

APOLLO INVESTMENT CORP  
Form 10-Q  
February 08, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

- x     **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
         **For the Quarter Ended December 31, 2009**
- ..     **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
         **Commission File Number: 333-112591**

**APOLLO INVESTMENT CORPORATION**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**52-2439556**  
(I.R.S. Employer  
Identification No.)

**9 West 57<sup>th</sup> Street**

**37th Floor**

**New York, N.Y.**  
(Address of principal executive office)

**10019**  
(Zip Code)

**(212) 515-3450**

(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 and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ 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 ☒

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of February 5, 2010 was 176,213,918.

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**APOLLO INVESTMENT CORPORATION**

**FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2009**

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**Table of Contents****PART I. FINANCIAL INFORMATION**

In this Quarterly Report, Apollo Investment, Company, AIC, Fund, we, us and our refer to Apollo Investment Corporation unless the context otherwise states.

**Item 1. Financial Statements****APOLLO INVESTMENT CORPORATION****STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share amounts)

	December 31, 2009 (unaudited)	March 31, 2009
<b>Assets</b>		
Non-controlled/non-affiliated investments, at value (cost \$3,018,015 and \$3,082,364, respectively)	\$ 2,681,370	\$ 2,345,470
Controlled investments, at value (cost \$342,655 and \$342,115, respectively)	140,805	141,421
Cash equivalents, at value (cost \$499,934 and \$0, respectively)	499,934	
Cash	5,928	5,914
Foreign currency (cost \$2,277 and \$694, respectively)	2,264	693
Interest receivable	38,730	42,461
Dividends receivable (see note 2)	2,109	7,302
Receivable for investments sold	34,782	
Miscellaneous income receivable		51
Receivable from investment adviser		393
Prepaid expenses and other assets	25,014	4,934
<b>Total assets</b>	<b>\$ 3,430,936</b>	<b>\$ 2,548,639</b>
<b>Liabilities</b>		
Credit facility payable (see note 7 & 12)	\$ 947,665	\$ 1,057,601
Payable for investments purchased	575,904	27,555
Dividends payable	49,201	36,978
Management and performance-based incentive fees payable (see note 3)	26,442	25,314
Interest payable	541	711
Accrued administrative expenses	1,550	1,547
Other liabilities and accrued expenses	2,935	2,795
<b>Total liabilities</b>	<b>\$ 1,604,238</b>	<b>\$ 1,152,501</b>
<b>Net Assets</b>		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 175,719 and 142,221 issued and outstanding, respectively	\$ 176	\$ 142
Paid-in capital in excess of par (see note 2f)	2,641,594	2,352,205
Undistributed net investment income (see note 2f)	115,035	96,174
Accumulated net realized loss (see note 2f)	(374,183)	(120,811)
Net unrealized depreciation	(555,924)	(931,572)
<b>Total Net Assets</b>	<b>\$ 1,826,698</b>	<b>\$ 1,396,138</b>

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Total liabilities and net assets	\$	3,430,936	\$	2,548,639
Net Asset Value Per Share	\$	10.40	\$	9.82

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS (unaudited)**

(in thousands, except per share amounts)

	Three months ended December 31, 2009	Three months ended December 31, 2008	Nine months ended December 31, 2009	Nine months ended December 31, 2008
<b>INVESTMENT INCOME:</b>				
From non-controlled/non-affiliated investments:				
Interest	\$ 73,954	\$ 91,955	\$ 221,126	\$ 267,155
Dividends	2,870	1,615	9,690	8,726
Other income	5,864	1,353	7,615	4,826
From controlled investments:				
Dividends	2,929	2,602	14,150	11,324
Other income				
Total Investment Income	85,617	97,525	252,581	292,031
<b>EXPENSES:</b>				
Management fees (see note 3)	\$ 13,903	\$ 14,681	\$ 39,839	\$ 47,057
Performance-based incentive fees (see note 3)	12,539	13,197	37,719	38,898
Interest and other credit facility expenses	4,976	13,659	14,453	41,980
Administrative services expense	1,260	794	3,767	3,517
Other general and administrative expenses	1,538	1,648	4,682	4,361
Total expenses	34,216	43,979	100,460	135,813
Expense offset arrangement (see note 8)		(95)		(227)
Net expenses	34,216	43,884	100,460	135,586
Net investment income before excise taxes	51,401	53,641	152,121	156,445
Excise tax expense	(1,243)	(854)	(1,243)	(854)
Net investment income	\$ 50,158	\$ 52,787	\$ 150,878	\$ 155,591
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:</b>				
Net realized gain (loss):				
Investments and cash equivalents	\$ (147,822)	\$ (40,912)	\$ (249,221)	\$ (103,313)
Foreign currencies	(4,218)	37,336	(4,151)	39,943
Net realized loss	(152,040)	(3,576)	(253,372)	(63,370)
Net change in unrealized gain (loss):				
Investments and cash equivalents	177,792	(525,904)	399,013	(778,607)
Foreign currencies	3,613	1,150	(23,365)	44,731
Net change in unrealized gain (loss)	181,405	(524,754)	375,648	(733,876)
	29,365	(528,330)	122,276	(797,246)

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Net realized and unrealized gain (loss) from investments, cash  
equivalents and foreign currencies

**NET INCREASE (DECREASE) IN NET ASSETS RESULTING  
FROM OPERATIONS**

	\$ 79,523	\$ (475,543)	\$ 273,154	\$ (641,655)
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**EARNINGS (LOSS) PER SHARE (see note 5)**

	\$ 0.48	\$ (3.34)	\$ 1.78	\$ (4.63)
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See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**  
**STATEMENTS OF CHANGES IN NET ASSETS**

(in thousands, except shares)

	Nine months ended December 31, 2009 (unaudited)	Year ended March 31, 2009
<b>Increase (Decrease) in net assets from operations:</b>		
Net investment income	\$ 150,878	\$ 206,331
Net realized loss	(253,372)	(83,740)
Net change in unrealized gain (loss)	375,648	(734,470)
 Net increase (decrease) in net assets resulting from operations	 273,154	 (611,879)
 <b>Dividends and distributions to stockholders:</b>	 (132,017)	 (258,843)
 <b>Capital share transactions:</b>		
Net proceeds from shares sold	280,823	369,589
Less offering costs	(738)	(637)
Reinvestment of dividends	9,338	
 Net increase in net assets from capital share transactions	 289,423	 368,952
 <b>Total increase (decrease) in net assets:</b>	 430,560	 (501,770)
Net assets at beginning of period	1,396,138	1,897,908
 Net assets at end of period	 \$ 1,826,698	 \$ 1,396,138
 <b>Capital share activity:</b>		
Shares sold	32,200,000	22,327,500
Shares issued from reinvestment of dividends	1,297,204	
 Net increase in capital share activity	 33,497,204	 22,327,500

See notes to financial statements.



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**APOLLO INVESTMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS (unaudited)**  
**(in thousands)**

	Nine months ended December 31,	
	2009	2008
<b>Cash Flows from Operating Activities:</b>		
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 273,154	\$ (641,655)
Adjustments to reconcile net increase (decrease):		
Purchase of investments (including capitalized PIK)	(405,556)	(440,408)
Proceeds from disposition of investments and cash equivalents	220,064	255,155
Increase (decrease) from foreign currency transactions	(4,095)	39,812
Decrease (increase) in interest and dividends receivable	8,924	(13,995)
Decrease in prepaid expenses and other assets	3,099	2,424
Increase in management and performance-based incentive fees payable	1,128	909
Decrease in interest payable	(170)	(1,748)
Increase in accrued expenses and other liabilities	143	79
Increase (decrease) in payable for investments and cash equivalents purchased	548,349	(115,939)
Increase in receivable for investments sold	(34,782)	
Net change in unrealized depreciation (appreciation) on investments, cash equivalents, foreign currencies and other assets and liabilities	(375,648)	733,876
Net realized loss on investments and cash equivalents	253,372	63,370
 Net Cash Provided (Used) by Operating Activities	 \$ 487,982	 \$ (118,120)
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from the issuance of common stock	\$ 280,823	\$ 369,589
Offering costs from the issuance of common stock	(738)	(479)
Dividends paid in cash	(110,455)	(231,234)
Borrowings under credit facility	742,090	1,628,289
Payments under credit facility	(898,171)	(2,059,822)
 Net Cash Provided (Used) by Financing Activities	 \$ 13,549	 \$ (293,657)
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>\$ 501,531</b>	 <b>\$ (411,777)</b>
Effect of exchange rates on cash balances	(12)	2
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>\$ 6,607</b>	<b>\$ 414,983</b>
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 <b>\$ 508,126</b>	 <b>\$ 3,208</b>

Non-cash financing activities consist of the reinvestment of dividends totaling \$9,338 and \$0, respectively (in thousands).

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited)****December 31, 2009****(in thousands)****Investments in Non-controlled/Non Affiliated Portfolio****Companies 146.8%**

	Industry	Par Amount*	Cost	Fair Value (1)
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**CORPORATE DEBT 131.8%****BANK DEBT/SENIOR SECURED LOANS (2) 44.1%****1<sup>st</sup> Lien Bank Debt/Senior Secured Loans 1.2%**

Fox Acquisition Sub LLC, 7/14/15	Broadcasting & Entertainment	\$ 3,977	\$ 3,543	\$ 3,599
ATI Acquisition Company, 12/30/14	Education	19,250	18,480	18,817

<b>Total 1<sup>st</sup> Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 22,023</b>	<b>\$ 22,416</b>
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**2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans 42.9%**

AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 19,935	\$ 15,777
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,484	4,870
Asurion Corporation, 7/3/15	Insurance	\$ 148,300	146,972	144,593
BNY ConvergeX Group, LLC, 4/2/14	Business Services	54,000	53,601	54,000
C.H.I. Overhead Doors, Inc., 13.00%, 10/22/11	Building Products	15,000	15,013	13,500
Clean Earth, Inc., 13.00%, 8/1/14	Environmental	25,000	25,000	22,750
Datatel, Inc., 12/9/16	Education	20,000	19,921	20,200
Dresser, Inc., 5/4/15	Industrial	63,000	62,712	58,983
Educate, Inc., 6/14/14	Education	10,000	10,000	9,250
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,894	25,610
Generics International, Inc., 4/30/15	Healthcare	20,000	19,927	19,675
Gray Wireline Service, Inc., 12.25%, 2/28/13	Oil & Gas	77,500	77,049	43,167
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	3,550
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,878	10,788
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	6,029
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 44,250	41,055	32,303
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	55,860
Penton Media, Inc., 2/1/14	Media	14,000	11,028	2,310
Quality Home Brands Holdings LLC, 6/20/13 ***	Consumer Products	40,564	40,075	11,236
Ranpak Corp., 12/27/14 (3)	Packaging	43,550	37,341	41,259
Ranpak Corp., 12/27/14 (4)	Packaging	21,970	26,907	29,863
RSA Holdings Corp. of Delaware (American Safety Razor), 1/30/14	Consumer Products	\$ 1,000	764	715
Sheridan Holdings, Inc., 6/15/15	Healthcare	67,847	66,914	62,148
Sorenson Communications, Inc., 2/18/14	Consumer Services	63,603	63,458	61,504
TransFirst Holdings, Inc., 6/15/15	Financial Services	36,001	35,024	33,013

<b>Total 2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 892,215</b>	<b>\$ 782,953</b>
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<b>TOTAL BANK DEBT/SENIOR SECURED LOANS</b>			<b>\$ 914,238</b>	<b>\$ 805,369</b>
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See notes to financial statements.



**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2009****(in thousands)**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>Subordinated Debt/Corporate Notes 87.7%</b>				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 40,554	\$ 78,646	\$ 56,779
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	\$ 32,373	31,984	32,697
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	20,000	19,651	20,500
Altegrity Inc., 11.75%, 5/1/16	Diversified Service	14,639	9,555	13,380
Altegrity Inc., 10.50%, 11/1/15	Diversified Service	9,500	8,143	8,806
AMH Holdings II, Inc. (Associated Materials), 20.00%, 12/01/14	Building Products	8,515	1,411	3,872
Angelica Corporation, 15.00%, 2/4/14	Healthcare	60,000	60,000	63,600
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14 ***	Direct Marketing	87,857	76,803	2,196
ATI Acquisition Company, L+1100, 12/30/15	Education	38,500	37,730	38,019
BNY ConvergeX Group, LLC, 14.00%, 10/2/14	Business Services	42,521	35,492	43,371
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	23,435	23,100	23,845
Brenntag Holding GmbH & Co. KG, E+700, 01/18/16	Chemicals	20,024	24,842	28,155
Catalina Marketing Corporation, 11.625%, 10/1/17	Grocery	\$ 42,175	39,622	44,600
Catalina Marketing Corporation, 10.50%, 10/1/15	Grocery	5,000	5,085	5,281
Ceridian Corp., 13.00%, 11/15/15	Diversified Service	53,250	53,250	52,185
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	36,000	35,219	36,180
Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17	Healthcare	7,933	12,408	10,699
Collect America, Ltd., 16.00%, 8/5/12	Consumer Finance	\$ 40,843	40,451	40,843
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	19,459	19,037	19,653
DSI Renal Inc., 16.00%, 4/7/14	Healthcare	12,775	12,775	12,775
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	42,074	41,480	42,074
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	3,452	4,475	2,786
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	17,454	21,846	18,118
First Data Corporation, 11.25%, 3/31/16	Financial Services	\$ 40,000	33,645	36,160
First Data Corporation, 9.875%, 9/24/15	Financial Services	45,500	39,963	42,315
FleetPride Corporation, 11.50%, 10/1/14	Transportation	47,500	47,500	45,125
Fox Acquisition Sub LLC, 13.375%, 7/15/16	Broadcasting & Entertainment	25,000	24,799	21,070
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15	Transportation	37,846	38,559	34,439
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	12,275	12,126	11,477
General Nutrition Centers, Inc., 10.75%, 3/15/15	Retail	24,500	24,922	25,358
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	25,000	25,000	27,625
Hub International Holdings, 10.25%, 6/15/15	Insurance	25,000	24,228	22,750
Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	10,209	10,209	4,866
KAR Holdings, Inc., 10.00%, 5/1/15	Transportation	794	683	854

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2009****(in thousands)**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>Subordinated Debt/Corporate Notes (continued)</b>				
Laureate Education, Inc., 11.75%, 8/15/17 <i>¿</i>	Education	\$ 53,540	\$ 49,827	\$ 55,682
LVI Services, Inc., 15.25%, 11/16/12	Environmental	49,000	49,000	30,000
MW Industries, Inc., 14.50%, 5/1/14	Manufacturing	60,678	59,831	59,585
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	22,630	18,846	21,339
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	52,511	55,510
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15 ***	Direct Marketing	29,763	29,763	10,417
Pacific Crane Maintenance Company, L.P., 15.00%, 2/15/14 ***	Machinery	38,237	36,825	8,030
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,723	17,723	17,745
Playpower Holdings Inc., 15.50%, 12/31/12 <i>¿</i>	Leisure Equipment	97,184	97,184	81,149
QHB Holdings LLC (Quality Home Brands), 14.50%, 12/20/13 ***	Consumer Products	56,680	52,154	2,267
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	65,068	65,068	61,424
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 1/30/15	Consumer Products	55,479	55,479	36,339
The Servicemaster Company, 10.75%, 7/15/15 <i>¿</i>	Diversified Service	52,173	47,653	54,781
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15 <i>¿</i>	Education	72,500	72,245	71,050
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 <i>¿</i>	Education	22,000	20,617	21,258
TP Financing 2, Ltd. (Travelex), GBP L+725, 4/1/15	Financial Services	£ 15,079	28,535	20,211
	Beverage,			
US Foodservice, 10.25%, 6/30/15 <i>¿</i>	Food & Tobacco	\$ 81,543	61,472	82,766
Varietal Distribution, 10.75%, 6/30/17	Distribution	22,204	21,652	20,492
<b>Total Subordinated Debt/Corporate Notes</b>			<b>\$ 1,811,024</b>	<b>\$ 1,602,498</b>
<b>TOTAL CORPORATE DEBT</b>			<b>\$ 2,725,262</b>	<b>\$ 2,407,867</b>
<b>COLLATERALIZED LOAN OBLIGATIONS 1.3%</b>				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 <i>¿</i>	Asset Management	\$ 11,539	\$ 10,578	\$ 10,464
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 <i>¿</i>	Asset Management	10,652	7,844	7,182
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 <i>¿</i>	Asset Management	11,000	6,638	6,843
<b>TOTAL COLLATERALIZED LOAN OBLIGATIONS</b>			<b>\$ 25,060</b>	<b>\$ 24,489</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2009****(in thousands, except shares)**

	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>PREFERRED EQUITY 2.0%</b>				
AHC Mezzanine LLC (Advanstar) **	Media	1	\$ 1,063	\$ 298
CA Holding, Inc. (Collect America, Ltd.) Series A	Consumer Finance	7,961	788	1,592
DSI Holding Company, Inc. (DSI Renal Inc.), 19.00%, 10/7/14 ***	Healthcare	32,500	52,962	8,511
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	18,592	19,443
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	5,204	5,204
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,777	1,336
<b>TOTAL PREFERRED EQUITY</b>			<b>\$ 82,386</b>	<b>\$ 36,384</b>
<b>EQUITY 11.7%</b>				
<b>Common Equity/Interests 11.3%</b>				
AB Capital Holdings LLC (Allied Security) **	Business Services	2,000,000	\$ 2,000	\$ 3,095
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	6,370
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	25,000	2,500	2,935
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica) **	Healthcare	6,000	6,000	8,838
Explorer Coinvest LLC (Booz Allen)	Consulting Services	430	4,300	7,370
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	164
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	10,995
Gray Energy Services, LLC Class H (Gray Wireline) **	Oil & Gas	1,081	2,000	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.) **	Education	17,500	175	2,691
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (5,6)	Industrial	1		40,991
LVI Acquisition Corp. (LVI Services, Inc.) **	Environmental	6,250	2,500	
MEG Energy Corp. (7)	Oil & Gas	2,176,722	55,006	67,522
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	65,000	39,000
PCMC Holdings, LLC (Pacific Crane) **	Machinery	40,000	4,000	
Prism Business Media Holdings, LLC (Penton Media, Inc.) **	Media	68	14,947	516
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	3,356
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	4,549
Sorenson Communications Holdings, LLC Class A **	Consumer Services	454,828	45	6,578
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
<b>Total Common Equity/Interests</b>			<b>\$ 183,208</b>	<b>\$ 205,829</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2009****(in thousands, except shares and warrants)**

	Industry	Warrants	Cost	Fair Value (1)
<b>Warrants 0.4%</b>				
CA Holding, Inc. (Collect America, Ltd.), Common	Consumer Finance	7,961	\$ 8	
DSI Holding Company, Inc. (DSI Renal Inc.), Common **	Healthcare	5,011,327		
Fidji Luxco (BC) S.C.A., Common (FCI) (5) **	Electronics	48,769	491	\$ 2,941
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	1,510
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	719
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,631
<b>Total Warrants</b>			<b>\$ 2,099</b>	<b>\$ 6,801</b>
<b>TOTAL EQUITY</b>			<b>\$ 185,307</b>	<b>\$ 212,630</b>
<b>Total Investments in Non-Controlled/ Non-Affiliated Portfolio Companies</b>			<b>\$ 3,018,015</b>	<b>\$ 2,681,370</b>
<b>Investments in Controlled Portfolio Companies 7.7%</b>		<b>Shares</b>		
<b>PREFERRED EQUITY 2.8%</b>				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	\$ 98,426	\$ 50,958
<b>EQUITY</b>				
<b>Common Equity/Interests 4.9%</b>				
AIC Credit Opportunity Fund LLC (8)	Asset Management		\$ 71,565	\$ 81,354
Grand Prix Holdings, LLC (Innkeepers USA) **	Hotels, Motels, Inns & Gaming	17,335,834	172,664	8,493
<b>Total Common Equity/Interests</b>			<b>\$ 244,229</b>	<b>\$ 89,847</b>
<b>TOTAL EQUITY</b>			<b>\$ 244,229</b>	<b>\$ 89,847</b>
<b>Total Investments in Controlled Portfolio Companies</b>			<b>\$ 342,655</b>	<b>\$ 140,805</b>
<b>Total Investments 154.5% (9)</b>			<b>\$ 3,360,670</b>	<b>\$ 2,822,175</b>

See notes to financial statements.





**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2009****(in thousands)**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>CASH EQUIVALENTS 27.4%</b>				
U.S. Treasury Bill, .055%, 4/1/10	Government	\$ 500,000	\$ 499,934	\$ 499,934
<b>Total Investments and Cash Equivalents 181.9%</b>			<b>\$ 3,860,604</b>	<b>\$ 3,322,109</b>
<b>Liabilities in Excess of Other Assets (81.9%)</b>				<b>(1,495,411)</b>
<b>Net Assets 100.0%</b>				<b>\$ 1,826,698</b>

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).
- (2) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At December 31, 2009, the range of interest rates on floating rate bank debt was 4.68% to 10.50%.
- (3) Position is held across five US Dollar-denominated tranches with varying yields.
- (4) Position is held across three Euro-denominated tranches with varying yields.
- (5) Denominated in Euro ( ).
- (6) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (7) Denominated in Canadian dollars.
- (8) See Note 6.
- (9) Aggregate gross unrealized appreciation for federal income tax purposes is \$184,535; aggregate gross unrealized depreciation for federal income tax purposes is \$728,137. Net unrealized depreciation is \$543,602 based on a tax cost of \$3,865,711.
- ι 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.
- \* Denominated in USD unless otherwise noted.
- \*\* Non-income producing security
- \*\*\* Non-accrual status (see note 2m)
- Denote 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, differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)**

<b>Industry Classification</b>	<b>Percentage of Total Investments (at fair value) as of December 31, 2009</b>
Education	10.1%
Healthcare	6.6%
Financial Services	6.0%
Insurance	5.9%
Diversified Service	5.9%
Retail	5.3%
Business Services	5.2%
Packaging	4.9%
Oil & Gas	3.9%
Asset Management	3.8%
Beverage, Food & Tobacco	3.6%
Industrial	3.5%
Manufacturing	3.1%
Grocery	2.9%
Leisure Equipment	2.9%
Telecommunications	2.9%
Transportation	2.8%
Consumer Services	2.4%
Consumer Finance	2.4%
Hotels, Motels, Inns & Gaming	2.1%
Electronics	2.1%
Market Research	2.0%
Environmental	1.9%
Consumer Products	1.8%
Consulting Services	1.1%
Chemicals	1.0%
Broadcasting & Entertainment	0.9%
Distribution	0.8%
Publishing	0.7%
Building Products	0.6%
Direct Marketing	0.4%
Machinery	0.4%
Media	0.1%
Total Investments	100.0%

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****March 31, 2009****(in thousands)****Investments in Non-Controlled/Non-Affiliated**

<b>Portfolio Companies 168.0%</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>CORPORATE DEBT 148.5%</b>				
<b>Bank Debt/Senior Secured Loans (2) 47.0%</b>				
<b>1<sup>st</sup> Lien Bank Debt/Senior Secured Loans 0.1%</b>				
OTC Investors Corporation (Oriental Trading Company), 7/31/13	Direct Marketing	\$ 2,226	\$ 1,155	\$ 1,124
<b>2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans 46.9%</b>				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 19,792	\$ 11,961
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,439	3,850
Advanstar Communications, Inc., 11/30/14	Media	\$ 20,000	20,000	6,680
Asurion Corporation, 7/3/15	Insurance	150,300	148,798	122,795
BNY ConvergeX Group, LLC, 4/2/14	Business Services	50,000	49,818	43,850
C.H.I. Overhead Doors, Inc., 13.00%, 10/22/11	Building Products	15,000	15,018	11,250
Clean Earth, Inc., 13.00%, 8/1/14	Environmental	25,000	25,000	22,750
Dresser, Inc., 5/4/15	Industrial	61,000	60,924	47,266
Educate, Inc., 6/14/14	Education	10,000	10,000	7,728
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,861	22,386
Generics International, Inc., 4/30/15	Healthcare	20,000	19,917	16,343
Gray Wireline Service, Inc., 12.25%, 2/28/13	Oil & Gas	77,500	76,966	77,500
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	950
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,859	3,375
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	1,484
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 37,250	36,312	19,544
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	44,460
Penton Media, Inc., 2/1/14	Media	14,000	10,650	9,884
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,256	39,830	30,252
Ranpak Corp., 12/27/14 (3)	Packaging	12,500	12,500	11,108
Ranpak Corp., 12/27/14 (4)	Packaging	5,206	7,585	6,098
Sheridan Holdings, Inc., 6/15/15	Healthcare	\$ 60,000	60,000	49,860
Sorenson Communications, Inc., 2/18/14	Consumer Services	62,103	62,103	54,443
TransFirst Holdings, Inc., 6/15/15	Financial Services	34,750	33,683	28,669
<b>Total 2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 828,318</b>	<b>\$ 654,486</b>
<b>Total Bank Debt/Senior Secured Loans</b>			<b>\$ 829,473</b>	<b>\$ 655,610</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2009****(in thousands)**

	Industry	Par Amount*	Cost	Fair Value (1)
<b>Subordinated Debt/Corporate Notes 101.5%</b>				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 39,526	\$ 76,758	\$ 39,942
Advanstar, Inc., L+700, 11/30/15	Media	\$ 24,385	24,385	1,341
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	31,884	31,445	29,536
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	20,000	19,621	17,500
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14	Building Products	52,155	51,422	14,655
Angelica Corporation, 15.00%, 2/4/14	Healthcare	60,000	60,000	60,000
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14 ***	Direct Marketing	76,962	76,803	4,233
BNY ConvergeEx Group, LLC, 14.00%, 10/2/14	Business Services	15,611	15,611	13,879
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	23,435	23,073	20,857
Brenntag Holding GmbH & Co. KG, E+700, 12/23/15	Chemicals	19,725	24,412	21,396
Catalina Marketing Corporation, 11.625%, 10/1/17	Grocery	\$ 31,959	30,327	27,165
Ceridian Corp., 12.25%, 11/15/15	Diversified Service	50,000	50,000	42,750
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	36,000	35,140	31,788
Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17	Healthcare	7,668	12,028	8,603
Collect America, Ltd., 16.00%, 8/5/12	Consumer Finance	\$ 38,136	37,658	36,647
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	19,271	18,777	19,126
DSI Renal Inc., 16.00%, 4/7/14	Healthcare	11,357	11,357	9,647
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	41,218	40,561	39,033
Eurofresh, Inc., 0% / 14.50%, 1/15/14	Agriculture	26,504	24,303	199
Eurofresh, Inc., 11.50%, 1/15/13	Agriculture	50,000	50,000	11,250
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,961	3,777	3,356
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	16,643	20,695	19,114
First Data Corporation, 11.25%, 3/31/16	Financial Services	\$ 40,000	33,203	32,080
First Data Corporation, 9.875%, 9/24/15	Financial Services	45,500	39,489	35,945
FleetPride Corporation, 11.50%, 10/1/14	Transportation	47,500	47,500	40,375
Fox Acquisition Sub LLC, 13.375%, 7/15/16	Broadcasting & Entertainment	25,000	24,785	20,825
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15	Transportation	37,846	36,826	30,276
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	15,275	15,070	9,375
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	25,000	25,000	24,025

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2009****(in thousands)**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>Subordinated Debt/Corporate Notes (continued)</b>				
Hub International Holdings, 10.25%, 6/15/15 <i>¿</i>	Insurance	\$ 25,000	\$ 24,160	\$ 19,666
Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	9,582	9,582	719
KAR Holdings, Inc., 10.00%, 5/1/15	Transportation	48,225	44,404	27,488
Latham Manufacturing Corp., 20.00%, 12/30/12 ***	Leisure Equipment	37,920	34,190	15,168
Laureate Education, Inc., 11.75%, 8/15/17 <i>¿</i>	Education	53,540	49,621	46,794
LVI Services, Inc., 14.75%, 11/16/12	Environmental	47,523	47,523	44,790
MW Industries, Inc., 13.00%, 5/1/14	Manufacturing	60,000	59,067	56,220
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	22,630	18,487	19,427
Neff Corp., 10.00%, 6/1/15	Rental Equipment	5,000	5,000	725
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	47,500	37,430
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15	Direct Marketing	27,861	27,862	9,752
Pacific Crane Maintenance Company, L.P., 13.00%, 2/15/14	Machinery	34,170	34,170	22,210
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,723	17,723	16,128
Playpower Holdings Inc., 15.50%, 12/31/12 <i>¿</i>	Leisure Equipment	83,707	83,707	70,732
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	14,616	14,464	13,626
QHB Holdings LLC (Quality Home Brands), 14.50%, 12/20/13	Consumer Products	50,938	50,273	36,293
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	58,217	58,217	50,300
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 1/30/15	Consumer Products	50,129	50,130	38,976
The Servicemaster Company, 10.75%, 7/15/15 <i>¿</i>	Diversified Service	67,173	60,832	54,343
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15 <i>¿</i>	Education	72,500	69,587	57,347
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 <i>¿</i>	Education	47,500	46,777	40,185
TP Financing 2, Ltd. (Travelex), GBP L+725, 4/1/15	Financial Services	£ 13,505	26,128	12,499
US Foodservice, 10.25%, 6/30/15 <i>¿</i>	Beverage, Food & Tobacco	\$ 30,000	23,812	25,710
US Investigations Services, Inc., 11.75%, 5/1/16 <i>¿</i>	Diversified Service	14,639	9,085	11,901
US Investigations Services, Inc., 10.50%, 11/1/15 <i>¿</i>	Diversified Service	9,500	7,991	8,075
Varietal Distribution, 10.75%, 6/30/17	Distribution	21,875	21,288	15,269
WDAC Intermediate Corp., E+600, 11/29/15	Publishing	46,320	62,591	379
<b>Total Subordinated Debt/Corporate Notes</b>			<b>\$ 1,964,197</b>	<b>\$ 1,417,070</b>
<b>TOTAL CORPORATE DEBT</b>			<b>\$ 2,793,670</b>	<b>\$ 2,072,680</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2009****(in thousands, except shares)**

	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>PREFERRED EQUITY 4.0%</b>				
AHC Mezzanine LLC (Advanstar) **	Media	1	\$ 1,063	
DSI Holding Company, Inc. (DSI Renal Inc.), 19.00%, 10/7/14	Healthcare	32,500	50,514	\$ 33,051
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	16,599	17,592
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	4,743	4,743
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,558	583
<b>TOTAL PREFERRED EQUITY</b>			<b>\$ 76,477</b>	<b>\$ 55,969</b>

		<b>Par Amount*</b>		
<b>COLLATERALIZED LOAN OBLIGATIONS 1.4%</b>				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18	Asset Management	\$ 11,000	\$ 9,993	\$ 8,104
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18	Asset Management	10,150	7,220	5,485
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20	Asset Management	11,000	6,509	5,389
<b>TOTAL COLLATERALIZED LOAN OBLIGATIONS</b>			<b>\$ 23,722</b>	<b>\$ 18,978</b>

		<b>Shares</b>		
<b>EQUITY 14.1%</b>				
<b>Common Equity/Interests 13.8%</b>				
AB Capital Holdings LLC (Allied Security)	Business Services	2,000,000	\$ 2,000	\$ 2,000
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	3,760
AHC Mezzanine LLC (Advanstar) **	Media	10,000	10,000	
CA Holding, Inc. (Collect America, Ltd.) Series A	Consumer Finance	25,000	2,500	4,162
CA Holding, Inc. (Collect America, Ltd.) Series AA	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica)	Healthcare	6,000	6,000	5,770
Explorer Coinvest LLC (Booz Allen)	Consulting Services	430	4,300	7,376
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	3,520

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2009****(in thousands, except shares and warrants)**

	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>Common Equity/Interests (continued)</b>				
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	\$ 5,000	\$ 8,463
Gray Energy Services, LLC Class H (Gray Wireline) **	Oil & Gas	1,081	2,000	3,590
Gryphon Colleges Corporation (Delta Educational Systems, Inc.) **	Education	17,500	175	
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (5,6)	Industrial	1		43,264
Latham International, Inc. (fka Latham Acquisition Corp.) **	Leisure Equipment	33,091	3,309	
LVI Acquisition Corp. (LVI Services, Inc.) **	Environmental	6,250	2,500	
MEG Energy Corp. (7) **	Oil & Gas	1,718,388	44,718	43,706
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	65,000	47,893
PCMC Holdings, LLC (Pacific Crane) **	Machinery	40,000	4,000	847
Prism Business Media Holdings, LLC (Penton Media, Inc.) **	Media	68	14,947	3,443
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	3,158
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	5,535
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	5,943
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
<b>Total Common Equity/Interests</b>			<b>\$ 186,229</b>	<b>\$ 193,289</b>

**Warrants**

<b>Warrants 0.3%</b>				
DSI Holding Company, Inc. (DSI Renal Inc.), Common **	Healthcare	5,011,327		
Fidji Luxco (BC) S.C.A., Common (FCI) (5) **	Electronics	48,769	\$ 491	\$ 2,591
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	460	655
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,308
Latham International, Inc., Common	Leisure Equipment	347,698	174	
<b>Total Warrants</b>			<b>\$ 2,266</b>	<b>\$ 4,554</b>

<b>TOTAL EQUITY</b>	<b>\$ 188,495</b>	<b>\$ 197,843</b>
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<b>TOTAL INVESTMENTS IN NON-CONTROLLED /NON-AFFILIATED PORTFOLIO COMPANIES</b>	<b>\$ 3,082,364</b>	<b>\$ 2,345,470</b>
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See notes to financial statements.





**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2009****(in thousands, except shares)**

					<b>Fair Value (1)</b>
<b>Investments in Controlled Portfolio Companies 10.1%</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>		
<b>PREFERRED EQUITY 5.5%</b>					
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	\$ 90,074	\$	76,557
<b>EQUITY</b>					
<b>Common Equity/Interests 4.6%</b>					
AIC Credit Opportunity Fund LLC (8)	Asset Management		\$ 79,377	\$	57,294
Grand Prix Holdings, LLC (Innkeepers USA) **	Hotels, Motels, Inns & Gaming	17,335,834	172,664		7,570
<b>Total Common Equity/Interests</b>			<b>\$ 252,041</b>	<b>\$</b>	<b>64,864</b>
<b>TOTAL EQUITY</b>			<b>\$ 252,041</b>	<b>\$</b>	<b>64,864</b>
<b>TOTAL INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES</b>			<b>\$ 342,115</b>	<b>\$</b>	<b>141,421</b>
<b>TOTAL INVESTMENTS 178.1% (9)</b>			<b>\$ 3,424,479</b>	<b>\$</b>	<b>2,486,891</b>
<b>LIABILITIES IN EXCESS OF OTHER ASSETS (78.1%)</b>					<b>(1,090,753)</b>
<b>NET ASSETS 100.0%</b>					<b>\$ 1,396,138</b>

- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).
- (2) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At March 31, 2009, the range of interest rates on floating rate bank debt was 4.92% to 9.16%.
- (3) Position is held across five US Dollar-denominated tranches with varying yields.
- (4) Position is held across three Euro-denominated tranches with varying yields.
- (5) Denominated in Euro ( ).
- (6) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (7) Denominated in Canadian dollars.
- (8) See Note 6.
- (9) Aggregate gross unrealized appreciation for federal income tax purposes is \$72,338; aggregate gross unrealized depreciation for federal income tax purposes is \$1,016,662. Net unrealized depreciation is \$944,324 based on a tax cost of \$3,431,215.
- z 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.
- \* Denominated in USD unless otherwise noted.
- \*\* Non-income producing security
- \*\*\* Non-accrual status (see note 2m)

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**SCHEDULE OF INVESTMENTS (continued)**

**March 31, 2009**

**(in thousands)**

Denote 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, differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

With the adoption of Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Company has reclassified the Schedule of Investments dated March 31, 2009 to conform to the current period's presentation.

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**  
**SCHEDULE OF INVESTMENTS (continued)**

Industry Classification	Percentage of Total Investments (at fair value) as of March 31, 2009
Education	7.9%
Healthcare	7.4%
Financial Services	6.3%
Diversified Service	6.0%
Insurance	5.7%
Oil & Gas	5.0%
Consumer Products	4.2%
Transportation	4.0%
Retail	3.9%
Industrial	3.6%
Leisure Equipment	3.5%
Hotels, Motels, Inns and Gaming	3.4%
Business Services	3.4%
Manufacturing	3.2%
Asset Management	3.1%
Packaging	2.9%
Environmental	2.7%
Telecommunications	2.5%
Consumer Finance	2.5%
Consumer Services	2.4%
Grocery	2.3%
Electronics	1.9%
Beverage, Food, & Tobacco	1.7%
Machinery	1.6%
Market Research	1.5%
Consulting Services	1.1%
Building Products	1.0%
Media	1.0%
Publishing	0.9%
Chemicals	0.9%
Broadcasting & Entertainment	0.8%
Distribution	0.6%
Direct Marketing	0.6%
Agriculture	0.5%
Rental Equipment	0.0%
Total Investments	100.0%

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited)**

**(in thousands except share and per share amounts)**

**Note 1. Organization**

Apollo Investment Corporation, a Maryland corporation organized on February 2, 2004, is a closed-end, non-diversified management investment company that has elected to be treated as a business development company ( BDC ) under the Investment Company Act of 1940. In addition, for tax purposes we have elected to be treated as a regulated investment company ( RIC ), under the Internal Revenue Code of 1986, as amended. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, and, to a lesser extent, by making equity investments in such companies.

Apollo Investment commenced operations on April 8, 2004 receiving net proceeds of \$870,000 from its initial public offering selling 62 million shares of common stock at a price of \$15.00 per share.

**Note 2. Significant Accounting Policies**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ( 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 and expenses during the reported periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 6 or 10 of Regulation S-X, as appropriate. In the opinion of management, all adjustments, which are of a normal recurring nature, considered necessary for the fair presentation of financial statements for the interim period, have been included.

Certain amounts were reclassified on the balance sheet for the year ended March 31, 2009 to conform to the current period's presentation. Dividends receivable totaling \$40,993 was reclassified into Investments (at value) as of March 31, 2009.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification ( ASC ) and the Hierarchy of Generally Accepted Accounting Principles, which has become the source of authoritative U.S. GAAP recognized by the FASB to be applied to nongovernmental entities. This supersedes non-SEC accounting and reporting standards and was effective for financial statements issued for interim and annual periods ending after September 15, 2009. This adoption by the Company changed the Company's references to U.S. GAAP accounting standards but did not impact the Company's results of operations or financial position.

The significant accounting policies consistently followed by Apollo Investment are:

- (a) Security transactions are accounted for on the trade date;
- (b) Under procedures established by our Board of Directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Investments maturing in 60 days or less are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Debt and equity securities that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Such determination of fair values may involve subjective judgments and estimates.

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

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;
- (3) independent valuation firms engaged by our board of directors conduct independent appraisals and review our investment adviser's preliminary valuations and make their own independent assessment;
- (4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and
- (5) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firm and the audit committee.

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When available, broker quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. For the fiscal quarter ended December 31, 2009, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

In September 2006, the Financial Accounting Standards Board issued guidance related to Fair Value Measurements. This guidance defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This guidance was effective for



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### **APOLLO INVESTMENT CORPORATION**

#### **NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. We adopted this guidance for our first fiscal quarter ended June 30, 2008.

Accounting Standards Codification ( 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 the Company at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

In all cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each investment.

On October 10, 2008, revised guidance was issued which provides examples of how to determine fair value in a market that is not active. It did not change the fair value measurement principles set forth in ASC 820. Furthermore, on April 9, 2009, the FASB issued additional revised guidance which provides information on estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate a transaction is not orderly. According to this guidance in the above circumstances, more analysis and significant adjustments to transaction or quoted prices may be necessary to estimate fair value. In addition, it requires disclosure of any changes in valuation techniques and related inputs resulting from the application. The total effect of the change in valuation techniques and related inputs must also be disclosed by major asset category. This revised guidance was effective for periods ending after June 15, 2009. The adoption did not have a material effect on the Company's financial position or results of operations. Accounting Standards Update No. 2010-06, Improving Disclosure about Fair Value Measurements was released in January 2010 and is effective for periods beginning after December 15, 2009. This update improves financial statement disclosure around transfers in and out of level 1 and 2 fair value measurements, around valuation techniques and inputs and around other related disclosures. Transfers between levels, if any, are recognized at the end of the reporting period. See certain additional disclosures in Note 6.

- (c) Gains or losses on the sale of investments are calculated by using the specific identification method.
- (d) 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 represents contractual interest or dividends accrued and is added to the cost of the investment on the respective capitalization dates and generally becomes due at maturity. Loan origination fees, original issue discount, and market discounts are capitalized and we amortize such amounts into income. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring fees are recorded as other income when earned.
- (e) The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies to make distributions of taxable income





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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

sufficient to relieve it of substantially all Federal income taxes. The Company, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. The Company will accrue excise tax on estimated excess taxable income as required.

- (f) Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified among the Company's capital accounts, as appropriate. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America.
- (g) Dividends and distributions to common stockholders are recorded as of the record date. The amount to be paid out as a dividend is determined by the Board of Directors each quarter. Net realized capital gains, if any, are distributed or deemed distributed at least annually.
- (h) In accordance with Regulation S-X and the AICPA Audit and Accounting Guide for Investment Companies and ASC 810 *Consolidation*, the Company does not consolidate its interest in any company other than in investment company subsidiaries and controlled operating companies substantially all of whose business consists of providing services to the Company. Consequently, the Company does not consolidate special purpose entities through which it holds investments subject to financing with third parties. At December 31, 2009, there were no such investment company subsidiaries and controlled operating companies substantially all of whose business consists of providing services to the Company. Also see note 6.
- (i) 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 rate of exchange of such currencies against U.S. dollars 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. Such fluctuations are included with the net realized and unrealized gain or loss from investments. The Company's investments in foreign securities may involve certain risks such as 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.
- (j) The Company may enter into forward exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.
- (k) The Company records origination expenses related to its multi-currency revolving credit facility as prepaid assets. These expenses are deferred and amortized using the straight-line method over the stated life of the facility.
- (l) The Company records expenses related to shelf filings and other applicable offering costs as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with the AICPA Audit and Accounting Guide for Investment Companies.

- (m) Loans and other investments, including certain preferred equity investments are generally placed on non-accrual status when principal or interest/dividend payments are past due 30 days or more and/or when there is reasonable doubt that principal or interest will be collected. Accrued, uncapitalized interest or dividends is generally reversed when an investment is placed on non-accrual status. Interest

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

or dividend payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management's judgment. Non-accrual investments are restored to accrual status when past due principal and interest or dividends are paid and/or in management's judgment, are likely to remain current. To the extent PIK interest or dividends are not expected to be realized, a reserve will be established as required by the AICPA Audit and Accounting Guide for Investment Companies.

- (n) In May 2009, the FASB issued new guidance which sets forth principles and requirements for subsequent events, specifically (1) the period during which management should evaluate events or transactions that may occur for potential recognition and disclosure, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date, and (3) the disclosures that an entity should make about events and transactions occurring after the balance sheet date. This guidance is effective for interim reporting periods ending after June 15, 2009. The Company has adopted this guidance, which did not have a material impact on its financial statements. See note 14.

**Note 3. Agreements**

Apollo Investment has an Investment Advisory and Management Agreement with Apollo Investment Management L.P. (the "Investment Adviser" or "AIM"), under which the Investment Adviser, subject to the overall supervision of Apollo Investment's Board of Directors, will manage the day-to-day operations of, and provide investment advisory services to, Apollo Investment. For providing these services, the Investment Adviser receives a fee from Apollo Investment, consisting of two components: a base management fee and an incentive fee. The base management fee is determined by taking the average value of Apollo Investment's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Apollo Investment's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus Apollo Investment's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, 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 Apollo Investment's net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment's pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of Apollo Investment's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, the

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

Investment Adviser will receive a fee of 20% of Apollo Investment's pre-incentive fee net investment income for the quarter. 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 and Management Agreement, as of the termination date) and will equal 20% of Apollo Investment's cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation 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 the three and nine months ended December 31, 2009, the Company accrued \$13,903 and \$39,839, respectively, in base investment advisory and management fees and \$12,539 and \$37,719, respectively, in performance-based incentive fees. For the three and nine months ended December 31, 2008, the Company accrued \$14,681 and \$47,057, respectively, in base investment advisory and management fees and \$13,197 and \$38,898, respectively, in performance-based incentive fees.

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

For the three and nine months ended December 31, 2009, the Administrator was reimbursed \$0 and \$2,217, respectively, from Apollo Investment on the \$1,260 and \$3,767, respectively, of expenses accrued under the Administration Agreement. As of December 31, 2008, for the three and nine months ended December 31, 2008, the Administrator was reimbursed \$479 and \$3,202 respectively, from Apollo Investment on the \$794 and \$3,517, respectively, of expenses accrued under the Administration Agreement.

On December 21, 2009, Apollo Investment amended its Amended and Restated Senior Secured Revolving Credit Agreement dated March 31, 2006 (the Facility), among Apollo Investment, the lenders party thereto and JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent for the lenders. The amendment extended the maturity date of certain lenders' commitments totaling \$1,178,750 until April 12, 2013, with the pricing reset to 300 basis points over LIBOR. Non-extended lenders whose commitments will expire on April 13, 2011 totaled \$380,000. Pricing with respect to the non-extended commitments remains at 100 basis points over LIBOR. The Facility also permits Apollo Investment to seek additional commitments from new and existing lenders in the future, up to an aggregate amount not to exceed \$2,000,000. The Facility is used to supplement Apollo's equity capital to make additional portfolio investments and for general corporate purposes. From time to time, certain of the lenders provide customary commercial and investment banking services to affiliates of Apollo Investment. JPMorgan also serves as custodian and fund accounting agent for Apollo Investment.

**Note 4. Net Asset Value Per Share**

At December 31, 2009, the Company's total net assets and net asset value per share were \$1,826,698 and \$10.40, respectively. This compares to total net assets and net asset value per share at March 31, 2009 of \$1,396,138 and \$9.82, respectively.

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

**Note 5. Earnings (Loss) Per Share**

The following information sets forth the computation of basic and diluted earnings (loss) per share for the three and nine months ended December 31, 2009 and December 31, 2008, respectively:

	Three months ended December 31,		Nine months ended December 31,	
	2009	2008	2009	2008
Numerator for increase (decrease) in net assets per share:	\$ 79,523	\$ (475,543)	\$ 273,154	\$ (641,655)
Denominator for basic and diluted weighted average shares:	166,343,539	142,221,335	153,862,926	138,567,744
Basic and diluted earnings (loss) per share:	\$ 0.48	\$ (3.34)	\$ 1.78	\$ (4.63)

**Note 6. Investments**

**AIC Credit Opportunities Fund LLC** We own all of the common member interests in AIC Credit Opportunity Fund LLC ( AIC Holdco ), which was formed for the purpose of holding various financed investments. Effective in June 2008 and through AIC Holdco, we invested \$39,500 in a special purpose entity wholly owned by AIC Holdco, AIC (FDC) Holdings LLC ( Apollo FDC ), which was used to purchase a Junior Profit-Participating Note due 2013 in principal amount of \$39,500 (the Junior Note ) from Apollo I Trust (the Trust ). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note ) to an unaffiliated third party ( FDC Counterparty ) in principal amount of \$39,500 paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate \$79,000 proceeds to acquire \$100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Reference Obligation ) due 2016 and paying interest at 11.25% per year. The Junior Note generally entitles Apollo FDC to the net interest and other proceeds due under the FDC Reference Obligation after payment of interest due under the Senior Notes, as described above. In addition, Apollo FDC is subject to 100% of any realized appreciation or depreciation in the FDC Reference Obligation. However, since the Senior Note is a non-recourse obligation, Apollo FDC is only exposed up to the amount of equity used by AIC Holdco to fund the purchase of the Junior Note plus any additional margin Apollo decides to post, if any, during the term of the financing.

Through AIC Holdco, effective in June 2008, we invested \$11,375 in a special purpose entity wholly owned by AIC Holdco, AIC (TXU) Holdings LLC ( Apollo TXU ), which acquired exposure to \$50,000 notional amount of a Libor plus 3.5% senior secured delayed draw term loan of Texas Competitive Electric Holdings ( TXU ) due 2014 through a non-recourse total return swap with an unaffiliated third party expiring on October 10, 2013 and pursuant to which Apollo TXU pays interest at Libor plus 1.5% and generally receives all proceeds due under the delayed draw term loan of TXU (the TXU Reference Obligation ). Like Apollo FDC, Apollo TXU is entitled to 100% of any realized appreciation in the TXU Reference Obligation and, since the total return swap is a non-recourse obligation, Apollo TXU is exposed up to the amount of equity used by AIC Holdco to fund the investment in the total return swap, plus any additional margin we decide to post, if any, during the term of the financing.

Through AIC Holdco, effective in September 2008, we invested \$10,022 equivalent, in a special purpose entity wholly owned by AIC Holdco, AIC (Boots) Holdings, LLC ( Apollo Boots ), which acquired 23,383 and £12,465 principal amount of senior term loans of AB Acquisitions Topco 2 Limited, a holding company for the Alliance Boots group of companies (the Boots Reference Obligations ), out of the proceeds of our investment

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)**

and a multicurrency \$40,876 equivalent non-recourse loan to Apollo Boots (the Acquisition Loan ) by an unaffiliated third party that matures in September 2013 and pays interest at LIBOR plus 1.25% or, in certain cases, the higher of the Federal Funds Rate plus 0.50% or the lender's prime-rate. The Boots Reference Obligations pay interest at the rate of LIBOR plus 3% per year and mature in June 2015.

Pursuant to applicable investment company accounting, we do not consolidate AIC Holdco or its wholly owned subsidiaries and accordingly only the value of our investment in AIC Holdco is included on our balance sheet. The Senior Note, total return swap and Acquisition Loan are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of default including failure to pay contractual amounts when due and failure by each of the underlying Apollo Investment special purpose entities to provide additional credit support, sell assets or prepay a portion of its obligations if the value of the FDC Reference Obligation, the TXU Reference Obligation or the Boots Reference Obligation, as applicable, declines below specified levels. We may unwind any of these transactions at any time without penalty. From time to time Apollo Investment may provide additional capital to AIC Holdco for purposes of funding margin calls under one or more of the transactions described above among other reasons. During the fiscal year ended March 31, 2009, we provided \$18,480 in additional capital to AIC Holdco. During the nine months ended December 31, 2009, \$7,812 of net capital was returned to us from AIC Holdco.

Investments consisted of the following as of December 31, 2009 and March 31, 2009.

	December 31, 2009		March 31, 2009	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	\$ 914,238	\$ 805,369	\$ 829,473	\$ 655,610
Subordinated Debt/Corporate Notes	1,811,024	1,602,498	1,964,197	1,417,070
Collateralized Loan Obligations	25,060	24,489	23,722	18,978
Preferred Equity	180,812	87,342	166,551	132,526
Common Equity/Interests	427,437	295,676	438,270	258,153
Warrants	2,099	6,801	2,266	4,554
Cash Equivalents	499,934	499,934		
Totals	\$ 3,860,604	\$ 3,322,109	\$ 3,424,479	\$ 2,486,891

Pursuant to fair value measurement and disclosure guidance, the Company has reclassified the above investment categories as of March 31, 2009 to conform to the current period's presentation.

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## APOLLO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

At December 31, 2009, our investments and cash equivalents were categorized as follows in the fair value hierarchy for ASC 820 purposes:

Description	December 31, 2009	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank Debt/Senior Secured Loans	\$ 805,369	\$	\$	\$ 805,369
Subordinated Debt/Corporate Notes	1,602,498			1,602,498
Collateralized Loan Obligations	24,489			24,489
Preferred Equity	87,342			87,342
Common Equity/Interests	295,676			295,676
Warrants	6,801			6,801
Total Investments	\$ 2,822,175	\$	\$	\$ 2,822,175
Cash Equivalents	499,934	499,934		
Total Investments and Cash Equivalents	\$ 3,322,109	\$ 499,934	\$	\$ 2,822,175

At March 31, 2009, our investments and cash equivalents were categorized as follows in the fair value hierarchy for ASC 820 purposes:

Description	March 31, 2009	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate Debt	\$ 2,072,680	\$	\$	\$ 2,072,680
Equity	262,707			262,707
Preferred Equity	132,526			132,526
Collateralized Loan Obligations	18,978			18,978
Total Investments	\$ 2,486,891	\$	\$	\$ 2,486,891
Cash Equivalents				
Total Investments and Cash Equivalents	\$ 2,486,891	\$	\$	\$ 2,486,891



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Pursuant to fair value measurement and disclosure guidance, the Company has reclassified the above investment categories as of March 31, 2009 to conform to the current period's presentation.

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3, for the nine months ended December 31, 2009.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*						
	Bank Debt / Senior Secured Loans	Subordinated Debt/Corporate Notes	Collateralized Loan Obligations	Preferred Equity	Common Equity/Interests	Warrants	Total
Beginning Balance, March 31, 2009	\$ 655,610	\$ 1,417,070	\$ 18,978	\$ 132,526	\$ 258,153	\$ 4,554	\$ 2,486,891
Total realized gains or losses included in earnings	(15,189)	(255,347)	5	(1,941)	23,225	26	(249,221)
Total unrealized gains or losses included in earnings	64,992	338,523	4,173	(59,445)	48,357	2,413	399,013
Purchases, including capitalized PIK (1)	122,811	241,742	1,387	17,202	22,406	8	405,556
Sales	(22,855)	(139,490)	(54)	(1,000)	(56,465)	(200)	(220,064)
Transfer in and/or out of Level 3 (2)							
Ending Balance, December 31, 2009	\$ 805,369	\$ 1,602,498	\$ 24,489	\$ 87,342	\$ 295,676	\$ 6,801	\$ 2,822,175

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our

Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our

Statement of Operations.	\$ 51,234	\$ 103,795	\$ 4,173	\$ (59,445)	\$ 32,697	\$ 2,239	\$ 134,693
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(1) Includes amortization of discount on debt securities of approximately \$1,253, \$15,613, \$292, \$166, \$0, \$0 and \$17,324, respectively.

(2) There were also no transfers into or out of Level 1 or Level 2 fair value measurements during the period shown.

\* Pursuant to fair value measurement and disclosure guidance, the Company currently categories investments by class as shown above. With the adoption of fair value measurement and disclosure guidance, the Company has reclassified the beginning balance, March 31, 2009, to conform to the current period's presentation.

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3, for the nine months ended December 31, 2008.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance, March 31, 2008	\$ 3,233,548
Total realized gains or losses included in earnings	(103,280)
Total unrealized gains or losses included in earnings	(778,900)
Purchases, including capitalized PIK (1)	440,408
Sales	(255,155)
Transfer in and/or out of Level 3	
Ending Balance, December 31, 2008	\$ 2,536,621

The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to our Level 3 assets still held at the reporting date and reported within the net change in unrealized gains or losses on investments in our Statement of Operations.

\$ (837,177)

(1) Includes amortization of discount on debt securities of approximately \$24,752.

**Note 7. Foreign Currency Transactions and Translations**

At December 31, 2009, the Company had outstanding non-US borrowings on its multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
British Pound	£ 2,000	\$ 3,565	\$ 3,230	01/13/2010	\$ 335
Euro	7,500	11,131	10,760	01/14/2010	371
Euro	13,000	18,591	18,652	01/14/2010	(61)
British Pound	£ 2,500	4,957	4,037	01/21/2010	920
Euro	111	159	160	01/21/2010	(1)
Canadian Dollar	C\$ 11,000	10,398	10,493	01/21/2010	(95)
Canadian Dollar	C\$ 113	107	108	01/21/2010	(1)
British Pound	£ 153	246	247	01/21/2010	(1)
British Pound	£ 37,500	59,395	60,557	01/28/2010	(1,162)
Euro	11,500	15,058	16,500	01/29/2010	(1,442)
Euro	75,500	98,857	108,324	01/29/2010	(9,467)
Canadian Dollar	C\$ 29,700	25,161	28,330	02/22/2010	(3,169)

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Canadian Dollar	C\$ 22,500	19,189	21,462	03/08/2010	(2,273)
Canadian Dollar	C\$ 15,000	13,035	14,308	03/29/2010	(1,273)
British Pound	£ 13,000	21,471	20,993	03/29/2010	478
Canadian Dollar	C\$ 3,000	2,318	2,862	03/30/2010	(544)
		\$ 303,638	\$ 321,023	\$	(17,385)

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)**

At March 31, 2009, the Company had outstanding non-US borrowings on its multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
British Pound	£ 2,000	\$ 3,565	\$ 2,867	4/06/2009	\$ 698
Euro	7,500	11,131	9,958	4/06/2009	1,173
British Pound	£ 2,500	4,957	3,583	4/17/2009	1,374
Euro	76,500	95,910	101,569	4/27/2009	(5,659)
British Pound	£ 37,500	59,395	53,751	4/27/2009	5,644
Canadian Dollar	C\$ 29,700	25,161	23,606	5/20/2009	1,555
Canadian Dollar	C\$ 22,500	19,189	17,883	6/05/2009	1,306
Canadian Dollar	C\$ 3,000	2,318	2,385	6/30/2009	(67)
		\$ 221,626	\$ 215,602		\$ 6,024

**Note 8. Expense Offset Arrangement**

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. ( custodian bank ) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the three and nine months ended December 31, 2009 were \$0 and \$0, respectively. The total amount of credits earned during the three and nine months ended December 31, 2008 were \$95 and \$227, respectively.

**Note 9. Temporary Investments**

Pending investment in longer-term portfolio holdings, Apollo Investment may make temporary investments in U.S. Treasury bills (of varying maturities), repurchase agreements and certain other high-quality, short-term debt securities. These temporary investments are generally deemed cash equivalents as defined by GAAP and are included in our Schedule of Investments. At the end of each fiscal quarter, Apollo Investment considers taking proactive steps with the objective of enhancing investment flexibility for the next quarter. For example, Apollo Investment may purchase U.S. Treasury bills from time-to-time on the last business day of the quarter and would typically close out its position on a net cash basis subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions, including drawing down on its revolving credit facility, as it deems 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. Temporary investments with maturities of greater than 60 days from the time of purchase are marked-to-market as per our valuation policy. There were \$499,934 and \$0 of temporary investments (as defined herein), at value, outstanding at December 31, 2009 and March 31, 2009, respectively.

**Note 10. Repurchase Agreements**

The Company may enter into repurchase agreements as part of its investment program. The Company's custodian takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction.



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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)**

**(in thousands except share and per share amounts)**

of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at December 31, 2009 or March 31, 2009.

**Note 11. Financial Highlights**

The following is a schedule of financial highlights for the nine months ended December 31, 2009 and the year ended March 31, 2009:

	<b>Nine months ended December 31, 2009 (unaudited)</b>	<b>Year ended March 31, 2009</b>
<b>Per Share Data:</b>		
Net asset value, beginning of period		