

APOLLO INVESTMENT CORP  
Form 10-Q  
August 06, 2009  
[Table of Contents](#)

**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 June 30, 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)

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

**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 August 5, 2009 was 143,005,894.

**Table of Contents**

**APOLLO INVESTMENT CORPORATION**

**FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2009**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1.	3
<u>FINANCIAL STATEMENTS</u>	3
<u>Statements of Assets and Liabilities as of June 30, 2009 and March 31, 2009</u>	3
<u>Statements of Operations for the three months ended June 30, 2009 and June 30, 2008</u>	4
<u>Statements of Changes in Net Assets for the three months ended June 30, 2009 and the year ended March 31, 2009</u>	5
<u>Statements of Cash Flows for the three months ended June 30, 2009 and June 30, 2008</u>	6
<u>Schedule of Investments as of June 30, 2009</u>	7
<u>Schedule of Investments as of March 31, 2009</u>	14
<u>Notes to Financial Statements</u>	21
<u>Report of Independent Registered Public Accounting Firm</u>	34
Item 2.	35
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
Item 3.	44
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
Item 4.	44
<u>Controls and Procedures</u>	44
<b>PART II. OTHER INFORMATION</b>	
Item 1.	45
<u>Legal Proceedings</u>	45
Item 1A.	45
<u>Risk Factors</u>	45
Item 2.	45
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
Item 3.	45
<u>Defaults upon Senior Securities</u>	45
Item 4.	45
<u>Submission of Matters to a Vote of Security Holders</u>	45
Item 5.	45
<u>Other Information</u>	45
Item 6.	46
<u>Exhibits</u>	46
<u>Signatures</u>	47

**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)

	June 30, 2009 (unaudited)	March 31, 2009
<b>Assets</b>		
Non-controlled/non-affiliated investments, at value (cost \$2,970,674 and \$3,056,709, respectively)	\$ 2,380,320	\$ 2,319,815
Controlled investments, at value (cost \$330,181 and \$326,777, respectively)	134,879	126,083
Cash	4,620	5,914
Foreign currency (cost \$496 and \$694, respectively)	496	693
Interest receivable	34,946	42,461
Dividends receivable	48,919	48,295
Miscellaneous income receivable		51
Receivable from investment adviser		393
Prepaid expenses and other assets	3,906	4,934
<b>Total assets</b>	<b>\$ 2,608,086</b>	<b>\$ 2,548,639</b>
<b>Liabilities</b>		
Credit facility payable (see note 7 & 12)	\$ 1,071,899	\$ 1,057,601
Dividends payable	36,978	36,978
Payable for investments purchased	26,400	27,555
Management and performance-based incentive fees payable (see note 3)	25,054	25,314
Interest payable	503	711
Accrued administrative expenses	2,193	1,547
Other liabilities and accrued expenses	1,424	2,795
<b>Total liabilities</b>	<b>\$ 1,164,451</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 142,221 and 142,221 issued and outstanding, respectively	\$ 142	\$ 142
Paid-in capital in excess of par (see note 2f)	2,352,205	2,352,205
Undistributed net investment income (see note 2f)	108,526	96,174
Accumulated net realized loss (see note 2f)	(219,046)	(120,811)
Net unrealized depreciation	(798,192)	(931,572)
<b>Total Net Assets</b>	<b>\$ 1,443,635</b>	<b>\$ 1,396,138</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,608,086</b>	<b>\$ 2,548,639</b>
<b>Net Asset Value Per Share</b>	<b>\$ 10.15</b>	<b>\$ 9.82</b>

See notes to financial statements.

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

(in thousands, except per share amounts)

	<b>Three months ended</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2009</b>	<b>2008</b>
<b>INVESTMENT INCOME:</b>		
From non-controlled/non-affiliated investments:		
Interest	\$ 75,297	\$ 84,975
Dividends	3,236	3,335
Other Income	1,269	197
From controlled investments:		
Dividends	2,759	2,452
 Total Investment Income	 82,561	 90,959
<b>EXPENSES:</b>		
Management fees (see note 3)	\$ 12,722	\$ 16,022
Performance-based incentive fees (see note 3)	12,332	11,578
Interest and other credit facility expenses	5,068	13,917
Administrative services expense	1,309	1,868
Other general and administrative expenses	1,800	1,347
 Total expenses	 33,231	 44,732
Expense offset arrangement (see note 8)		(86)
 Net expenses	 33,231	 44,646
 Net investment income	 \$ 49,330	 \$ 46,313
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:</b>		
Net realized loss:		
Investments and cash equivalents	\$ (98,078)	\$ (29,230)
Foreign currencies	(157)	(588)
 Net realized loss	 (98,235)	 (29,818)
Net change in unrealized gain (loss):		
Investments and cash equivalents	151,835	54,889
Foreign currencies	(18,455)	456
 Net change in unrealized gain (loss)	 133,380	 55,345
 Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	 35,145	 25,527
 <b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	 <b>\$ 84,475</b>	 <b>\$ 71,840</b>
 <b>EARNINGS PER SHARE (see note 5)</b>	 <b>\$ 0.59</b>	 <b>\$ 0.55</b>

See notes to financial statements.

**Table of Contents**

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

(in thousands, except shares)

	Three months ended June 30, 2009 (unaudited)	Year ended March 31, 2009
<b>Increase (Decrease) in net assets from operations:</b>		
Net investment income	\$ 49,330	\$ 206,331
Net realized loss	(98,235)	(83,740)
Net change in unrealized gain (loss)	133,380	(734,470)
 Net increase (decrease) in net assets resulting from operations	 84,475	 (611,879)
 <b>Dividends and distributions to stockholders:</b>	 (36,978)	 (258,843)
<b>Capital share transactions:</b>		
Net proceeds from shares sold		369,589
Less offering costs		(637)
Reinvestment of dividends		
 Net increase in net assets from capital share transactions		 368,952
 <b>Total increase (decrease) in net assets:</b>	 47,497	 (501,770)
Net assets at beginning of period	1,396,138	1,897,908
 Net assets at end of period	 \$ 1,443,635	 \$ 1,396,138
<b>Capital share activity</b>		
Shares sold		22,327,500
Shares issued from reinvestment of dividends		
 Net increase in capital share activity		 22,327,500

See notes to financial statements.



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

(in thousands)

	<b>Three months ended</b>	
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Cash Flows from Operating Activities:</b>		
Net Increase in Net Assets Resulting from Operations	\$ 84,475	\$ 71,840
Adjustments to reconcile net increase (decrease):		
Purchase of investment securities	(93,835)	(139,991)
Proceeds from disposition of investment securities and cash equivalents	78,291	90,184
Increase (decrease) from foreign currency transactions	39	(588)
Decrease in interest and dividends receivable	6,891	3,001
Decrease in prepaid expenses and other assets	1,472	1,185
Increase (decrease) in management and performance-based incentive fees payable	(260)	631
Increase (decrease) in interest payable	(208)	83
Decrease in accrued expenses	(725)	(771)
Increase (decrease) in payable for investments and cash equivalents purchased	(1,155)	876,136
Net change in unrealized depreciation (appreciation) on investments, cash equivalents, foreign currencies and other assets and liabilities	(133,380)	(55,345)
Net realized loss on investments and cash equivalents	98,235	29,818
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 39,840</b>	<b>\$ 876,183</b>
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from the issuance of common stock	\$	\$ 369,589
Offering costs from the issuance of common stock		(479)
Dividends paid in cash	(36,978)	(83,323)
Borrowings under credit facility	151,145	256,666
Repayments under credit facility	(155,500)	(929,500)
<b>Net Cash Used by Financing Activities</b>	<b>\$ (41,333)</b>	<b>\$ (387,047)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (1,493)</b>	<b>\$ 489,136</b>
Effect of exchange rates on cash balances	2	8
<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>\$ 5,116</b>	<b>\$ 904,127</b>

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

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited)****June 30, 2009****(in thousands)****Investments in Non-Controlled/Non-Affiliated Portfolio****Companies -164.9%**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>CORPORATE DEBT 145.4%</b>				
<b>2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans (2) 45.4%</b>				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 19,837	\$ 15,620
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,453	4,623
Asurion Corporation, 7/3/15	Insurance	\$ 148,300	146,882	129,318
BNY ConvergEx Group, LLC, 4/2/14	Business Services	50,000	49,827	47,450
C.H.I. Overhead Doors, Inc., 13.00%, 10/22/11	Building Products	15,000	15,016	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	60,927	51,371
Educate, Inc., 6/14/14	Education	10,000	10,000	8,581
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,871	25,350
Generics International, Inc., 4/30/15	Healthcare	20,000	19,920	18,081
Gray Wireline Service, Inc., 12.25%, 2/28/13	Oil & Gas	77,500	76,992	67,193
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	2,313
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,865	7,125
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	3,658
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 37,250	36,349	18,375
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	50,280
Penton Media, Inc., 2/1/14	Media	14,000	10,772	8,834
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,359	39,952	8,072
Ranpak Corp., 12/27/14 (3)	Packaging	12,500	12,500	11,704
Ranpak Corp., 12/27/14 (4)	Packaging	5,206	7,585	6,837
Sheridan Holdings, Inc., 6/15/15	Healthcare	\$ 60,000	60,000	50,940
Sorenson Communications, Inc., 2/18/14	Consumer Services	61,603	61,603	56,028
TransFirst Holdings, Inc., 6/15/15	Financial Services	34,750	33,710	29,294
<b>Total 2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 806,324</b>	<b>\$ 655,047</b>

**Subordinated Debt/Corporate Notes 100.0%**

AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 39,876	\$ 77,377	\$ 55,097
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	\$ 32,045	31,622	30,731
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	20,000	19,631	20,800
AMH Holdings II, Inc. (Associated Materials), 20.00% PIK, 12/01/14 ***	Building Products	7,840		
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	82,186	76,803	4,520

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2009****(in thousands)**

	Industry	Par Amount*	Cost	Fair Value (1)
<b>Subordinated Debt/Corporate Notes (continued)</b>				
Associated Materials, Inc. 15.00%, 07/15/12	Building Products	\$ 12,000	\$ 12,000	\$ 12,000
BNY ConvergeEx Group, LLC, 14.00%, 10/2/14	Business Services	15,689	15,689	15,171
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	23,435	23,082	23,494
Brenntag Holding GmbH & Co. KG, E+700, 01/18/2016	Chemicals	19,725	24,413	24,485
Catalina Marketing Corporation, 11.625%, 10/1/17 $\zeta$	Grocery	\$ 31,959	30,355	29,376
Ceridian Corp., 13.00%, 11/15/15	Diversified Service	50,000	50,000	45,050
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	36,000	35,166	31,788
Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17	Healthcare	7,734	12,119	8,760
Collect America, Ltd., 16.00%, 8/5/12 $\zeta$	Consumer Finance	\$ 39,018	38,567	39,018
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	19,341	18,873	19,341
DSI Renal Inc., 16.00%, 4/7/14	Healthcare	11,811	11,811	10,088
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	41,501	40,865	41,501
Eurofresh, Inc., 0% / 14.50%, 1/15/14 $\zeta$ ***	Agriculture	26,504	24,303	
Eurofresh, Inc., 11.50%, 1/15/13 $\zeta$ ***	Agriculture	50,000	50,000	4,250
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	3,195	4,106	4,045
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	17,040	21,252	21,607
First Data Corporation, 11.25%, 3/31/16 $\zeta$	Financial Services	\$ 40,000	33,343	34,080
First Data Corporation, 9.875%, 9/24/15	Financial Services	45,500	39,641	38,629
FleetPride Corporation, 11.50%, 10/1/14 $\zeta$	Transportation	47,500	47,500	42,275
Fox Acquisition Sub LLC, 13.375%, 7/15/16 $\zeta$	Broadcasting & Entertainment	25,000	24,790	17,446
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15 $\zeta$	Transportation	37,846	37,389	30,655
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	14,275	14,091	11,491
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	25,000	25,000	24,800
Hub International Holdings, 10.25%, 6/15/15 $\zeta$	Insurance	25,000	24,182	20,851
Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	9,788	9,788	930
KAR Holdings, Inc., 10.00%, 5/1/15	Transportation	32,225	28,675	26,779
Latham Manufacturing Corp., 20.00%, 12/30/12 ***	Leisure Equipment	39,816	34,190	7,963
Laureate Education, Inc., 11.75%, 8/15/17 $\zeta$	Education	53,540	49,687	47,062
LVI Services, Inc., 14.25%, 11/16/12	Environmental	48,087	48,087	46,885
MW Industries, Inc., 13.00%, 5/1/14	Manufacturing	60,225	59,324	51,794
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	22,630	18,601	20,649
Neff Corp., 10.00%, 6/1/15	Rental Equipment	3,000	3,000	435
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	49,098	41,715
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15	Direct Marketing	27,861	27,861	8,358

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 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>				
Pacific Crane Maintenance Company, L.P., 15.00%, 2/15/14	Machinery	\$ 35,466	\$35,466	\$18,619
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,723	17,723	17,457
Playpower Holdings Inc., 15.50%, 12/31/12 <i>¿</i>	Leisure Equipment	90,194	90,194	70,893
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	14,616	14,474	14,616
QHB Holdings LLC (Quality Home Brands), 14.50%, 12/20/13	Consumer Products	52,784	52,154	
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	60,376	60,376	54,942
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	51,840	51,840	44,116
The Servicemaster Company, 10.75%, 7/15/15 <i>¿</i>	Diversified Service	67,173	61,001	57,500
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15 <i>¿</i>	Education	72,500	71,839	60,393
TP Financing 2, Ltd. (Travelex), GBP L+725, 4/1/15	Financial Services	£ 14,422	27,483	17,172
US Foodservice, 10.25%, 6/30/15 <i>¿</i>	Beverage, Food & Tobacco	\$ 81,543	60,412	72,573
US Investigations Services, Inc., 11.75%, 5/1/16 <i>¿</i>	Diversified Service	14,639	9,238	12,531
US Investigations Services, Inc., 10.50%, 11/1/15 <i>¿</i>	Diversified Service	9,500	8,041	8,598
Varietal Distribution, 10.75%, 6/30/17	Distribution	22,039	21,463	18,006
WDAC Intermediate Corp., E+600, 11/29/15	Publishing	48,629	65,900	2,617
<b>Total Subordinated Debt/Corporate Notes</b>			<b>\$ 1,899,885</b>	<b>\$ 1,443,952</b>
<b>TOTAL CORPORATE DEBT</b>			<b>\$ 2,706,209</b>	<b>\$ 2,098,999</b>
<b>COLLATERALIZED LOAN OBLIGATIONS 1.6%</b>				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 <i>¿</i>	Asset Management	\$ 11,298	\$ 10,304	\$ 10,046
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 <i>¿</i>	Asset Management	10,319	7,428	6,967
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 <i>¿</i>	Asset Management	11,000	6,550	6,328
<b>TOTAL COLLATERALIZED LOAN OBLIGATIONS</b>			<b>\$ 24,282</b>	<b>\$ 23,341</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2009****(in thousands, except shares)**

	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>PREFERRED EQUITY 2.1%</b>				
AHC Mezzanine LLC (Advanstar) **	Media	1	\$ 1,063	
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	31,994	12,235
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	11,414	12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	3,325	3,325
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,097	448
<b>TOTAL PREFERRED EQUITY</b>			<b>\$ 51,681</b>	<b>\$ 29,960</b>
<b>EQUITY 15.8%</b>				
<b>Common Equity/Interests 15.5%</b>				
AB Capital Holdings LLC (Allied Security)	Business Services	2,000,000	\$ 2,000	\$ 2,451
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	5,190
AHC Mezzanine LLC (Advanstar) **	Media	10,000	10,000	
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	25,000	2,500	2,325
CA Holding, Inc. (Collect America, Ltd.) Series AA	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica)	Healthcare	6,000	6,000	6,170
Explorer Coinvest LLC (Booz Allen)	Consulting Services	430	4,300	7,376
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	1,278
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	10,228
Gray Energy Services, LLC Class H (Gray Wireline) **	Oil & Gas	1,081	2,000	2,460
Gryphon Colleges Corporation (Delta Educational Systems, Inc.) **	Education	17,500	\$ 175	\$ 598
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (5,6)	Industrial	1		67,641
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	59,926
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	65,000	42,991
PCMC Holdings, LLC (Pacific Crane) **	Machinery	40,000	4,000	
Prism Business Media Holdings, LLC (Penton Media, Inc.) **	Media	68	14,947	878
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	3,141
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	4,529
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	6,206
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
<b>Total Common Equity/Interests</b>			<b>\$ 186,229</b>	<b>\$ 224,247</b>

See notes to financial statements.



**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2009****(in thousands, except warrants)**

	<b>Industry</b>	<b>Warrants</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>Warrants 0.3%</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	\$ 1,230
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	335
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	675
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,533
Latham International, Inc., Common	Leisure Equipment	347,698	174	
<b>Total Warrants</b>			<b>\$ 2,273</b>	<b>\$ 3,773</b>
<b>TOTAL EQUITY</b>			<b>\$ 188,502</b>	<b>\$ 228,020</b>
<b>TOTAL INVESTMENTS IN NON-CONTROLLED/ NON-AFFILIATED PORTFOLIO COMPANIES</b>			<b>\$ 2,970,674</b>	<b>\$ 2,380,320</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2009****(in thousands, except shares)**

<b>INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES 9.3%</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
<b>PREFERRED EQUITY 3.3%</b>				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	\$ 74,736	\$ 48,295
<b>EQUITY</b>				
<b>Common Equity/Interests 6.0%</b>				
AIC Credit Opportunity Fund LLC (8)	Asset Management		\$ 82,781	\$ 77,141
Grand Prix Holdings, LLC (Innkeepers USA) **	Hotels, Motels, Inns & Gaming	17,335,834	172,664	9,443
<b>Total Common Equity/Interests</b>			<b>\$ 255,445</b>	<b>\$ 86,584</b>
<b>TOTAL EQUITY</b>			<b>\$ 255,445</b>	<b>\$ 86,584</b>
<b>TOTAL INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES</b>				
			<b>\$ 330,181</b>	<b>\$ 134,879</b>
<b>TOTAL INVESTMENTS 174.2% (9)</b>			<b>\$ 3,300,855</b>	<b>\$ 2,515,199</b>
<b>LIABILITIES IN EXCESS OF OTHER ASSETS (74.2%)</b>				<b>(1,071,564)</b>
<b>NET ASSETS 100.0%</b>				<b>\$ 1,443,635</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 June 30, 2009, the range of interest rates on floating rate bank debt was 4.79% to 8.81%.
- (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 Prysman Co-Invest L.P.
- (7) Denominated in Canadian dollars.
- (8) See Note 6.
- (9) Aggregate gross unrealized appreciation for federal income tax purposes is \$127,287; aggregate gross unrealized depreciation for federal income tax purposes is \$918,688. Net unrealized depreciation is \$791,401 based on a tax cost of \$3,306,600.
- ∩ 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)



## Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

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 June 30, 2009</b>
Healthcare	6.6%
Financial Services	6.4%
Diversified Service	6.2%
Education	6.1%
Insurance	6.0%
Oil & Gas	5.2%
Retail	4.9%
Industrial	4.7%
Asset Management	4.0%
Business Services	4.0%
Transportation	4.0%
Beverage, Food & Tobacco	3.6%
Leisure Equipment	3.1%
Packaging	3.1%
Manufacturing	3.0%
Environmental	2.8%
Telecommunications	2.6%
Consumer Finance	2.6%
Consumer Services	2.5%
Grocery	2.4%
Hotels, Motels, Inns & Gaming	2.3%
Consumer Products	2.1%
Electronics	2.0%
Market Research	1.7%
Machinery	1.4%
Consulting Services	1.2%
Publishing	1.1%
Chemicals	1.0%
Building Products	0.9%
Distribution	0.7%
Broadcasting & Entertainment	0.7%
Direct Marketing	0.5%
Media	0.4%
Agriculture	0.2%
Rental Equipment	0.0%
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 166.2%</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>2nd 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 2nd 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 <i>¿</i>	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 <i>¿</i>	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 <i>¿</i>	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 <i>¿</i> ***	Agriculture	26,504	24,303	199
Eurofresh, Inc., 11.50%, 1/15/13 <i>¿</i> ***	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 <i>¿</i>	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 <i>¿</i>	Transportation	47,500	47,500	40,375
Fox Acquisition Sub LLC, 13.375%, 7/15/16 <i>¿</i>	Broadcasting & Entertainment	25,000	24,785	20,825
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15 <i>¿</i>	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
Hub International Holdings, 10.25%, 6/15/15 <i>¿</i>	Insurance	25,000	4,160	19,666

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 (continued)</b>				
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 ÿ	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 ÿ	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%, 7/31/15	Consumer Products	50,129	50,130	38,976
The Servicemaster Company, 10.75%, 7/15/15 ÿ	Diversified Service	67,173	60,832	54,343
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15 ÿ	Education	72,500	69,587	57,347
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 ÿ	Education	47,500	46,777	40,185
TP Financing 2, Ltd. (Travellex), GBP L+725, 4/1/15	Financial Services	£ 13,505	26,128	12,499
US Foodservice, 10.25%, 6/30/15 ÿ	Beverage, Food & Tobacco	\$ 30,000	23,812	25,710
US Investigations Services, Inc., 11.75%, 5/1/16 ÿ	Diversified Service	14,639	9,085	11,901
US Investigations Services, Inc., 10.50%, 11/1/15 ÿ	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)

	Industry	Shares	Cost	Fair Value (1)
<b>PREFERRED EQUITY 2.2%</b>				
AHC Mezzanine LLC (Advanstar) **	Media	1	\$ 1,063	
DSI Holding Company, Inc. (DSI Renal Inc.), 19.00%, 10/7/14	Healthcare	32,500	31,970	\$ 14,507
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	11,367	12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	3,325	3,325
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,097	122
<b>TOTAL PREFERRED EQUITY</b>			<b>\$ 50,822</b>	<b>\$ 30,314</b>

		Par Amount*		
<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>

		Shares		
<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
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	

See notes to financial statements.

**Table of Contents**

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

**March 31, 2009**

(in thousands, except shares and warrants)

	Industry	Shares	Cost	Fair Value (1)
<b>Common Equity/Interests (continued)</b>				
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>
<b>Warrants</b>				
<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>
<b>TOTAL INVESTMENTS IN NON-CONTROLLED /NON-AFFILIATED PORTFOLIO COMPANIES</b>			<b>\$ 3,056,709</b>	<b>\$ 2,319,815</b>

See notes to financial statements.

**Table of Contents**

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

**March 31, 2009**

(in thousands, except shares)

	Industry	Shares	Cost	Fair Value (1)
<b>Investments in Controlled Portfolio Companies 9.0%</b>				
<b>PREFERRED EQUITY 4.4%</b>				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	\$ 74,736	\$ 61,219
<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>\$ 64,864</b>
<b>TOTAL EQUITY</b>			<b>\$ 252,041</b>	<b>\$ 64,864</b>
<b>TOTAL INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES</b>			<b>\$ 326,777</b>	<b>\$ 126,083</b>
<b>TOTAL INVESTMENTS 175.2% (9)</b>			<b>\$ 3,383,486</b>	<b>\$ 2,445,898</b>
<b>LIABILITIES IN EXCESS OF OTHER ASSETS (75.2%)</b>				<b>(1,049,760)</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 Prysman 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 \$3,390,222.
- ∩ 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)



## Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

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 SFAS 157-4, 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.

**Table of Contents**

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

<b>Industry Classification</b>	<b>Percentage of Total Investments (at fair value) as of March 31, 2009</b>
Education	7.7%
Healthcare	6.8%
Financial Services	6.4%
Diversified Service	6.1%
Insurance	5.8%
Oil & Gas	5.1%
Consumer Products	4.3%
Transportation	4.0%
Retail	3.9%
Industrial	3.7%
Leisure Equipment	3.5%
Business Services	3.4%
Manufacturing	3.3%
Asset Management	3.1%
Packaging	3.0%
Hotels, Motels, Inns and Gaming	2.8%
Environmental	2.8%
Telecommunications	2.6%
Consumer Finance	2.5%
Consumer Services	2.5%
Grocery	2.3%
Electronics	1.9%
Beverage, Food, & Tobacco	1.7%
Machinery	1.6%
Market Research	1.5%
Consulting Services	1.2%
Building Products	1.1%
Media	1.0%
Publishing	0.9%
Chemicals	0.9%
Broadcasting & Entertainment	0.9%
Distribution	0.6%
Direct Marketing	0.6%
Agriculture	0.5%
Rental Equipment	0.0%
Total Investments	100.0%

See notes to financial statements.

**Table of Contents**

**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.

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 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;



**Table of Contents**

**APOLLO INVESTMENT CORPORATION**

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

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

- (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 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. For the fiscal quarter ended June 30, 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 Statement of Financial Accounting Standards ( SFAS ) 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. We adopted this statement for our first fiscal quarter ended June 30, 2008.

SFAS No. 157 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.