEC within 120 days after March 31, 2018, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item will be contained in the Company’s definitive Proxy Statement for its 2018 Annual Stockholder Meeting, to be filed with the SEC within 120 days after March 31, 2018, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item will be contained in the Company’s definitive Proxy Statement for its 2018 Annual Stockholder Meeting, to be filed with the SEC within 120 days after March 31, 2018, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information required by this item will be contained in the Company’s definitive Proxy Statement for its 2018 Annual Stockholder Meeting, to be filed with the SEC within 120 days after March 31, 2018, and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements – See the Index to Financial Statements in Item 8 of this report.
2. Financial Statement Schedules – None.
3. Exhibits – The following exhibits are filed as part of this report or hereby incorporated by reference to exhibits previously filed with the SEC (according to the number assigned to them in Item 601 of Regulation S-K):

3.1(a)	Articles of Amendment (1)
3.1(b)	Articles of Amendment and Restatement (12)
3.2	Fourth Amended and Restated Bylaws (3)
4.1	Form of Stock Certificate (4)
4.2	In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments respecting long-term debt of the Registrant have been omitted but will be furnished to the SEC upon request.
4.3	Indenture, dated as of October 9, 2012, between the Registrant and U.S. Bank National Association, as Trustee (9)
4.4	First Supplemental Indenture, dated as of October 9, 2012, relating to the 6.625% Senior Notes due 2042, between the Registrant and U.S. Bank National Association, as Trustee (9)
4.5	Second Supplemental Indenture, dated as of June 17, 2013, relating to the 6.875% Senior Notes due 2043, between the Registrant and U.S. Bank National Association, as Trustee (10)
4.6	Form of 6.875% Senior Notes due 2043 (contained in the Second Supplemental Indenture filed as Exhibit 4.6 hereto) (10)
4.7	Fourth Supplemental Indenture, dated as of March 3, 2015, relating to the 5.250% Notes due 2025, between the Registrant and U.S. Bank National Association, as Trustee (11)
4.8	Form of 5.250% Notes due 2025 (contained in the Fourth Supplemental Indenture filed as Exhibit 4.8 hereto) (11)
10.1	Amended and Restated Investment Advisory Management Agreement between the Registrant and Apollo Investment Management, L.P. (5)
10.2	Second Amended and Restated Administration Agreement between the Registrant and Apollo Investment Administration, LLC*
10.3	Dividend Reinvestment Plan (4)
10.4	Custodian Agreement (2)
10.5	Amended and Restated License Agreement between the Registrant and Apollo Management Holdings, L.P., dated as of May 14, 2012 (8)
10.6	Form of Transfer Agency and Service Agreement (2)
10.8	Amended and Restated Senior Secured Revolving Credit Agreement, dated as of December 22, 2016 (6)
11.1	Computation of Per Share Earnings (included in the notes to the financial statements contained in this annual report)
12.1	Computation of Ratios (included in the notes to the financial statements contained in this annual report)
14.1	Amended and Restated Code of Ethics (7)
21.1	Subsidiaries of the Registrant (included in the notes to the financial statements contained in this annual report)
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934*
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934*
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)*
99.1	Audited Financial Statements of Merx Aviation Finance LLC as of and for the year ended March 31, 2018*

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* Filed herewith.

(1) Incorporated by reference from the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on June 20, 2005.

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(2) Incorporated by reference from the Registrant’s pre-effective Amendment No. 3 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on April 1, 2004.
(3) Incorporated by reference from the Registrant’s Form 10-K, filed on May 19, 2015.
(4) Incorporated by reference from the Registrant’s pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on March 12, 2004.
(5) Incorporated by reference from the Registrant’s Form 10-K, filed on May 26, 2010.
(6) Incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K, filed on December 27, 2016.
(7) Incorporated by reference from the Registrant’s Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on October 7, 2008.
(8) Incorporated by reference from the Registrant’s Form 10-K, filed on May 23, 2012.
(9) Incorporated by reference to Exhibits 4.1 and 4.2 as applicable, to the Registrant’s Form 8-K, filed on October 9, 2012.
(10) Incorporated by reference to Exhibit 4.1 as applicable, to the Registrant’s Form 8-K, filed on June 17, 2013.
(11) Incorporated by reference to Exhibit 4.1 as applicable, to the Registrant’s Form 8-K, filed on March 3, 2015.
(12) Incorporated by reference from the Registrant’s post-effective amendments No.1 to the Registration Statement under the Securities Act of 1933, as amended, on form N-2, filed on August 14, 2006.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 18, 2018.

APOLLO INVESTMENT
CORPORATION

By: /s/ JAMES C. ZELTER
James C. Zelter
Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JAMES C. ZELTER James C. Zelter Chief Executive Officer (Principal Executive Officer) May 18, 2018	/s/ GREGORY W. HUNT Gregory W. Hunt Chief Financial Officer and Treasurer (Principal Financial Officer) May 18, 2018
/s/ AMIT JOSHI Amit Joshi Chief Accounting Officer and Assistant Treasurer (Principal Accounting Officer) May 18, 2018	/s/ JOHN J. HANNAN John J. Hannan Chairman of the Board of Directors, Director May 18, 2018
/s/ R. RUDOLPH REINFRANK R. Rudolph Reinfrank Director May 18, 2018	/s/ BARBARA MATAS Barbara Matas Director May 18, 2018
/s/ CARL SPIELVOGEL Carl Spielvogel Director May 18, 2018	/s/ JEANETTE W. LOEB Jeanette W. Loeb Director May 18, 2018
/s/ ELLIOT STEIN, JR. Elliot Stein, Jr. Director May 18, 2018	/s/ FRANK C. PULEO Frank C. Puleo Director May 18, 2018
/s/ BRADLEY J. WECHSLER Bradley J. Wechsler Director May 18, 2018	