

APOLLO INVESTMENT CORP

Form 497

August 12, 2009

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**The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

SUBJECT TO COMPLETION, DATED AUGUST 11, 2009

Filed Pursuant to Rule 497(e)  
File No. 333-153879

**PRELIMINARY PROSPECTUS SUPPLEMENT**

To the Prospectus dated August 6, 2009

**15,000,000 shares**

**Common stock**

**\$ per share**

Apollo Investment Corporation is an externally managed closed-end, non-diversified management investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940 or 1940 Act. Our investment objective is to generate both current income and capital appreciation through debt and equity investments.

We are offering for sale 15,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 2,250,000 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

Our common stock is traded on the Nasdaq Global Select Market under the symbol AINV . The last reported closing price for our common stock on August 10, 2009 was \$9.11 per share.

We are offering shares of our common stock at a discount from our most recently determined net asset value per share pursuant to authority granted by our stockholders at the annual meeting of stockholders held on August 5, 2009. Sales of common stock at prices below net asset value per share dilute the interests of existing stockholders, have the effect of reducing our net asset value per share and may reduce our market price per share. See Risk Factors beginning on page 8 of the accompanying prospectus and Sales of Common Stock Below Net Asset Value beginning on page S-22 of this prospectus supplement and on page 40 of the accompanying prospectus.

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

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

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

	Per share	Total
Public Offering Price	\$	\$
Sales Load (Underwriting Discounts and Commissions)	\$	\$
Proceeds to Apollo Investment Corporation (before estimated expenses of \$300,000)	\$	\$

The underwriters expect to deliver the shares to purchasers on or about \_\_\_\_\_, 2009.

**Citi**

**BofA Merrill Lynch**

**J.P. Morgan**

**Wells Fargo Securities**

**SunTrust Robinson Humphrey**

**BMO Capital Markets**

**RBC Capital Markets**

**Keefe, Bruyette & Woods**

Prospectus Supplement dated August \_\_\_\_\_, 2009

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

**PROSPECTUS SUPPLEMENT**

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

**Stockholder transaction expenses:**

Sales load (as a percentage of offering price)	4.50% <sup>(1)</sup>
Offering expenses (as a percentage of offering price)	0.22% <sup>(2)</sup>
Total stockholder transaction expenses (as a percentage of offering price)	4.72% <sup>(3)</sup>

**Estimated annual expenses (as percentage of net assets attributable to common stock)<sup>(4)</sup>:**

Management fees	3.23% <sup>(5)</sup>
Incentive fees payable under investment advisory and management agreement	3.14% <sup>(6)</sup>
Other expenses	0.79% <sup>(7)</sup>
Interest and other credit facility related expenses on borrowed funds	1.29% <sup>(8)</sup>
Total annual expenses as a percentage of net assets <sup>(9)</sup>	8.45% <sup>(5,6,7,8)</sup>

**Example**

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These dollar amounts are based upon payment by an investor of a 4.50% sales load (underwriting discounts and commissions) and the assumption that our annual operating expenses and leverage would remain at the levels set forth in the table above (other than performance-based incentive fees).

	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return	\$ 98	\$ 198	\$ 298	\$ 545

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

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

- (1) Represents the estimated underwriting discounts and commissions with respect to the shares to be sold by us in this offering.  
(2) Based on the public offering price of \$9.11 per share, which was the last reported closing price on August 10, 2009.

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- (3) The expenses of the dividend reinvestment plan per share are included in Other expenses.
- (4) Net assets attributable to common stock equals net assets as of June 30, 2009 plus the anticipated net proceeds from this offering.
- (5) The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our financial statements dated March 31, 2009 included in the accompanying base prospectus.
- (6) Assumes that annual incentive fees earned by our investment adviser, AIM, remain consistent with the incentive fees accrued by AIM for the current fiscal quarter. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the performance threshold but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, AIM will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee performance threshold and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. Furthermore, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement in the accompanying base prospectus.
- (7) Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo Investment Administration in performing its obligations under the administration agreement. See Compensation of Directors and Officers Administration Agreement in the accompanying base prospectus.
- (8) Our interest and other credit facility expenses are based on current fiscal year estimates. We currently have \$0.63 billion available and \$1.07 billion in borrowings outstanding under our credit facility as of June 30, 2009. For more information, see Risk Factors Risks relating to our business and structure We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. In the accompanying base prospectus and Interim Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.
- (9) Total annual expenses as a percentage of net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of total assets as of June 30, 2009 plus anticipated net proceeds from this offering, our Total annual expenses would be 5.00% of total assets. For a presentation and calculation of total annual expenses based on total assets see page S-13 of this prospectus supplement.

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**BUSINESS**

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

**Apollo Investment**

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

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, as well as by making equity investments. From time to time, we may also invest in the securities of public companies as well as public companies whose securities are thinly traded.

Our portfolio is comprised primarily of investments in long-term subordinated debt, referred to as mezzanine debt, and senior secured loans of private middle-market companies, and from time to time includes equity interests such as common stock, preferred stock, warrants or options. In this prospectus, we use the term middle-market to refer to companies with annual revenues between \$50 million and \$2 billion. While our primary focus is to generate both current income and capital appreciation through investments in U.S. senior and subordinated loans, other debt securities and private equity, we may also invest a portion of the portfolio in opportunistic investments, including foreign securities. See Risk Factors Risks Related to Our Investments.

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

During the three months ended June 30, 2009, we invested \$61.0 million across 4 existing portfolio companies. This compares to investing \$184.7 million in 6 new and 8 existing portfolio companies for the three months ended June 30, 2008. Investments sold or prepaid during the three months ended June 30, 2009 totaled \$70.4 million versus \$89.1 million for the three months ended June 30, 2008.

At June 30, 2009, our net portfolio consisted of 72 portfolio companies and was invested 26% in senior secured loans, 58% in subordinated debt, 3% in preferred equity and 13% in common equity and warrants measured at fair value versus 74 portfolio companies invested 23% in senior secured loans, 54% in subordinated debt, 7% in preferred equity and 16% in common equity and warrants at June 30, 2008.

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The weighted average yields on our senior secured loan portfolio, subordinated debt portfolio and total debt portfolio at our current cost basis were 7.9%, 13.4% and 11.8%, respectively, at June 30, 2009. At June 30, 2008, the yields were 9.7%, 12.9%, and 12.0%, respectively.

Since the initial public offering of Apollo Investment Corporation in April 2004 and through June 30, 2009, invested capital totals \$5.6 billion in 124 portfolio companies. Over the same period, we also completed transactions with more than 85 different financial sponsors. Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2009, 67% or \$1.5 billion of our income-bearing investment portfolio is fixed rate debt and 33% or \$0.7 billion is floating rate debt, measured at fair value. At June 30, 2008, 60% or \$1.7 billion of our income-bearing investment portfolio was fixed rate debt and 40% or \$1.1 billion was floating rate debt.

### ***About Apollo Investment Management***

AIM, our investment adviser, is led by a dedicated team of investment professionals. AIM's investment committee currently consists of John J. Hannan, the Chairman of our board of directors and Chairman of AIM's Investment Committee; James C. Zelter, our Chief Executive Officer, a partner of AIM and a Vice President of the general partner of AIM; Patrick J. Dalton, our President and Chief Operating Officer, a partner of AIM and a Vice President and the Chief Investment Officer of the general partner of AIM; Rajay Bagaria, a partner of AIM and a Vice President of the general partner of AIM; and Justin Sendak a partner of AIM and a Vice President of the general partner of AIM. The composition of the Investment Committee of AIM may change from time to time. AIM draws upon Apollo's 19-year history and benefits from the Apollo investment professionals' significant capital markets, trading and research expertise.

### ***About Apollo Investment Administration***

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, AIA also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. AIA oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, and generally monitors the payment of our expenses and the performance of administrative and professional services rendered to us by others. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

### ***Our Corporate Information***

Our administrative and principal executive offices are located at 9 West 57<sup>th</sup> Street, New York, NY 10019. Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV. Our Internet website address is [www.apolloic.com](http://www.apolloic.com). Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website to be part of this prospectus supplement or the accompanying base prospectus.



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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the 15,000,000 shares of our common stock that we are offering, after deducting estimated expenses of this offering payable by us, will be approximately \$130.2 million (or \$149.8 million, if the over-allotment is exercised in full) based on a public offering price of \$9.11 per share based on the closing price of our common stock on August 10, 2009. An increase (or decrease) in the public offering price of \$1.00 would increase (or decrease) net proceeds from this offering, after deducting underwriting discounts and commissions, by approximately \$14.3 million. We may change the size of the offering based on demand or market conditions. We expect to use the net proceeds from selling shares of our common stock to repay indebtedness owed under our senior credit facility, to make investments in portfolio companies in accordance with our investment objective and for general corporate purposes.

At June 30, 2009, we had approximately \$1.07 billion outstanding under our senior credit facility. Our senior credit facility matures on April 13, 2011 and bears interest at an annual rate of LIBOR plus 100 basis points on the outstanding balance. Borrowings under our senior credit facility are used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our senior credit facility will remain available for future borrowings.

We anticipate that substantially all of the net proceeds of an offering of securities pursuant to this prospectus will be used for the above purposes within two years, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. Our portfolio currently consists primarily of senior loans, mezzanine and other subordinated debt and equity securities. Pending new investments, we plan to invest a portion of the net proceeds from an offering in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility, or for other general corporate purposes. The management fee payable by us will not be reduced while our assets are invested in such securities. See Regulation Temporary Investments in the accompanying base prospectus for additional information about temporary investments we may make while waiting to make longer-term investments in pursuit of our investment objective.

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Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV. The following table lists the high and low closing prices for our common stock, the closing price as a percentage of net asset value, or NAV, and quarterly dividends per share since our initial public offering in April 2004. On August 10, 2009, the last reported closing price of our common stock was \$9.11 per share.

	NAV <sup>(1)</sup>	Closing Price		High Closing Price as a Percentage of NAV <sup>(2)</sup>	Low Closing Price as a Percentage of NAV <sup>(2)</sup>	Declared Dividends
		High	Low			
<b>Fiscal Year Ending March 31, 2010</b>						
First Fiscal Quarter	\$ 10.15	\$ 7.02	\$ 3.97	69%	39%	\$ 0.26
Second Fiscal Quarter (through August 10, 2009)	*	\$ 9.35	\$ 5.18	*	*	\$ 0.28
<b>Fiscal Year Ended March 31, 2009</b>						
First Fiscal Quarter	\$ 15.93	\$ 18.59	\$ 14.33	117%	90%	\$ 0.520
Second Fiscal Quarter	\$ 13.73	\$ 17.99	\$ 13.11	131%	95%	\$ 0.520
Third Fiscal Quarter	\$ 9.87	\$ 15.85	\$ 6.08	161%	62%	\$ 0.520
Fourth Fiscal Quarter	\$ 9.82	\$ 9.76	\$ 2.05	99%	21%	\$ 0.260
<b>Fiscal Year Ended March 31, 2008</b>						
First Fiscal Quarter	\$ 19.09	\$ 24.13	\$ 21.37	126%	112%	\$ 0.510
Second Fiscal Quarter	\$ 18.44	\$ 22.90	\$ 19.50	124%	106%	\$ 0.520
Third Fiscal Quarter	\$ 17.71	\$ 21.81	\$ 16.32	123%	92%	\$ 0.520
Fourth Fiscal Quarter	\$ 15.83	\$ 16.70	\$ 14.21	105%	90%	\$ 0.520
<b>Fiscal Year Ended March 31, 2007</b>						
First Fiscal Quarter	\$ 15.59	\$ 19.39	\$ 17.74	124%	114%	\$ 0.450
Second Fiscal Quarter	\$ 16.14	\$ 20.81	\$ 17.96	129%	111%	\$ 0.470
Third Fiscal Quarter	\$ 16.36	\$ 23.27	\$ 20.56	142%	126%	\$ 0.500
Fourth Fiscal Quarter	\$ 17.87	\$ 24.12	\$ 20.30	135%	114%	\$ 0.510
<b>Fiscal Year Ended March 31, 2006</b>						
First Fiscal Quarter	\$ 14.19	\$ 18.75	\$ 15.66	132%	110%	\$ 0.310
Second Fiscal Quarter	\$ 14.29	\$ 20.40	\$ 17.63	143%	123%	\$ 0.430
Third Fiscal Quarter	\$ 14.41	\$ 19.97	\$ 17.92	139%	124%	\$ 0.440
Fourth Fiscal Quarter	\$ 15.15	\$ 19.51	\$ 17.81	129%	118%	\$ 0.450
<b>Fiscal Year Ended March 31, 2005</b>						
First Fiscal Quarter (period from April 8, 2004 <sup>(3)</sup> to June 30, 2004)	\$ 14.05	\$ 15.25	\$ 12.83	109%	91%	
Second Fiscal Quarter	\$ 14.10	\$ 14.57	\$ 13.06	103%	93%	\$ 0.045
Third Fiscal Quarter	\$ 14.32	\$ 15.13	\$ 13.43	106%	94%	\$ 0.180
Fourth Fiscal Quarter	\$ 14.27	\$ 17.62	\$ 14.93	123%	105%	\$ 0.260

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

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

(3) Commencement of operations.

\* Net asset value has not yet been calculated for this period.

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Our common stock recently has traded at prices both above and below our most recently calculated net asset value. There can be no assurance, however, that our shares will trade above, below or at our net asset value.

We intend to pay quarterly dividends to our common stockholders. The amount of our quarterly dividend is determined by our Board of Directors. There can be no assurance that we will achieve investment results or maintain a tax status that will permit any particular level of dividend payment. Our senior credit facility limits our ability to declare dividends if we default under certain provisions. For a description of the senior credit facility, see Interim Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

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**Table of Contents****SELECTED FINANCIAL DATA**

The Statement of Operations, Per Share and Balance Sheet data for the fiscal years ended March 31, 2009, 2008, 2007 and 2006 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the three months ended June 30, 2009, are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2010.

This data should be read in conjunction with our Interim Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying base prospectus.

All amounts in thousands, except per share data.

Statement of Operations Data:	For the 3 months ended		For the Year Ended March 31,		
	June 30, 2009 (unaudited)	2009	(dollar amounts in thousands, except per share data)		
		2008	2007	2006	
Total Investment Income	\$ 82,561	\$ 377,304	\$ 357,878	\$ 266,101	\$ 152,827
Net Expenses (including taxes)	\$ 33,231	\$ 170,973	\$ 156,272	\$ 140,783	\$ 63,684
Net Investment Income	\$ 49,330	\$ 206,331	\$ 201,606	\$ 125,318	\$ 89,143
Net Realized and Unrealized Gains (Losses)	\$ 35,145	\$ (818,210)	\$ (235,044)	\$ 186,848	\$ 31,244
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 84,475	\$ (611,879)	\$ (33,438)	\$ 312,166	\$ 120,387
<b>Per Share Data:</b>					
Net Asset Value	\$ 10.15	\$ 9.82	\$ 15.83	\$ 17.87	\$ 15.15
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ 0.59	\$ (4.39)	\$ (0.30)	\$ 3.64	\$ 1.90
Distributions Declared	\$ 0.26	\$ 1.820	\$ 2.070	\$ 1.930	\$ 1.630
<b>Balance Sheet Data:</b>					
Total Assets	\$ 2,608,086	\$ 2,548,639	\$ 3,724,324	\$ 3,523,218	\$ 2,511,074
Borrowings Outstanding	\$ 1,071,899	\$ 1,057,601	\$ 1,639,122	\$ 492,312	\$ 323,852
Total Net Assets	\$ 1,443,635	\$ 1,396,138	\$ 1,897,908	\$ 1,849,748	\$ 1,229,855
<b>Other Data:</b>					
Total Return <sup>(1)</sup>	79.7%	(73.9)%	(17.5)%	31.7%	12.9%
Number of Portfolio Companies at Period End	72	72	71	57	46
Total Portfolio Investments for the Period	\$ 60,988	\$ 434,995	\$ 1,755,913	\$ 1,446,730	\$ 1,110,371
Investment Sales and Prepayments for the Period	\$ 70,362	\$ 339,724	\$ 714,225	\$ 845,485	\$ 452,325
Weighted Average Yield on Debt Portfolio at Period End	11.8%	11.7%	12.0%	13.1%	13.1%

(1) Total return is based on the change in market price per share and takes into account dividends and distributions, if any, reinvested in accordance with Apollo Investment's dividend reinvestment plan. Total return is not annualized.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and capitalization as of June 30, 2009 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 15,000,000 shares of our common stock in this offering at an offering price of \$9.11 per share, which was the last reported closing price of our common stock on August 10, 2009. You should read this table together with "Use of Proceeds" and "Interim Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in this prospectus supplement and our financial statements and notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto included in the accompanying base prospectus. The adjusted information is illustrative only; our capitalization following the completion of this offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares of common stock we sell in this offering, both of which will be determined at pricing.

All amounts in thousands, except share data

	As of June 30, 2009	
	Actual	As Adjusted for August 2009 Offering <sup>(1)</sup>
Cash and cash equivalents	\$ 5,116	\$ 135,317
Total assets	\$ 2,608,086	\$ 2,738,287
Borrowings under senior credit facility	\$ 1,071,899	\$ 1,071,899
Common stock, par value \$0.001 per share; 400,000,000 shares authorized, 142,221,335 shares issued and outstanding, 157,221,335 shares issued and outstanding, as adjusted, respectively	\$ 142	\$ 157
Capital in excess of par value	\$ 2,352,205	\$ 2,482,391
Distributable earnings <sup>(2)</sup>	\$ (908,712)	\$ (908,712)
Total stockholders' equity	\$ 1,443,635	\$ 1,573,836
Total capitalization	\$ 2,515,534	\$ 2,645,735

- (1) Does not include the underwriters' over-allotment option.
- (2) Includes cumulative net investment income or loss, cumulative amounts of gains and losses realized from investment and foreign currency transactions and net unrealized appreciation or depreciation of investments and foreign currencies, and distributions paid to stockholders other than tax return of capital distributions. Distributable earnings is not intended to represent amounts we may or will distribute to our stockholders.
- (3) As described under "Use of Proceeds," we intend to use a part of the net proceeds from this offering initially to repay a portion of the borrowings outstanding under our senior credit facility. We have not yet determined how much of the net proceeds of this offering will be used for this purpose and, as a result, we have not reflected the consequences of such repayment in this table.

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**FORWARD-LOOKING STATEMENTS**

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

our future operating results;

our business prospects and the prospects of our portfolio companies;

the impact of investments that we expect to make or have made;

our contractual arrangements and relationships with third parties;

the dependence of our future success on the general economy and its impact on the industries in which we invest;

the ability of our portfolio companies to achieve their objectives;

our expected financings and investments;

the adequacy of our cash resources and working capital; and

the timing of cash flows, if any, from the operations of our portfolio companies.

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

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

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**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

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

We were incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended. Pursuant to this election and assuming we qualify as a RIC, we generally do not have to pay corporate-level federal income taxes on any income we distribute to our stockholders. We commenced operations on April 8, 2004 upon completion of our initial public offering that raised \$870 million in net proceeds selling 62 million shares of our common stock at a price of \$15.00 per share. Since then, and through June 30, 2009, we have raised approximately \$1.4 billion in net proceeds from additional offerings of common stock.

***Investments***

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make. As a business development company, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. Pursuant to rules adopted in 2006, the SEC expanded the definition of eligible portfolio company to include certain public companies that do not have any securities listed on a national securities exchange. The SEC also adopted an additional rule under the 1940 Act to expand the definition of eligible portfolio company to include companies whose securities are listed on a national securities exchange but whose market capitalization is less than \$250 million. This rule became effective on July 21, 2008.

***Revenue***

We generate revenue primarily in the form of interest and dividend income from the debt and preferred securities we hold and capital gains, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of mezzanine or senior secured loans, generally have a stated term of five to ten years and bear interest at a fixed rate or a floating rate usually determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate. While U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of these investments may include zero coupon, payment-in-kind (PIK) and/or step-up bonds that accrue income on a constant yield to call or maturity basis. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments provide for deferred interest payments or PIK. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of dividends paid to us on equity investments as well as revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

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***Expenses***

All investment professionals of the investment adviser and their staff, when and to the extent engaged in providing investment advisory and management services to us, and the compensation and routine overhead expenses of that personnel which is allocable to those services are provided and paid for by AIM. We bear all other costs and expenses of our operations and transactions, including those relating to:

investment advisory and management fees;

expenses incurred by AIM payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;

calculation of our net asset value (including the cost and expenses of any independent valuation firm);

direct costs and expenses of administration, including independent registered public accounting and legal costs;

costs of preparing and filing reports or other documents with the SEC;

interest payable on debt, if any, incurred to finance our investments;

offerings of our common stock and other securities;

registration and listing fees;

fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;

transfer agent and custodial fees;

taxes;

independent directors' fees and expenses;

marketing and distribution-related expenses;

the costs of any reports, proxy statements or other notices to stockholders, including printing and postage costs;



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our allocable portion of the fidelity bond, directors and officers/errors and omissions liability insurance, and any other insurance premiums;

organization and offering; and

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

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

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The SEC requires that Total annual expenses be calculated as a percentage of net assets in the chart on page S-1 rather than as a percentage of total assets. Total assets includes net assets as of June 30, 2009, anticipated net proceeds from this offering and assets that have been funded with borrowed monies (leverage). For reference, the below chart illustrates our Total annual expenses as a percentage of total assets:

<b>Annual expenses (as percentage of total assets):</b>	
Management fees	2.00% <sup>(1)</sup>
Incentive fees payable under investment advisory and management agreement	1.80% <sup>(2)</sup>
Other expenses	0.46% <sup>(3)</sup>
Interest and other credit facility related expenses on borrowed funds	0.74% <sup>(4)</sup>
 Total annual expenses as a percentage of total assets	 5.00% <sup>(1,2,3,4)</sup>

- (1) The contractual management fee is calculated at an annual rate of 2.00% of our average gross total assets. Annual expenses are based on current fiscal year amounts. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our interim financial statements dated June 30, 2009 included in this prospectus supplement.
- (2) Assumes that annual incentive fees earned by our investment adviser, AIM, remain consistent with the incentive fees earned by AIM for the fiscal year ended March 31, 2009. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 1 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the performance threshold but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, AIM will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee performance threshold and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. Furthermore, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement in this base prospectus.
- (3) Other expenses are based on estimated amounts for the current fiscal year and include our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by AIA in performing its obligations under the administration agreement. See Management Administration Agreement in this base prospectus.
- (4) Our interest and other credit facility expenses are based on current fiscal year estimates. As of June 30, 2009, we had \$0.63 billion available and \$1.07 billion in borrowings outstanding under our credit facility. For more information, see Risk Factors Risks relating to our business and structure We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts

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invested and may increase the risk of investing in us and Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in the accompanying base prospectus.

**Portfolio and Investment Activity**

During the three months ended June 30, 2009, we invested \$61.0 million across 4 existing portfolio companies. This compares to investing \$184.7 million in 6 new and 8 existing portfolio companies for the three months ended June 30, 2008. Investments sold or prepaid during the three months ended June 30, 2009 totaled \$70.4 million versus \$89.1 million for the three months ended June 30, 2008.

At June 30, 2009, our net portfolio consisted of 72 portfolio companies and was invested 26% in senior secured loans, 58% in subordinated debt, 3% in preferred equity and 13% in common equity and warrants measured at fair value versus 74 portfolio companies invested 23% in senior secured loans, 54% in subordinated debt, 7% in preferred equity and 16% in common equity and warrants at June 30, 2008.

The weighted average yields on our senior secured loan portfolio, subordinated debt portfolio and total debt portfolio at our current cost basis were 7.9%, 13.4% and 11.8%, respectively, at June 30, 2009. At June 30, 2008, the yields were 9.7%, 12.9%, and 12.0%, respectively.

Since the initial public offering of Apollo Investment Corporation in April 2004 and through June 30, 2009, invested capital totals \$5.6 billion in 124 portfolio companies. Over the same period, we also completed transactions with more than 85 different financial sponsors.

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2009, 67% or \$1.5 billion of our income-bearing investment portfolio is fixed rate debt and 33% or \$0.7 billion is floating rate debt, measured at fair value. At June 30, 2008, 60% or \$1.7 billion of our income-bearing investment portfolio was fixed rate debt and 40% or \$1.1 billion was floating rate debt.

**CRITICAL ACCOUNTING POLICIES**

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

***Valuation of Portfolio Investments***

Under procedures established by our board of directors, we value investments, including certain 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. Given the continued market dislocation, the limited trading activity, and the level of forced sellers we noted in the market during the fiscal quarter ended June 30, 2009, our research and diligence concluded that the limited but available market

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quotations on a number of performing or outperforming credits may not be representative of fair value under generally accepted accounting principles in the U.S. Accordingly, such investments went through our multi-step valuation process as described below. In each case, our independent valuation firms considered observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. 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 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 our 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 us at the measurement date.

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*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, FASB Staff Position 157-3 *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* ( FAS 157-3 ) was issued. FAS 157-3 provides examples of how to determine fair value in a market that is not active. FAS 157-3 did not change the fair value measurement principles set forth in FAS 157. Furthermore, on April 9, 2009, FASB Staff Position 157-3 was superseded by FASB Staff Position 157-4 *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FAS 157-4 ). FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. According to FAS 157-4, in the above circumstances, more analysis and significant adjustments to transaction or quoted prices may be necessary to estimate fair value. FAS 157-4 requires disclosure of any changes in valuation techniques and related inputs resulting from the application of this FASB Staff Position. The total effect of the change in valuation techniques and related inputs must also be disclosed by major asset category. FAS 157-4 is effective for periods ending after June 15, 2009. The adoption of FAS 157-4 did not have a material effect on our financial position or results of operations for the quarter ended June 30, 2009.

### ***Revenue Recognition***

We record interest and dividend income on an accrual basis to the extent that we expect to collect such amounts. Some of our loans and securities may have contractual PIK interest or dividends, which represents contractual interest or dividends accrued and added to the balance that generally becomes due at maturity. On such loans and securities, we may not accrue PIK income if the portfolio company's performance indicates that the PIK income is not collectible, among other factors. We do not accrue as a receivable interest or dividends on loans and securities if we have reason to doubt our ability to collect such income. Loan origination fees, original issue discount, and market discount are capitalized and we amortize such amounts as interest income. Upon the prepayment of a loan or security, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and securities as interest income when we receive such amounts.

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

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

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

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**Table of Contents****RESULTS OF OPERATIONS**

**Results comparisons are for the three months ended June 30, 2009 and June 30, 2008.**

***Investment Income***

For the three months ended June 30, 2009 and June 30, 2008, gross investment income totaled \$82.6 million and \$91.0 million, respectively. The decrease in gross investment income from the June 2008 quarter to the June 2009 quarter was primarily due to two main factors: the reduction of the size of the income producing portfolio year over year and the reduction in the yield of the overall income producing portfolio on a year over year basis with LIBOR decreasing over 200 basis points. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans.

***Expenses***

Net operating expenses totaled \$33.2 million and \$44.6 million, respectively, for the three months ended June 30, 2009 and June 30, 2008, of which \$25.1 million and \$27.6 million, respectively, were base management fees and performance-based incentive fees and \$5.1 million and \$13.9 million, respectively, were interest and other credit facility expenses. Of these net operating expenses, general and administrative expenses totaled \$3.1 million and \$3.1 million, respectively, for the three months ended June 30, 2009 and June 30, 2008. Net expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, legal fees, directors' fees, audit and tax services expenses, and other general and administrative expenses. The decrease in net expenses from the June 2008 quarter to the June 2009 quarter was primarily related to the decrease in the weighted average interest expense on our revolving credit facility on a year over year basis. This decrease in weighted average interest expense is due primarily to LIBOR decreasing over 200 basis points.

***Net Investment Income***

Our net investment income totaled \$49.3 million and \$46.3 million, or \$0.35, and \$0.35, on a per average share basis, respectively, for the three months ended June 30, 2009 and June 30, 2008.

***Net Realized Losses***

We had investment sales and prepayments totaling \$70.4 million and \$89.1 million, respectively, for the three months ended June 30, 2009 and June 30, 2008. Net realized losses for the three months ended June 30, 2009 and June 30, 2008 were \$98.2 million and \$29.8 million, respectively.

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

For the three months ended June 30, 2009 and June 30, 2008, net change in unrealized appreciation (depreciation) on our investments, cash equivalents, foreign currencies and other assets and liabilities totaled \$133.4 million and \$55.3 million, respectively. A net decrease in unrealized depreciation was recognized for the quarter ended June 30, 2009. This change in unrealized appreciation (depreciation) was primarily due to improving capital market conditions and net changes in specific portfolio company fundamentals.

***Net Increase in Net Assets From Operations***

For the three months ended June 30, 2009 and June 30, 2008, we had a net increase in net assets resulting from operations of \$84.5 million and \$71.8 million, respectively. The earnings per share were \$0.59 and \$0.55 for the three months ended June 30, 2009 and June 30, 2008, respectively.

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

Our liquidity and capital resources are generated and generally available through periodic follow-on equity offerings, through our senior secured, multi-currency \$1.7 billion, five-year, revolving credit facility maturing in April 2011, through investments in special purpose entities in which we hold and finance particular investments on a non-recourse basis, as well as from cash flows from operations, investment sales of liquid assets and prepayments of senior and subordinated loans and income earned from investments and cash equivalents. At June 30, 2009, we had \$1.07 billion in borrowings outstanding and \$0.63 billion of unused capacity. In the future, we may raise additional equity or debt capital off offerings hereunder, among other considerations. The primary use of funds will be investments in portfolio companies, cash distributions to our stockholders, reductions in debt outstanding and other general corporate purposes.

	Payments due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Secured Revolving Credit Facility <sup>(1)</sup>	\$ 1,072	\$	\$ 1,072	\$	\$

- (1) At June 30, 2009, \$628 million remained unused under our senior secured revolving credit facility. Pricing of our credit facility is 100 basis points over LIBOR.

Information about our senior securities is shown in the following table as of each year ended March 31 since we commenced operations, unless otherwise noted. The   indicates information which the SEC expressly does not require to be disclosed for certain types of senior securities.

Class and Year	Total Amount Outstanding (dollars in thousands) <sup>(1)</sup>	Asset Coverage Per Unit <sup>(2)</sup>	Involuntary Liquidating Preference Per Unit <sup>(3)</sup>	Average Market Value Per Unit <sup>(4)</sup>
<b>Revolving Credit Facility</b>				
Fiscal 2010 (through June 30, 2009)	\$ 1,071,899	\$ 2,347	\$	N/A
Fiscal 2009	1,057,601	2,320		N/A
Fiscal 2008	1,639,122	2,158		N/A
Fiscal 2007	492,312	4,757		N/A
Fiscal 2006	323,852	4,798		N/A
Fiscal 2005	0	0		N/A

- (1) Total amount of each class of senior securities outstanding at the end of the period presented.
- (2) The asset coverage ratio for a class of senior securities representing indebtedness is calculated as our consolidated total assets, less all liabilities and indebtedness not represented by senior securities, divided by senior securities representing indebtedness. This asset coverage ratio is multiplied by \$1,000 to determine the Asset Coverage Per Unit.
- (3) The amount to which such class of senior security would be entitled upon the involuntary liquidation of the issuer in preference to any security junior to it.
- (4) Not applicable, as senior securities are not registered for public trading.

**Contractual Obligations**

We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which AIM has agreed to serve as our investment adviser, and the administration agreement, pursuant to which the Administrator has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount





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based upon our allocable portion of the Administrator's overhead in performing its obligations under the administration agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the investment advisory and management agreement and administration agreement without penalty upon not more than 60 days' written notice to the other. Please see Note 3 within our financial statements for more information.

***Off-Balance Sheet Arrangements***

We have the ability to issue standby letters of credit through its revolving credit facility. As of June 30, 2009 and June 30, 2008, we had issued through JPMorgan Chase Bank, N.A. standby letters of credit totaling \$3.508 million and \$14.435 million, respectively.

***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, we invested \$39.50 million 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 \$39.50 million (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 \$39.50 million paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate \$79.00 million proceeds to acquire \$100 million 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 entitled to 100% of any realized appreciation in the FDC Reference Obligation and, since the Senior Note is a non-recourse obligation, Apollo FDC is 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 \$11.37 million in a special purpose entity wholly owned by AIC Holdco, AIC (TXU) Holdings LLC (Apollo TXU), which acquired exposure to \$50 million 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 \$10.02 million equivalent, in a special purpose entity wholly owned by AIC Holdco, AIC (Boots) Holdings, LLC (Apollo Boots), which acquired \$23.38 million and £12.46 million 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 and a multicurrency \$40.87 million 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.

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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 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 we may provide additional capital to AIC Holdco for purposes of funding margin calls under one or more of the transactions described above. During the fiscal year ended March 31, 2009, we provided \$18.48 million in additional capital to AIC Holdco. During the three months ended June 30, 2009, we provided \$3.404 million in additional net capital to AIC Holdco.

### ***Dividends***

Dividends paid to stockholders for the three months ended June 30, 2009 and June 30, 2008 totaled \$37.0 million or \$0.26 per share, and \$74.0 million or \$0.52 per share, respectively. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly dividends, if any, will be determined by our Board of Directors.

We have elected to be taxed as a RIC under Subchapter M of the Internal Revenue Code of 1986. To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In addition, although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment.

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

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

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

**Table of Contents****QUANTITATIVE AND QUALITATIVE DISCLOSURES****ABOUT MARKET RISK**

We are subject to financial market risks, including changes in interest rates. During the three months ended June 30, 2009, many of the loans in our portfolio had floating interest rates. These loans are usually based on floating LIBOR and typically have durations of one to six months after which they reset to current market interest rates. As the percentage of our U.S. mezzanine and other subordinated loans increase as a percentage of our total investments, we expect that more of the loans in our portfolio will have fixed rates. At June 30, 2009, our floating-rate assets and floating-rate liabilities were closely matched. As such, a change in interest rates would not have a material effect on our net investment income. However, we may hedge against interest rate fluctuations from time-to-time by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. During the three months ended June 30, 2009, we did not engage in interest rate hedging activities.

The following table is designed to illustrate the effect on return to a holder of our common stock of the leverage created by our use of borrowing and potential issuance of preferred stock, at the weighted average annual interest rate of 1.59% for the three months ended June 30, 2009, and assuming the same average dividend rate on any preferred stock that we might issue and hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

<b>Assumed return on portfolio (net of expenses)<sup>(1)</sup></b>	<b>-10.0%</b>	<b>-5.0%</b>	<b>0%</b>	<b>5.0%</b>	<b>10.0%</b>
<b>Corresponding Return to Common Stockholders<sup>(2)</sup></b>	<b>-18.19%</b>	<b>-9.49%</b>	<b>-0.80%</b>	<b>7.90%</b>	<b>16.60%</b>

- (1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.
- (2) In order to compute the Corresponding Return to Common Stockholders, the Assumed Return on Portfolio is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the Corresponding Return to Common Stockholders.

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**SALES OF COMMON STOCK BELOW NET ASSET VALUE**

At our annual meeting of stockholders held on August 5, 2009, our stockholders approved our ability to sell shares of our common stock below net asset value ( NAV ) per share in one or more public or private offerings of our common stock. We now have the ability to sell or otherwise issue up to 25% of our shares of our common stock at any level of discount from NAV per share during the period beginning on August 5, 2009 and expiring on the earlier of the anniversary of the date of the August 5, 2009 annual meeting and the date of our 2010 annual meeting of stockholders, which is expected to be held in August 2010.

In making a determination that an offering below NAV per share is in our and our stockholders' best interests, our board of directors considered a variety of factors including:

The effect that an offering below NAV per share would have on our stockholders, including the potential dilution they would experience as a result of the offering;

The amount per share by which the offering price per share and the net proceeds per share are less than the most recently determined NAV per share;

The relationship of recent market prices of par common stock to NAV per share and the potential impact of the offering on the market price per share of our common stock;

Whether the estimated offering price would closely approximate the market value of our shares and would not be below current market price;

The potential market impact of being able to raise capital during the current financial market difficulties;

The nature of any new investors anticipated to acquire shares in the offering;

The anticipated rate of return on and quality, type and availability of investments; and

The leverage available to us.

We will not sell shares under a prospectus supplement to the registration statement or current post-effective amendment thereto of which this prospectus forms a part (the current registration statement ) if the cumulative dilution to our NAV per share from offerings under the current registration statement exceeds 15%. This limit would be measured separately for each offering pursuant to the current registration statement by calculating the percentage dilution or accretion to aggregate NAV from that offering and then summing the percentage from each offering. For example, if our most recently determined NAV per share at the time of the first offering is \$10.00 and we have 140 million shares outstanding, sale of 35 million shares at net proceeds to us of \$5.00 per share (a 50% discount) would produce dilution of 10.0%. If we subsequently determined that our NAV per share increased to \$11.00 on the then 175 million shares outstanding and then made an additional offering, we could, for example, sell approximately an additional 43.75 million shares at net proceeds to us of \$8.25 per share, which would produce dilution of 5.0%, before we would reach the aggregate 15% limit. If we file a new post-effective amendment, the threshold would reset.

Sales by us of our common stock at a discount from NAV pose potential risks for our existing stockholders whether or not they participate in the offering, as well as for new investors who participate in the offering.

The following three headings and accompanying tables will explain and provide hypothetical examples on the impact of an offering at a price less than NAV per share on three different set of investors:

existing shareholders who do not purchase any shares in the offering

existing shareholders who purchase a relatively small amount of shares in the offering or a relatively large amount of shares in the offering

new investors who become shareholders by purchasing shares in the offering.

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***Impact on Existing Stockholders who do not Participate in the Offering***

Our existing stockholders who do not participate in an offering below NAV per share or who do not buy additional shares in the secondary market at the same or lower price we obtain in the offering (after expenses and commissions) face the greatest potential risks. These stockholders will experience an immediate decrease (often called dilution) in the NAV of the shares they hold and their NAV per share. These stockholders will also experience a disproportionately greater decrease in their participation in our earnings and assets and their voting power than the increase we will experience in our assets, potential earning power and voting interests due to the offering. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increase.

The following table illustrates the level of net asset value dilution that would be experienced by a nonparticipating stockholder in three different hypothetical offerings of different sizes and levels of discount from net asset value per share, although it is not possible to predict the level of market price decline that may occur. Actual sales prices and discounts may differ from the presentation below.

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The examples assume that we have 1,000,000 common shares outstanding, \$15,000,000 in total assets and \$5,000,000 in total liabilities. The current net asset value and net asset value per share are thus \$10,000,000 and \$10.00. The table illustrates the dilutive effect on a nonparticipating stockholder of (1) an offering of 50,000 shares (5% of the outstanding shares) at \$9.50 per share after offering expenses and commission (a 5% discount from net asset value), (2) an offering of 100,000 shares (10% of the outstanding shares) at \$9.00 per share after offering expenses and commissions (a 10% discount from net asset value) and (3) an offering of 200,000 shares (20% of the outstanding shares) at \$8.00 per share after offering expenses and commissions (a 20% discount from net asset value).

		Example 1 5% Offering at 5% Discount		Example 2 10% Offering at 10% Discount		Example 3 20% Offering at 20% Discount	
	Prior to Sale Below NAV	Following Sale	% Change	Following Sale	% Change	Following Sale	% Change
<b>Offering Price</b>							
Price per Share to Public		\$ 10.00		\$ 9.47		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 9.50		\$ 9.00		\$ 8.00	
<b>Decrease to NAV</b>							
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%
NAV per Share	\$ 10.00	\$ 9.98	(0.20)%	\$ 9.91	(0.90)%	\$ 9.67	(3.30)%
<b>Dilution to Stockholder</b>							
Shares Held by Stockholder	10,000	10,000		10,000		10,000	
Percentage Held by Stockholder	1.0%	0.95%	(4.76)%	0.91%	(9.09)%	0.83%	(16.67)%
<b>Total Asset Values</b>							
Total NAV Held by Stockholder	\$ 100,000	\$ 99,800	(0.20)%	\$ 99,100	(0.90)%	\$ 96,700	(3.30)%
Total Investment by Stockholder (Assumed to be \$10.00 per Share)	\$ 100,000	\$ 100,000		\$ 100,000		\$ 100,000	
Total Dilution to Stockholder (Total NAV Less Total Investment)		\$ (200)		\$ (900)		\$ (3,300)	
<b>Per Share Amounts</b>							
NAV Per Share Held by Stockholder		\$ 9.98		\$ 9.91		\$ 9.67	
Investment per Share Held by Stockholder (Assumed to be \$10.00 per Share on Shares Held prior to Sale)	\$ 10.00	\$ 10.00		\$ 10.00		\$ 10.00	
Dilution per Share Held by Stockholder (NAV per Share Less Investment per Share)		\$ (0.02)		\$ (0.09)		\$ (0.33)	
Percentage Dilution to Stockholder (Dilution per Share Divided by Investment per Share)			(0.20)%		(0.90)%		(3.30)%

**Table of Contents****Impact on Existing Stockholders who do Participate in the Offering**

Our existing stockholders who participate in an offering below NAV per share or who buy additional shares in the secondary market at the same or lower price as we obtain in the offering (after expenses and commissions) will experience the same types of NAV dilution as the nonparticipating stockholders, albeit at a lower level, to the extent they purchase less than the same percentage of the discounted offering as their interest in our shares immediately prior to the offering. The level of NAV dilution will decrease as the number of shares such stockholders purchase increases. Existing stockholders who buy more than such percentage will experience NAV dilution but will, in contrast to existing stockholders who purchase less than their proportionate share of the offering, experience an increase (often called accretion) in NAV per share over their investment per share and will also experience a disproportionately greater increase in their participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests due to the offering. The level of accretion will increase as the excess number of shares such stockholder purchases increases. Even a stockholder who over-participates will, however, be subject to the risk that we may make additional discounted offerings in which such stockholder does not participate, in which case such a stockholder will experience NAV dilution as described above in such subsequent offerings. These stockholders may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discount to NAV increases.

The following chart illustrates the level of dilution and accretion in the hypothetical 20% discount offering from the prior chart for a stockholder that acquires shares equal to (1) 50% of its proportionate share of the offering (i.e., 1,000 shares, which is 0.50% of the offering 200,000 shares rather than its 1.00% proportionate share) and (2) 150% of such percentage (i.e., 3,000 shares, which is 1.50% of an offering of 200,000 shares rather than its 1.00% proportionate share).

	Prior to Sale Below NAV	50% Participation Following Sale	% Change	150% Participation Following Sale	% Change
<b>Offering Price</b>					
Price per Share to Public		\$ 8.42		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 8.00		\$ 8.00	
<b>Increases in Shares and Decrease to NAV</b>					
Total Shares Outstanding	1,000,000	1,200,000	20.00%	1,200,000	20.00%
NAV per Share	\$ 10.00	\$ 9.67	(3.33)%	\$ 9.67	(3.33)%
<b>Dilution/Accretion to Stockholder</b>					
Shares Held by Stockholder	10,000	11,000	10.00%	13,000	30.00%
Percentage Held by Stockholder	1.0%	0.92%	(8.33)%	1.08%	8.33%
<b>Total Asset Values</b>					
Total NAV Held by Stockholder	\$ 100,000	\$ 106,333	6.33%	\$ 125,667	25.67%
Total Investment by Stockholder (Assumed to be \$10.00 per Share on Shares Held prior to Sale)	\$ 100,000	\$ 108,420		\$ 125,260	
Total Dilution/Accretion to Stockholder (Total NAV Less Total Investment)		(2,087)		\$ 407	
<b>Per Share Amounts</b>					
NAV Per Share Held by Stockholder		\$ 9.67		\$ 9.67	
Investment per Share Held by Stockholder (Assumed to be \$10.00 per Share on Shares Held prior to Sale)	\$ 10.00	\$ 9.86	(1.44)%	\$ 9.64	(3.65)%
Dilution/Accretion per Share Held by Stockholder (NAV per Share Less Investment per Share)		\$ (0.19)		\$ 0.03	
Percentage Dilution/Accretion to Stockholder (Dilution/Accretion per Share Divided by Investment per Share)			(1.92)%		0.32%



**Table of Contents****Impact on New Investors**

Investors who are not currently stockholders, but who participate in an offering below NAV and whose investment per share is greater than the resulting NAV per share (due to selling compensation and expenses paid by us) will experience an immediate decrease, albeit small, in the NAV of their shares and their NAV per share compared to the price they pay for their shares. Investors who are not currently stockholders and who participate in an offering below NAV per share and whose investment per share is also less than the resulting NAV per share due to selling compensation and expenses paid by the issuer being significantly less than the discount per share will experience an immediate increase in the NAV of their shares and their NAV per share compared to the price they pay for their shares. These investors will experience a disproportionately greater participation in our earnings and assets and their voting power than our increase in assets, potential earning power and voting interests. These investors will, however, be subject to the risk that we may make additional discounted offerings in which such new stockholder does not participate, in which case such new stockholder will experience dilution as described above in such subsequent offerings. These investors may also experience a decline in the market price of their shares, which often reflects to some degree announced or potential increases and decreases in NAV per share. This decrease could be more pronounced as the size of the offering and level of discounts increases.

The following chart illustrates the level of dilution or accretion for new investors that would be experienced by a new investor in the same 5%, 10% and 20% discounted offerings as described in the first chart above. The illustration is for a new investor who purchases the same percentage (1.00%) of the shares in the offering as the stockholder in the prior examples held immediately prior to the offering.

	Prior to Sale Below NAV	Example 1 5% Offering at 5% Discount	% Change	Example 2 10% Offering at 10% Discount	% Change	Example 3 20% Offering at 20% Discount	% Change
<b>Offering Price</b>							
Price per Share to Public		\$ 10.00		\$ 9.47		\$ 8.42	
Net Proceeds per Share to Issuer		\$ 9.50		\$ 9.00		\$ 8.00	
<b>Decrease to NAV</b>							
Total Shares Outstanding	1,000,000	1,050,000	5.00%	1,100,000	10.00%	1,200,000	20.00%
NAV per Share	\$ 10.00	\$ 9.98	(0.20)%	\$ 9.91	(0.90)%	\$ 9.67	(3.33)%
<b>Dilution/Accretion to Stockholder</b>							
Shares Held by Stockholder		500		1,000		2,000	
Percentage Held by Stockholder	0.0%	0.05%		0.09%		0.17%	
<b>Total Asset Values</b>							
Total NAV Held by Stockholder		\$ 4,990		\$ 9,910		\$ 19,340	
Total Investment by Stockholder		\$ 5,000		\$ 9,470		\$ 16,840	
Total Dilution/Accretion to Stockholder (Total NAV Less Total Investment)		\$ (10)		\$ 440		\$ 2,500	
<b>Per Share Amounts</b>							
NAV Per Share Held by Stockholder		\$ 9.98		\$ 9.91		\$ 9.67	
Investment per Share Held by Stockholder		\$ 10.00		\$ 9.47		\$ 8.42	
Dilution/Accretion per Share Held by Stockholder (NAV per Share Less Investment per Share)		\$ (0.02)	(0.20)%	\$ 0.44	4.65%	\$ 1.25	14.85%

Percentage Dilution/Accretion  
to Stockholder  
(Dilution/Accretion per Share  
Divided by Investment per  
Share)

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**UNDERWRITING**

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc. and Wells Fargo Securities, LLC are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
J.P. Morgan Securities Inc.	
Wells Fargo Securities, LLC	
SunTrust Robinson Humphrey, Inc.	
BMO Capital Markets Corp.	
RBC Capital Markets Corporation	
Keefe, Bruyette & Woods, Inc.	
	15,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all shares included in this offering, other than those shares covered by the over-allotment option described below, if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed \$ \_\_\_\_\_ per share. The underwriters may allow and dealers may reallow, a concession not to exceed \$ \_\_\_\_\_ per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms. Investors must pay for any shares purchased in the offering on or before \_\_\_\_\_, 2009.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 2,250,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares approximately proportionate to that underwriter's initial purchase commitment.

We, our officers and directors, AIM, AIA and certain of the partners and officers of AIM (or any entities through which such partners and officers may invest in our shares) have agreed that, for a period of 60 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. Citigroup Global Markets Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, for the purpose of allowing the underwriters to comply with NASD Rule 2711(f)(4), if (1) during the last 17 days of the initial 60-day lock-up period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the initial 60-day lock-up period, we announce that we will release earnings results during the

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16-day period beginning on the last day of the initial 60-day lock-up period, then in each case the initial 60-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable.

The common stock is quoted on the Nasdaq Global Select Market under the symbol AINV .

## **Sales Outside the United States**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the common stock, or the possession, circulation or distribution of this prospectus supplement, the accompanying prospectus or any other material relating to us or the common stock in any jurisdiction where action for that purpose is required. Accordingly, the common stock may not be offered or sold, directly or indirectly, and none of this prospectus supplement, the accompanying prospectus or any other offering material or advertisements in connection with the common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the underwriters may arrange to sell common stock offered hereby in certain jurisdictions outside the United States, either directly or through affiliates, where they are permitted to do so. In that regard, Wells Fargo Securities, LLC may arrange to sell shares in certain jurisdictions through an affiliate, Wells Fargo Securities International Limited, or WFSIL. WFSIL is a wholly-owned indirect subsidiary of Wells Fargo & Company and an affiliate of Wells Fargo Securities, LLC. WFSIL is a U.K. incorporated investment firm regulated by the Financial Services Authority. Wells Fargo Securities is the trade name for certain corporate and investment banking services of Wells Fargo & Company and its affiliates, including Wells Fargo Securities, LLC and WFSIL.

## **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of shares described in this prospectus supplement may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time:

to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined below) subject to obtaining the prior consent of the representatives for any such offer; or

in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive. Each purchaser of shares described in this prospectus supplement located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a qualified investor within the meaning of Article 2(1)(e) of the Prospectus Directive.

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For purposes of this provision, the expression an offer to the public in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The sellers of the shares have not authorized and do not authorize the making of any offer of shares through any financial intermediary on their behalf, other than offers made by the underwriters with a view to the final placement of the shares as contemplated in this prospectus supplement. Accordingly, no purchaser of the shares, other than the underwriters, is authorized to make any further offer of the shares on behalf of the sellers or the underwriters.

### **Notice to Prospective Investors in the United Kingdom**

This prospectus supplement and the accompanying prospectus are only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a relevant person). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

### **Notice to Prospective Investors in France**

Neither this prospectus supplement nor any other offering material relating to the shares described in this prospectus supplement has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus supplement nor any other offering material relating to the shares has been or will be:

released, issued, distributed or caused to be released, issued or distributed to the public in France; or

used in connection with any offer for subscription or sale of the shares to the public in France.  
Such offers, sales and distributions will be made in France only:

to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1<sup>o</sup>-or-2<sup>o</sup>-or 3<sup>o</sup> of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.



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**Italy**

The offering of the securities has not been registered pursuant to the Italian securities legislation and, accordingly, we have not offered or sold, and will not offer or sell, any securities in the Republic of Italy in a solicitation to the public, and that sales of the securities in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations. In any case, the securities cannot be offered or sold to any individuals in the Republic of Italy either in the primary market or the secondary market.

We will not offer, sell or deliver any securities or distribute copies of this prospectus or any other document relating to the securities in the Republic of Italy except:

to Professional Investors, as defined in Article 31.2 of CONSOB Regulation No. 11522 of 2 July 1998 as amended ( Regulation No. 11522 ), pursuant to Article 30.2 and 100 of Legislative Decree No. 58 of 24 February 1998 as amended ( Decree No. 58 ), or in any other circumstances where an expressed exemption to comply with the solicitation restrictions provided by Decree No. 58 or Regulation No. 11971 of 14 May 1999 as amended applies, provided, however, that any such offer, sale or delivery of the securities or distribution of copies of the prospectus or any other document relating to the securities in the Republic of Italy must be:

made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended ( Decree No. 385 ), Decree No. 58, CONSOB Regulation No. 11522 and any other applicable laws and regulations;

in compliance with Article 129 of Decree No. 385 and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities in Italy is subject to a prior notification to the Bank of Italy, unless and exemption, depending, inter alia, on the aggregate amount and the characteristics of the securities issued or offered in the Republic of Italy, applies; and

in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

**Switzerland**

This document as well as any other material relating to the shares which are the subject of the offering contemplated by this Prospectus (the Shares ) do not constitute an issue prospectus pursuant to Article 652a of the Swiss Code of Obligations. The Shares will not be listed on the SWX Swiss Exchange and, therefore, the documents relating to the Shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of SWX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SWX Swiss Exchange.

The Shares are being offered in Switzerland by way of a private placement, i.e. to a small number of selected investors only, without any public offer and only to investors who do not purchase the Shares with the intention to distribute them to the public. The investors will be individually approached by the Issuer from time to time.

This document as well as any other material relating to the Shares is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the Issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

**Table of Contents****Notice to Prospective Investors in the Dubai International Financial Centre**

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The common stock which are the subject of the offering contemplated by this prospectus supplement may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the common stock offered should conduct their own due diligence on the common stock. If you do not understand the contents of this document you should consult an authorized financial adviser.

The following table shows the sales load (underwriting discounts and commissions) that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

	Paid by Apollo Investment	
	No exercise	Full exercise
Per share	\$	\$
Total	\$	\$

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Select Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters may engage in passive market making transactions in the common stock on the Nasdaq Global Select Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the Nasdaq Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent



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bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker's average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be \$300,000. In addition, the underwriters have agreed to pay certain of our expenses associated with this offering.

As described under "Use of Proceeds," we intend to use a part of the net proceeds from this offering to repay a portion of the borrowings outstanding under our senior credit facility. Affiliates of each of Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, SunTrust Robinson Humphrey, Inc., BMO Capital Markets Corp. and RBC Capital Markets Corporation are lenders under such credit facility and therefore will receive a portion of the net proceeds from this offering through the repayment of those borrowings. Accordingly, because more than 10% of the net proceeds of this offering will be paid to affiliates of the underwriters, this offering is being made in compliance with Rule 5110(h) of the Financial Industry Regulatory Authority (FINRA) rules.

The underwriters have performed investment banking and advisory services for us, AIM, and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us, AIM, and our affiliates in the ordinary course of their business.

A prospectus supplement and base prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. Other than the prospectus supplement and base prospectus in electronic format, the information on any such underwriter's website is not part of this prospectus supplement and base prospectus. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We, AIM and AIA have agreed to indemnify the underwriters against, or reimburse losses arising out of, certain liabilities, including liabilities under the Securities Act of 1933, as amended or to contribute to payments the underwriters may be required to make because of any of those liabilities.

The principal business address of Citigroup Global Markets Inc. is 388 Greenwich Street, New York, New York, 10013. The principal business address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is One Bryant Park, New York, NY 10036. The principal business address of J.P. Morgan Securities Inc. is 383 Madison Avenue, Floor 4, New York, New York, 10179. The principal business address of Wells Fargo Securities, LLC is 375 Park Avenue, 4th Floor, New York, New York, 10152.

## **LEGAL MATTERS**

Certain legal matters regarding the securities offered by this prospectus will be passed upon for Apollo Investment by Skadden, Arps, Slate, Meagher & Flom LLP, New York, NY, and Venable LLP, Baltimore, MD. Certain legal matters will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, New York, NY. Simpson Thacher & Bartlett LLP may rely as to certain matters of Maryland law upon the opinion of Venable LLP.

## **EXPERTS**

The financial statements as of March 31, 2009 and March 31, 2008 and for each of the three years in the period ended March 31, 2009, have been included in the base prospectus in reliance upon the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

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**INTERIM 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)

	Three months ended	
	June 30, 2009	June 30, 2008
<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 (unaudited)**

(in thousands, except shares)

	<b>Three months ended June 30, 2009 (unaudited)</b>	<b>Year ended March 31, 2009</b>
<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)

	Three months ended	
	June 30, 2009	June 30, 2008
<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%****CORPORATE DEBT 145.4%****2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans<sup>(2)</sup> 45.4%**

	Industry	Par Amount*	Cost	Fair Value <sup>(1)</sup>
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 <sup>(3)</sup>	Packaging	12,500	12,500	11,704
Ranpak Corp., 12/27/14 <sup>(4)</sup>	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		

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<sup>(1)</sup></b>
<b>Subordinated Debt/Corporate Notes (continued)</b>				
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
Associated Materials, Inc. 15.00%, 07/15/12	Building Products	12,000	12,000	12,000
BNY ConvergeX 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*	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*	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****	Agriculture	26,504	24,303	
Eurofresh, Inc., 11.50%, 1/15/13****	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*	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*	Transportation	47,500	47,500	42,275
Fox Acquisition Sub LLC, 13.375%, 7/15/16*	Broadcasting & Entertainment	25,000	24,790	17,446
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15*	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*	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*	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

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 <sup>(1)</sup>
<b>Subordinated Debt/Corporate Notes (continued)</b>				
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15	Direct Marketing	\$ 27,861	\$ 27,861	\$ 8,358
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*	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*	Diversified Service	67,173	61,001	57,500
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15*	Education	72,500	71,839	60,393
TP Financing 2, Ltd. (Travellex), GBP L+725, 4/1/15	Financial Services	£ 14,422	27,483	17,172
US Foodservice, 10.25%, 6/30/15*	Beverage, Food & Tobacco	\$ 81,543	60,412	72,573
US Investigations Services, Inc., 11.75%, 5/1/16*	Diversified Service	14,639	9,238	12,531
US Investigations Services, Inc., 10.50%, 11/1/15*	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>

See notes to financial statements.

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

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value<sup>(1)</sup></b>
<b>COLLATERALIZED LOAN OBLIGATIONS 1.6%</b>				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18*	Asset Management	\$ 11,298	\$ 10,304	\$ 10,046
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18*	Asset Management	10,319	7,428	6,967
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20*	Asset Management	11,000	6,550	6,328
<b>TOTAL COLLATERALIZED LOAN OBLIGATIONS</b>			<b>\$ 24,282</b>	<b>\$ 23,341</b>
<b>Shares</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) <sup>(5,6)</sup>	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. <sup>(7) **</sup>	Oil & Gas	1,718,388	44,718	59,926

See notes to financial statements.

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

	Industry	Shares	Cost	Fair Value <sup>(1)</sup>
<b>Common Equity/Interests (continued)</b>				
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>

			Warrants	
<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) <sup>(5)**</sup>	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>

**TOTAL EQUITY** **\$ 188,502** **\$ 228,020**

**TOTAL INVESTMENTS IN NON-CONTROLLED/  
NON-AFFILIATED PORTFOLIO COMPANIES** **\$ 2,970,674** **\$ 2,380,320**

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2009****(in thousands, except shares)****INVESTMENTS IN CONTROLLED PORTFOLIO****COMPANIES 9.3%****PREFERRED EQUITY 3.3%**

	Industry	Shares	Cost	Fair Value <sup>(1)</sup>
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	\$ 74,736	\$ 48,295

**EQUITY****Common Equity/Interests 6.0%**

AIC Credit Opportunity Fund LLC <sup>(8)</sup>	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>
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<b>TOTAL EQUITY</b>			<b>\$ 255,445</b>	<b>\$ 86,584</b>
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**TOTAL INVESTMENTS IN CONTROLLED PORTFOLIO**

<b>COMPANIES</b>			<b>\$ 330,181</b>	<b>\$ 134,879</b>
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<b>TOTAL INVESTMENTS 174.2%</b>			<b>\$ 3,300,855</b>	<b>\$ 2,515,199</b>
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<b>LIABILITIES IN EXCESS OF OTHER ASSETS (74.2%)</b>				<b>(1,071,564)</b>
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<b>NET ASSETS 100.0%</b>				<b>\$ 1,443,635</b>
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- (1) Fair value is determined in good faith by or under the direction of the Board of Directors of the Company (see Note 2).
  - (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)

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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.

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**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****PORTFOLIO COMPANIES 166.2%****CORPORATE DEBT 148.5%****Bank Debt/Senior Secured Loans<sup>(2)</sup> 47.0%****1<sup>st</sup> Lien Bank Debt/Senior Secured Loans 0.1%**

	Industry	Par Amount*	Cost	Fair Value <sup>(1)</sup>
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 <sup>(3)</sup>	Packaging	12,500	12,500	11,108
Ranpak Corp., 12/27/14 <sup>(4)</sup>	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)**

	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value<sup>(1)</sup></b>
<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
Hub International Holdings, 10.25%, 6/15/15*	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*	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



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

	Industry	Par Amount*	Cost	Fair Value <sup>(1)</sup>
<b>Subordinated Debt/Corporate Notes (continued)</b>				
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*	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*	Diversified Service	67,173	60,832	54,343
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15	Education	72,500	69,587	57,347
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15*	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*	Beverage, Food & Tobacco	\$ 30,000	23,812	25,710
US Investigations Services, Inc., 11.75%, 5/1/16*	Diversified Service	14,639	9,085	11,901
US Investigations Services, Inc., 10.50%, 11/1/15*	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.

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

	Industry	Shares	Cost	Fair Value <sup>(1)</sup>
<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) <sup>(5,6)</sup>	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

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

**MARCH 31, 2009**

(in thousands, except shares)

**EQUITY (continued)****Common Equity/Interests (continued)**

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		

**Total Common Equity/Interests** **\$ 186,229 \$ 193,289**

**Warrants****Warrants 0.3%**

DSI Holding Company, Inc. (DSI Renal Inc.), Common**	Healthcare	5,011,327				
Fidji Luxco (BC) S.C.A., Common (FCI) <sup>(5)**</sup>	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		

**Total Warrants** **\$ 2,266 \$ 4,554**

**TOTAL EQUITY** **\$ 188,495 \$ 197,843**

**TOTAL INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED  
PORTFOLIO COMPANIES**

**\$ 3,056,709 \$ 2,319,815**

See notes to financial statements.

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

**MARCH 31, 2009**

(in thousands, except shares)

<b>INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES 9.0%</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value<sup>(1)</sup></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 <sup>(8)</sup>	Asset Management		\$ 79,377	\$ 57,294
Grand Prix Holdings, LLC (Innkeepers USA)**	Hotels, Motels, Inns & Gaming	17,335,834	172,664	7,570
Total Common Equity/Interests			\$ 252,041	\$ 64,864
<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%</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)

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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.

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**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.

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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.

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;

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**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.

*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.



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**APOLLO INVESTMENT CORPORATION**

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

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

On October 10, 2008, FASB Staff Position 157-3 *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* ( FAS 157-3 ) was issued. FAS 157-3 provides examples of how to determine fair value in a market that is not active. FAS 157-3 did not change the fair value measurement principles set forth in FAS 157. Furthermore, on April 9, 2009, FASB Staff Position 157-3 was superseded by FASB Staff Position 157-4 *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ( FAS 157-4 ). FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. According to FAS 157-4, in the above circumstances, more analysis and significant adjustments to transaction or quoted prices may be necessary to estimate fair value. FAS 157-4 requires disclosure of any changes in valuation techniques and related inputs resulting from the application of this FASB Staff Position. The total effect of the change in valuation techniques and related inputs must also be disclosed by major asset category. FAS 157-4 is effective for periods ending after June 15, 2009. The adoption of FAS 157-4 did not have a material effect on the Company's financial position or results of operations for the quarter ended June 30, 2009. See certain additional disclosures in Note 6 for FAS 157-4.

(c) Gains or losses on the sale of investments are calculated by using the specific identification method.

(d) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination and/or commitment fees associated with debt investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination and/or commitment fees are recorded as interest income. 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 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. 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, 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 June 30, 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

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**APOLLO INVESTMENT CORPORATION**

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

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

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 registration expenses related to Shelf filings 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 are generally placed on non-accrual status when principal or interest 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 is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current.

(n) In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS No. 165), 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. SFAS No. 165 is effective for interim reporting periods ending after June 15, 2009. The Company has adopted SFAS No. 165, which did not have a material impact on its consolidated financial statements. See note 14.

(o) In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 (SFAS No. 168), which will become the source of authoritative U.S. GAAP recognized by the FASB to be applied to nongovernmental entities. On its effective date, SFAS No. 168 will supersede all then-existing non-SEC accounting and reporting standards. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company is currently evaluating the potential impact of the adoption of SFAS No. 168, but does not believe that it will have a material impact on its financial statements.

**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

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

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 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 months ended June 30, 2009 and June 30, 2008, the Company accrued \$12,722 and \$16,022, respectively, in base investment advisory and management fees and \$12,332 and \$11,578, 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.

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

For the three months ended June 30, 2009 and June 30, 2008, the Administrator was reimbursed \$0 and \$1,778, respectively, from Apollo Investment on the \$1,309 and \$1,868, respectively, of expenses accrued under the Administration Agreement.

On April 14, 2005, Apollo Investment entered into an \$800,000 Senior Secured Revolving Credit Agreement (the Facility), among Apollo Investment, the lenders party thereto and JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent for the lenders. Effective December 29, 2005, lenders provided additional commitments in the amount of \$100,000, increasing the total facility size to \$900,000 on the same terms and conditions as the existing commitments. On March 31, 2006, Apollo Investment Corporation amended and restated its \$900,000 senior secured, multi-currency, revolving credit facility due April 14, 2010. The amended Facility increased total commitments outstanding to \$1,250,000 and extended the maturity date to April 13, 2011. The amended 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. In February 2007, Apollo Investment increased total commitments to \$1,700,000 under the Facility with the same terms. Pricing remains at 100 basis points over LIBOR. 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 June 30, 2009, the Company's total net assets and net asset value per share were \$1,443,635 and \$10.15, 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.

**Note 5. Earnings Per Share**

The following information sets forth the computation of basic and diluted earnings per share for the three months ended June 30, 2009 and June 30, 2008, respectively:

	<b>Three months ended</b>	
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Numerator for increase in net assets per share:	\$ 84,475	\$ 71,840
Denominator for basic and diluted weighted average shares:	142,221,335	131,180,264
Basic and diluted earnings per share:	\$ 0.59	\$ 0.55

**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

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**APOLLO INVESTMENT CORPORATION**

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

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

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 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. During the fiscal year ended March 31, 2009, we provided \$18,480 in additional capital to AIC Holdco. During the three months ended June 30, 2009, we provided \$3,404 in additional net capital to AIC Holdco.

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

(in thousands except share and per share amounts)

Investments consisted of the following as of June 30, 2009 and March 31, 2009.

	June 30, 2009		March 31, 2009	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	\$ 806,324	\$ 655,047	\$ 829,473	\$ 655,610
Subordinated Debt/Corporate Notes	1,899,885	1,443,952	1,964,197	1,417,070
Collateralized Loan Obligations	24,282	23,341	23,722	18,978
Preferred Equity	126,417	78,255	125,558	91,533
Common Equity/Interests	441,674	310,831	438,270	258,153
Warrants	2,273	3,773	2,266	4,554
<b>Totals</b>	<b>\$ 3,300,855</b>	<b>\$ 2,515,199</b>	<b>\$ 3,383,486</b>	<b>\$ 2,445,898</b>

At June 30, 2009, our investments and cash equivalents were categorized as follows in the fair value hierarchy for SFAS No. 157 purposes:

Description	June 30, 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	\$ 2,098,999	\$	\$	\$ 2,098,999
Equity	314,604			314,604
Preferred Equity	78,255			78,255
Collateralized Loan Obligations	23,341			23,341
<b>Total Investments</b>	<b>\$ 2,515,199</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,515,199</b>
Cash Equivalents				
<b>Total Investments and Cash Equivalents</b>	<b>\$ 2,515,199</b>	<b>\$</b>	<b>\$</b>	<b>\$ 2,515,199</b>

At March 31, 2009, our investments and cash equivalents were categorized as follows in the fair value hierarchy for SFAS No. 157 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)

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Corporate Debt	\$ 2,072,680	\$	\$	\$ 2,072,680
Equity	262,707			262,707
Preferred Equity	91,533			91,533
Collateralized Loan Obligations	18,978			18,978
Total Investments	\$ 2,445,898	\$	\$	\$ 2,445,898
Cash Equivalents				
Total Investments and Cash Equivalents	\$ 2,445,898	\$	\$	\$ 2,445,898

With the adoption of SFAS 157-4, 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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**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 three months ended June 30, 2009.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) *				
	Corporate Debt	Equity	Preferred Equity	Collateralized Loan Obligations	Total
Beginning Balance, March 31, 2009	\$ 2,072,680	\$ 262,707	\$ 91,533	\$ 18,978	\$ 2,445,898
Total realized gains or losses included in earnings	(98,270)	192			(98,078)
Total unrealized gains or losses included in earnings	113,684	48,486	(14,137)	3,802	151,835
Purchases, including capitalized PIK interest <sup>(1)</sup>	80,554	11,861	859	561	93,835
Sales	(69,649)	(8,642)			(78,291)
Transfer in and/or out of Level 3					
Ending Balance, June 30, 2009	\$ 2,098,999	\$ 314,604	\$ 78,255	\$ 23,341	\$ 2,515,199

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.

	\$ 25,925	\$ 46,135	(\$ 14,137)	\$ 3,802	\$ 61,725
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