

APOLLO INVESTMENT CORP  
Form 10-K  
May 26, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-K**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**  
FOR THE FISCAL YEAR ENDED MARCH 31, 2010

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
FOR THE TRANSITION PERIOD FROM        TO

COMMISSION FILE NUMBER: 814-00646

**APOLLO INVESTMENT CORPORATION**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State of Incorporation)

**52-2439556**  
(I.R.S. Employer Identification Number)

**9 West 57th Street**

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

**10019**  
(Zip Code)

**Registrant's telephone number, including area code: (212) 515-3450**

**Securities registered pursuant to Section 12(b) of the Act:**

| <b>Title of Each Class</b>     | <b>Name of Each Exchange on Which Registered</b> |
|--------------------------------|--|
| <b>Common Stock, par value</b> | <b>The NASDAQ Global Select Market</b>           |

**\$0.001 per share**

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes  No

The aggregate market value of common stock held by non-affiliates of the Registrant on September 30, 2009 based on the closing price on that date of \$9.55 on the NASDAQ Global Select Market was approximately \$1.6 billion. For the purposes of calculating this amount only, all directors and executive officers of the Registrant have been treated as affiliates. There were 193,844,627 shares of the Registrant's common stock outstanding as of May 26, 2010.

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Portions of the registrant's Proxy Statement for its 2010 Annual Meeting of Stockholders to be filed not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Form 10-K.

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**APOLLO INVESTMENT CORPORATION**

**FORM 10-K**

**FOR THE FISCAL YEAR ENDED MARCH 31, 2010**

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**PART I**

**Item 1. Business**

**Apollo Investment Corporation**

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

Our investment objective is to generate 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.

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 Form 10-K, 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.

Apollo Investment Management, L.P. ( AIM ) is the investment adviser for the Company and an affiliate of Apollo Global Management, LLC, and its consolidated subsidiaries ( AGM ). AGM and other affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. AIM and its affiliates may determine that an investment is appropriate both for us and for one or more of those other funds. In such event, depending on the availability of such investment and other appropriate factors, AIM may determine that we should invest on a side-by-side basis with one or more other funds. We 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 our fiscal year ended March 31, 2010, we invested \$716 million across 5 new and 24 existing portfolio companies, primarily through opportunistic secondary market purchases. This compares to investing \$435 million in 12 new and 13 existing portfolio companies for the previous fiscal year ended March 31, 2009. Investments sold or prepaid during the fiscal year ended March 31, 2010 totaled \$452 million versus \$340 million for the fiscal year ended March 31, 2009. The weighted average yields on our senior secured loan portfolio, subordinated debt portfolio and total debt portfolio as of March 31, 2010 at our current cost basis were 8.5%, 13.5% and 11.8%, respectively. At March 31, 2009, the yields were 8.2%, 13.2%, and 11.7%, respectively.

Our targeted investment size typically ranges between \$20 million and \$250 million, although this investment size may vary proportionately as the size of our available capital base changes. At March 31, 2010, our net portfolio consisted of 67 portfolio companies and was invested 30% in senior secured loans, 59% in subordinated debt, 1% in preferred equity and 10% in common equity and warrants measured at fair value versus 72 portfolio companies invested 26% in senior secured loans, 58% in subordinated debt, 5% in preferred equity and 11% in common equity and warrants at March 31, 2009.

Since the initial public offering of Apollo Investment in April 2004 and through March 31, 2010, invested capital totaled \$6.3 billion in 128 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 85 different financial sponsors.

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At March 31, 2010, 64% or \$1.6 billion of our income-bearing investment portfolio is fixed rate debt and 36% or \$0.9 billion is floating rate debt, measured at fair value. On a cost basis, 65% or \$1.8 billion of our income-bearing investment portfolio is fixed rate debt and 35% or \$1.0 billion is floating rate debt. At March 31, 2009, 70% or \$1.5 billion of our income-bearing investment portfolio was fixed rate debt and 30% or \$0.7 billion was floating rate debt. On a cost basis, 66% or \$2.0 billion of our income-bearing investment portfolio is fixed rate debt and 34% or \$1.0 billion is floating rate debt.

### **Apollo Investment Management, L.P.**

AIM, our investment adviser, is led by a dedicated team of investment professionals. The investment committee of AIM currently consists of John J. Hannan, the Chairman of our board of directors; James C. Zelter, our Chief Executive Officer and a Vice President of the general partner of AIM; Patrick J. Dalton, President and Chief Operating Officer of Apollo Investment and a Vice President and the Chief Investment Officer of the general partner of AIM; Rajay Bagaria, a Partner of AIM; and Justin Sendak, a Partner of AIM. The composition of the investment committee of AIM may change from time to time. AIM draws upon AGM's 20 year history and benefits from the broader firm's significant capital markets, trading and research expertise developed through investments in many core sectors in over 150 companies since inception.

### **Apollo Investment Administration**

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, Apollo Investment Administration, LLC ( AIA or Apollo Administration ) also oversees our financial records as well as prepares our reports to stockholders and reports filed with the SEC. AIA also performs and oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, the payment of our expenses and the performance of various third-party service providers. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

### **Operating and Regulatory Structure**

Our investment activities are managed by AIM and supervised by our board of directors, a majority of whom are independent of Apollo and its affiliates. AIM is an investment adviser that is registered under the Investment Advisers Act of 1940. Under our investment advisory and management agreement, we pay AIM an annual base management fee based on our average gross assets as well as an incentive fee.

As a business development company, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects (see Item 1A Risk Factors). We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code.

### **Investments**

Apollo Investment seeks to create a portfolio that includes primarily debt investments in mezzanine and senior secured loans and, to a lesser extent, private equity investments by generally investing, on an individual portfolio company basis, approximately \$20 million to \$250 million of capital, on average, in these securities of middle-market companies. The average investment size will vary as the size of our capital base varies. Our target portfolio will generally be more heavily weighted toward mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrower's capital structure. Mezzanine loans may have a fixed or floating interest rate. Additional upside can be generated from upfront fees, call protection including call premiums, equity co-investments or warrants. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns. Additionally, we may acquire investments in the secondary market if we believe the risk-adjusted returns are attractive.

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Our principal focus is to provide capital to middle-market companies in a variety of industries. We generally seek to target companies that generate positive free cash flows.

The following is a representative list of the industries in which we have invested:

|                    |                        |                              |
|--------------------|------------------------|------------------------------|
| Building materials | Education              | Lodging/Leisure/Resorts      |
| Business services  | Energy/Utilities       | Manufacturing/Basic industry |
| Cable television   | Environmental services | Media                        |
| Chemicals          | Financial services     | Packaging                    |
| Communications     | Food                   | Printing and publishing      |
| Consumer products  | Government services    | Restaurants                  |
| Distribution       | Healthcare             | Transportation               |

We may also invest in other industries if we are presented with attractive opportunities.

In an effort to increase our returns and the number of loans that we can make, we may in the future seek to securitize our loans. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary. We may sell interests in the subsidiary on a non-recourse basis to purchasers whom we would expect to be willing to accept a lower interest rate to invest in investment-grade loan pools. We may use the proceeds of such sales to pay down bank debt or to fund additional investments. We may also invest through special purpose entities or other arrangements, including total return swaps and repurchase agreements, in order to obtain non-recourse financing or for other purposes.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds. We may also co-invest on a concurrent basis with affiliates of Apollo Investment, subject to compliance with applicable regulations and our allocation procedures. Certain types of 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.

At March 31, 2010, our net portfolio consisted of 67 portfolio companies and was invested 30% in senior secured loans, 59% in subordinated debt, 1% in preferred equity and 10% in common equity and warrants measured at fair value. We expect that our portfolio will continue to include primarily mezzanine and senior secured loans as well as, to a lesser extent, equity-related securities. In addition, we also expect to invest a portion of our portfolio in opportunistic investments, which are not our primary focus, but are intended to enhance our risk-adjusted returns to stockholders. These investments may include, but are not limited to, securities of public companies and debt and equity securities of companies located outside of the United States.

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.

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Listed below are our top ten portfolio companies and industries represented as a percentage of total assets for the years ended March 31, 2010 and 2009:

**TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF MARCH 31, 2010**

| <b>PORTFOLIO COMPANY</b>                 | <b>% of Total Assets</b> | <b>INDUSTRY</b>              | <b>% of Total Assets</b> |
|--|--------------------------|------------------------------|--------------------------|
| Asurion Corporation                      | 4.3%                     | Education                    | 8.3%                     |
| Ranpak Corporation                       | 4.2%                     | Healthcare                   | 5.6%                     |
| BNY ConvergEx Group, LLC                 | 3.7%                     | Insurance                    | 5.2%                     |
| First Data Corporation                   | 3.0%                     | Business Services            | 5.0%                     |
| TL Acquisitions, Inc. (Thomson Learning) | 2.6%                     | Diversified Service          | 4.9%                     |
| MEG Energy Corp.                         | 2.5%                     | Retail                       | 4.6%                     |
| Ceridian Corp.                           | 2.5%                     | Oil & Gas                    | 4.3%                     |
| US Foodservice                           | 2.4%                     | Packaging                    | 4.2%                     |
| Playpower Holdings Inc.                  | 2.4%                     | Financial Services           | 4.0%                     |
| Fleetpride Corporation                   | 2.4%                     | Broadcasting & Entertainment | 3.1%                     |

**TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF MARCH 31, 2009**

| <b>PORTFOLIO COMPANY</b>                  | <b>% of Total Assets</b> | <b>INDUSTRY</b>     | <b>% of Total Assets</b> |
|---|--------------------------|---------------------|--------------------------|
| Asurion Corporation                       | 4.8%                     | Education           | 7.7%                     |
| First Data Corporation                    | 4.5%                     | Healthcare          | 7.2%                     |
| TL Acquisitions, Inc. (Thomson Learning)  | 3.8%                     | Financial Services  | 6.2%                     |
| Grand Prix Holdings, LLC (Innkeepers USA) | 3.3%                     | Diversified Service | 5.8%                     |
| Gray Wireline Service, Inc.               | 3.2%                     | Insurance           | 5.6%                     |
| Ceridian Corp.                            | 2.9%                     | Oil & Gas           | 4.9%                     |
| Ranpak Corporation                        | 2.9%                     | Consumer Products   | 4.1%                     |
| Playpower Holdings Inc.                   | 2.8%                     | Transportation      | 3.9%                     |
| Fleetpride Corporation                    | 2.8%                     | Retail              | 3.8%                     |
| Quality Home Brands Holdings LLC          | 2.6%                     | Industrial          | 3.6%                     |

Listed below is the geographic breakdown of the portfolio as of March 31, 2010 and 2009:

| <b>Geographic Region</b> | <b>% of Portfolio at March 31, 2010</b> | <b>Geographic Region</b> | <b>% of Portfolio at March 31, 2009</b> |
|--------------------------|---|--------------------------|---|
| United States            | 91.6%                                   | United States            | 91.0%                                   |
| Canada                   | 3.1%                                    | Canada                   | 1.8%                                    |
| Western Europe           | 5.3%                                    | Western Europe           | 7.2%                                    |
|                          | 100.0%                                  |                          | 100.0%                                  |

**Investment selection & due diligence**

We are committed to a value oriented philosophy and will commit resources to managing risk to the Company's capital. Our investment adviser conducts due diligence on prospective portfolio companies. In conducting their due diligence, our adviser uses information provided by the company and its management team, publicly available information, as well as information from their extensive relationships with former and current management teams, consultants, competitors and investment bankers and the direct experience of the senior partners of our affiliates.

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Our investment adviser's due diligence will typically include:

review of historical and prospective financial information;

on-site visits;

interviews with management, employees, customers and vendors of the potential portfolio company;

review of loan documents;

background checks; and

research relating to the company's management, industry, markets, products and services, and competitors.

Upon the completion of due diligence and a decision to proceed with an investment in a company, the professionals leading the investment present the investment opportunity to our investment adviser's investment committee, which determines whether to pursue the potential investment. Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants (retained by us or such portfolio company) prior to the closing of the investment, as well as other outside advisers, as appropriate.

### **Investment structure**

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers, including senior, junior and equity capital providers, to structure an investment.

We seek to structure our mezzanine investments primarily as unsecured, subordinated loans that provide for relatively high interest rates that provide us with significant current interest income. These loans typically have interest-only payments. In some cases, we may enter into loans that, by their terms, convert into equity or additional debt securities or defer payments of interest after our investment. Also, in some cases our mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower. Typically, our mezzanine loans have maturities of five to ten years.

We also seek to invest in portfolio companies in the form of senior secured loans. We expect these senior secured loans to have terms of three to ten years and may provide for deferred interest payments over the term of the loan. We generally seek to obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company.

In the case of our mezzanine and senior secured loan investments, we seek to tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we seek to limit the downside potential of our investments by:

requiring an expected total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;

generally incorporating call protection into the investment structure where possible; and

negotiating covenants and information rights in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with our goal of preserving our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

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Our investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. Any warrants we receive with our debt securities generally require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights.

We expect to hold most of our investments to maturity or repayment, but we may sell certain of our investments sooner if a liquidity event takes place such as the sale or recapitalization or worsening of credit quality of a portfolio company, among other reasons.

### **Managerial assistance**

As a business development company, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services. AIA provides such managerial assistance on our behalf to portfolio companies that request this assistance.

### **Ongoing relationships with portfolio companies**

#### ***Monitoring***

AIM monitors our portfolio companies on an ongoing basis as well as monitors the financial trends of each portfolio company to determine if each is meeting its respective business plans and to assess the appropriate course of action for each company.

AIM has several methods of evaluating and monitoring the performance and fair value of our investments, which can include, but are not limited to, the following:

Assessment of success in adhering to portfolio company's business plan and compliance with covenants;

Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;

Comparisons to other portfolio companies in the industry;

Attendance at and participation in board meetings; and

Review of monthly and quarterly financial statements and financial projections for portfolio companies.

In addition to various risk management and monitoring tools, AIM also uses an investment rating system to characterize and monitor our expected level of returns on each investment in our portfolio.

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We use an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating:

| <b>Investment Rating</b> | <b>Summary Description</b>   |
|--------------------------|--|
| 1                        | Capital gain expected  |
| 2                        | Full return of principal and interest or dividend expected, with the portfolio company performing in accordance with our analysis of its business                |
| 3                        | Full return of principal and interest or dividend expected, but the portfolio company requires closer monitoring   |
| 4                        | Some loss of interest, dividend or capital appreciation expected, but still expecting an overall positive internal rate of return on the investment              |
| 5                        | Loss of interest or dividend and some loss of principal investment expected, which would result in an overall negative internal rate of return on the investment |

AIM monitors and, when appropriate, changes the investment ratings assigned to each investment in our portfolio. In connection with our valuation process, AIM reviews these investment ratings on a quarterly basis, and our audit committee monitors such ratings.

***Valuation Process***

The following is a description of the steps we take each quarter to determine the value of our portfolio. Many of our portfolio investments are recorded at fair value as determined in good faith by or under the direction of our board of directors pursuant to a written valuation policy and a consistently applied valuation process utilizing the input of our investment adviser, independent valuation firms and the audit committee. Investments for which market quotations are readily available are recorded in our financial statements at such market quotations if they are deemed to represent fair value. Market quotations may be deemed not to represent fair value where AIM believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security causes current market quotes not to reflect the fair value of the security, among other reasons. Examples of these events could include cases in which material events are announced after the close of the market on which a security is primarily traded, when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a fire sale by a distressed seller.

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.

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When we make investments that involve deferrals of interest payable to us, any increase in the value of the investment due to the accrual of interest is allocated to the increase in the cost basis of the investment, rather than to capital appreciation or gain.

### **Competition**

Our primary competitors in providing financing to middle-market companies include public and private funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity or hedge funds. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than we. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a business development company. We also expect to use the industry information of Apollo's investment professionals to which we have access to assess investment risks and determine appropriate pricing for our investments in portfolio companies. In addition, we believe that the relationships of the senior managers of AIM and those of our affiliates enable us to learn about, and compete effectively for, financing opportunities with attractive middle-market companies in the industries in which we seek to invest.

### **Staffing**

The Company has a chief financial officer and a chief compliance officer and, to the extent necessary, they have hired and will continue to hire additional personnel. These individuals perform their respective functions under the terms of the administration agreement. Certain of our other executive officers are managing partners of our investment adviser. Our day-to-day investment operations are managed by our investment adviser. AIM has hired and will continue to hire additional investment professionals in the future. In addition, we generally reimburse AIA for our allocable portion of expenses incurred by it in performing its obligations 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.

### **Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 imposes a wide variety of regulatory requirements on publicly-held companies and their insiders. Many of these requirements affect us. For example:

Pursuant to Rule 13a-14 of the 1934 Act, our Chief Executive Officer and Chief Financial Officer must certify the accuracy of the financial statements contained in our periodic reports;

Pursuant to Item 307 of Regulation S-K, our periodic reports must disclose our conclusions about the effectiveness of our disclosure controls and procedures;

Pursuant to Rule 13a-15 of the 1934 Act, our management must prepare a report regarding its assessment of our internal control over financial reporting; and

Pursuant to Item 308 of Regulation S-K and Rule 13a-15 of the 1934 Act, our periodic reports must disclose whether there were significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The Sarbanes-Oxley Act requires us to review our current policies and procedures to determine whether we comply with the Sarbanes-Oxley Act and the regulations promulgated thereunder. We will continue to monitor our compliance with all regulations that are adopted under the Sarbanes-Oxley Act and will take actions necessary to ensure that we are in compliance therewith.

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You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 am to 3:00 pm. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is (<http://www.sec.gov>).

Our internet address is [www.apolloic.com](http://www.apolloic.com). We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information contained on our website is not incorporated by reference into this annual report on Form 10-K, and you should not consider information contained on our website to be part of this annual report on Form 10-K.

### **Item 1A. Risk Factors**

*Investing in Apollo Investment involves a number of significant risks related to our business, structure, investments and investment in our common stock. As a result, there can be no assurance that we will achieve our investment objective.*

#### **CERTAIN RISKS IN THE CURRENT ENVIRONMENT**

**Capital markets have recently been in a period of disruption and instability. These market conditions have materially and adversely affected debt and equity capital markets in the United States and abroad, which have had, and may in the future have, a negative impact on our business and operations.**

The global capital markets have recently been in a period of disruption as evidenced by a lack of liquidity in the debt capital markets, significant write-offs in the financial services sector, the re-pricing of credit risk in the broadly syndicated credit market and the failure of certain major financial institutions. Despite actions of the United States federal government and foreign governments, these events contributed to worsening general economic conditions that materially and adversely impacted the broader financial and credit markets and reduced the availability of debt and equity capital for the market as a whole and financial services firms in particular. These conditions could continue for a prolonged period of time or worsen in the future. While these conditions persist, we and other companies in the financial services sector may have to access, if available, alternative markets for debt and equity capital. Equity capital may be difficult to raise because subject to some limited exceptions, as a BDC, we are generally not able to issue additional shares of our common stock at a price less than net asset value. In addition, our ability to incur indebtedness (including by issued preferred stock) is limited by applicable regulations such that our asset coverage, as defined in the 1940 Act, must equal at least 200% immediately after each time we incur indebtedness. The debt capital that will be available, if at all, may be at a higher cost and on less favorable terms and conditions in the future. Any inability to raise capital could have a negative effect on our business, financial condition and results of operations.

Moreover, recent market conditions have made, and may in the future make, it difficult to extend the maturity of or refinance our existing indebtedness and any failure to do so could have a material adverse effect on our business. The illiquidity of our investments may make it difficult for us to sell such investments if required. As a result, we may realize significantly less than the value at which we have recorded our investments.

Given the recent extreme volatility and dislocation in the capital markets, many BDCs have faced, and may in the future face, a challenging environment in which to raise capital. Recent significant changes in the capital markets affecting our ability to raise capital have affected the pace of our investment activity. In addition, significant changes in the capital markets, including the recent extreme volatility and disruption, have had, and may in the future have, a negative effect on the valuations of our investments and on the potential for liquidity events involving our investments. An inability to raise capital, and any required sale of our investments for liquidity purposes, could have a material adverse impact on our business, financial condition or results of operations.

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### **RISKS RELATING TO OUR BUSINESS AND STRUCTURE**

#### **We may suffer credit losses.**

Investment in small and middle-market companies is highly speculative and involves a high degree of risk of credit loss. These risks are likely to increase during volatile economic periods, as the US and many other economies have recently been experiencing.

#### **We are dependent upon Apollo Investment Management's key personnel for our future success and upon their access to Apollo's investment professionals and partners.**

We depend on the diligence, skill and network of business contacts of the senior management of AIM. Members of our senior management may depart at any time. We also depend, to a significant extent, on AIM's access to the investment professionals and partners of Apollo and the information and deal flow generated by the Apollo investment professionals in the course of their investment and portfolio management activities. The senior management of AIM evaluates, negotiates, structures, closes and monitors our investments. Our future success depends on the continued service of the senior management team of AIM. The departure of any senior managers of AIM, or of a significant number of the investment professionals or partners of Apollo, could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that AIM will remain our investment adviser or that we will continue to have access to Apollo's partners and investment professionals or its information and deal flow.

#### **Our financial condition and results of operations depend on our ability to manage future growth effectively.**

Our ability to achieve our investment objective depends, in part, on our ability to grow, which depends, in turn, on AIM's ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of AIM's structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The senior management team of AIM has substantial responsibilities under the investment advisory and management agreement, and with respect to certain members, in connection with their roles as officers of other Apollo funds.

They may also be called upon to provide managerial assistance to our portfolio companies. These demands on their time may distract them or slow the rate of investment. In order to grow, we and AIM need to hire, train, supervise and manage new employees. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

#### **We operate in a highly competitive market for investment opportunities.**

A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Competition for investment opportunities intensifies from time to time and may intensify further in the future. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions and valuation requirements that the 1940 Act imposes on us as a BDC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this existing and potentially increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

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We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors' pricing, terms and structure. If we match our competitors' pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

### **Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.**

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

### **We will be subject to corporate-level income tax if we are unable to qualify as a RIC.**

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we 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, to our stockholders on an annual basis. To the extent we use debt financing, we are subject to certain asset coverage ratio requirements and other financial covenants under loan and credit agreements, and could in some circumstances also become subject to such requirements under the 1940 Act, that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level income tax, the resulting corporate-level taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

To qualify again to be taxed as a RIC in a subsequent year, we would be required to distribute to our stockholders our earnings and profits attributable to non-RIC years reduced by an interest charge on 50% of such earnings and profits payable by us to the IRS. In addition, if we failed to qualify as a RIC for a period greater than two taxable years, then we would be required to elect to recognize and pay tax on any net built-in gain (the excess of aggregate gain, including items of income, over aggregate loss that would have been realized if we had been liquidated) or, alternatively, be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a RIC in a subsequent year.

### **We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.**

For federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to our overall investment activities, or increases in loan balances as a result of payment-in-kind arrangements are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan, it is possible that accrued interest previously used in the calculation of the incentive fee will

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become uncollectible. Consequently, while we may make incentive fee payments on income accruals that we may not collect in the future and with respect to which we do not have a formal clawback right against our investment adviser per se, the amount of accrued income written off in any period will reduce the income in the period in which such write-off was taken and thereby reduce such period's incentive fee payment.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to 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, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations in order to meet distribution and/or leverage requirements.

### **Regulations governing our operation as a BDC affect our ability to, and the way in which we raise, additional capital.**

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, the contractual arrangements governing these securities may require us to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

BDCs may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during the one-year period after stockholder approval. In the past, our stockholders have approved a plan so that during the subsequent 12 month period we could, in one or more public or private offerings of our common stock, sell or otherwise issue shares of our common stock at a price below the then current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of our independent directors and a requirement that the sale price be not less than approximately the market price of the shares of our common stock at specified times, less the expenses of the sale. We may in the future seek to renew such authority on terms and conditions set forth in the corresponding proxy statement. There is no assurance such approvals will be obtained.

In the event we sell, or otherwise issue, shares of our common stock at a price below net asset value per share, existing stockholders will experience net asset value dilution and the investors who acquire shares in such offering may thereafter experience the same type of dilution from subsequent offerings at a discount. For example, if we sell an additional 10% of our common shares at a 5% discount from net asset value, a stockholder who does not participate in that offering for its proportionate interest will suffer net asset value dilution of up to 0.5% or \$5 per \$1000 of net asset value.

### **We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage.**

We are exposed to increased risk of loss due to our use of debt to make investments. A decrease in the value of our investments will have a greater negative impact on the value of our common stock than if we did not use debt. Our ability to pay dividends will be restricted if we fail to satisfy certain of our asset coverage ratios and other financial covenants and any amounts that we use to service our indebtedness are not available for dividends to our common stockholders.

The agreements governing our revolving credit facility require us to comply with certain financial and operational covenants. These covenants require us to, among other things, maintain certain financial ratios, including asset coverage, minimum shareholder equity and liquidity. As of March 31, 2010, we were in

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compliance with these covenants. However, our continued compliance with these covenants depends on many factors, some of which are beyond our control. In the event of deterioration in the capital markets and pricing levels subsequent to this period, net unrealized depreciation in our portfolio may increase in the future. Absent an amendment to our revolving credit facility, continued unrealized depreciation in our investment portfolio could result in non-compliance with certain covenants.

Accordingly, there are no assurances that we will continue to comply with these covenants. Failure to comply with these covenants would result in a default which, if we were unable to obtain a waiver from the lenders, could accelerate repayment under the facilities and thereby have a material adverse impact on our liquidity, financial condition, results of operations and ability to pay dividends.

Our current and future debt securities are and may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. We, and indirectly our stockholders, bear the cost of issuing and servicing such securities. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock.

### **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.**

Borrowings and other types of financing, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

### **We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.**

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

### **Changes in interest rates may affect our cost of capital and net investment income.**

Because we borrow money, and may issue preferred stock to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds or pay dividends on preferred stock and the rate at which we invest these funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase except to the extent we issue fixed rate debt or preferred stock, which could reduce our net investment income. Our long-term fixed-rate investments are financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. Interest rate hedging activities do not protect against credit risk. We have analyzed the potential impact of changes in interest rates on interest income net of interest expense. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate

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sensitivity, a hypothetical immediate 1% change in interest rates would not materially affect our investment income over a one-year horizon. In addition, we believe that our interest rate matching strategy and our ability to hedge mitigates the effects any changes in interest rates may have on our investment income. Although management believes that this is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect net increase or decrease in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by this estimate.

You should also be aware that a change in the general level of interest rates can be expected to lead to a change in the interest rates we receive on many of our debt investments. Accordingly, a change in interest rates could make it easier for us to meet or exceed the performance threshold and may result in a substantial increase in the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income.

### **We may need to raise additional capital to grow because we must distribute most of our income.**

We may need additional capital to fund growth in our investments. We have issued equity securities and have borrowed from financial institutions. A reduction in the availability of new capital could limit our ability to grow. 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, to our stockholders to maintain our regulated investment company status. As a result, any such cash earnings may not be available to fund investment originations. We expect to continue to borrow from financial institutions and issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a BDC, our ability to borrow or issue additional preferred stock may be restricted if our total assets are less than 200% of our total borrowings and preferred stock.

### **Many of our portfolio investments are recorded at fair value as determined in good faith by our board of directors and, as a result, there is uncertainty as to the value of our portfolio investments.**

A large percentage of our portfolio investments are not publicly traded. The fair value of these investments may not be readily determinable. We value these investments quarterly at fair value (based on ASC 820, its corresponding guidance and the principal markets in which these investments trade) as determined in good faith by our board of directors pursuant to a written valuation policy and a consistently applied valuation process utilizing the input of our investment adviser, independent valuation firms and the audit committee. Our board of directors utilizes the services of independent valuation firms to aid it in determining the fair value of these investments. The types of factors that may be considered in fair value pricing of these investments include the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to more liquid securities, indices and other market-related inputs, discounted cash flow, our principal market and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the amounts we realize on any disposition of such investments. Our net asset value could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon the disposal of such investments.

In addition, decreases in the market values or fair values of our investments are recorded as unrealized depreciation. Unprecedented declines in prices and liquidity in the corporate debt markets have resulted in significant net unrealized depreciation in our portfolio in the past. The effect of all of these factors on our portfolio has reduced our NAV by increasing net unrealized depreciation in our portfolio. Depending on market conditions, we could incur substantial realized losses and may continue to suffer additional unrealized losses in future periods, which could have a material adverse impact on our business, financial condition and results of operations.

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### **The lack of liquidity in our investments may adversely affect our business.**

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or an affiliated manager of Apollo has material non-public information regarding such portfolio company.

### **We may experience fluctuations in our periodic results.**

We could experience fluctuations in our periodic operating results due to a number of factors, including the interest rates payable on the debt securities we acquire, the default rate on such securities, the level of our expenses (including the interest rates payable on our borrowings), the dividend rates on preferred stock we issue, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

### **There are significant potential conflicts of interest which could adversely affect our investment returns.**

Our executive officers and directors, and the partners of our investment adviser, AIM, serve or may serve as officers, directors or principals of entities that operate in the same or a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. Moreover, we note that, notwithstanding the difference in principal investment objectives between us and other Apollo funds, such other Apollo sponsored funds, including new affiliated potential pooled investment vehicles or managed accounts not yet established (whether managed or sponsored by those Apollo affiliates or AIM itself), have and may from time to time have overlapping investment objectives with us and, accordingly, invest in, whether principally or secondarily, asset classes similar to those targeted by us. To the extent such other investment vehicles have overlapping investment objectives, the scope of opportunities otherwise available to us may be adversely affected and/or reduced. As a result, certain partners of AIM may face conflicts in their time management and commitments as well as in the allocation of investment opportunities to other Apollo funds. In addition, in the event such investment opportunities are allocated among us and other investment vehicles managed or sponsored by, or affiliated with, AIM our desired investment portfolio may be adversely affected. Although AIM endeavors to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by AIM or investment managers affiliated with AIM.

There are no information barriers amongst Apollo and certain of its affiliates. If AIM were to receive material non-public information about a particular company, or have an interest in investing in a particular company, Apollo or certain of its affiliates may be prevented from investing in such company. Conversely, if Apollo or certain of its affiliates were to receive material non-public information about a particular company, or have an interest in investing in a particular company, we may be prevented from investing in such company.

AIM and/or its affiliates and investment managers may determine that an investment is appropriate both for us and for one or more 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.

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In the course of our investing activities, we pay management and incentive fees to AIM, and reimburse AIM for certain expenses it incurs. As a result, investors in our common stock invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. As a result of this arrangement, there may be times when the management team of AIM has interests that differ from those of our common stockholders, giving rise to a conflict.

AIM receives a quarterly incentive fee based, in part, on our pre-incentive fee income, if any, for the immediately preceding calendar quarter. This incentive fee will not be payable to AIM unless the pre-incentive net investment income exceeds the performance threshold. To the extent we or AIM are able to exert influence over our portfolio companies, the quarterly pre-incentive fee may provide AIM with an incentive to induce our portfolio companies to prepay interest or other obligations in certain circumstances.

We have entered into a royalty-free license agreement with Apollo, pursuant to which Apollo has agreed to grant us a non-exclusive license to use the name Apollo. Under the license agreement, we have the right to use the Apollo name for so long as AIM or one of its affiliates remains our investment adviser. In addition, we rent office space from AIA, an affiliate of AIM, and pay Apollo Administration our allocable portion of overhead and other expenses incurred by AIA in performing its obligations under the administration agreement, including our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs, which can create conflicts of interest that our board of directors must monitor.

### **In the past following periods of volatility in the market price of a company's securities, securities class action litigation has, from time to time, been brought against that company.**

If our stock price fluctuates significantly, we may be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

### **Changes in laws or regulations governing our operations may adversely affect our business.**

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse affect on our business.

### **Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.**

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Apollo Investment or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter,

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without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

### **We may choose to pay dividends in our own common stock, in which case you may be required to pay federal income taxes in excess of the cash dividends you receive.**

We may distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Under IRS Revenue Procedure 2009-15, up to 90% of any such taxable dividend for a RIC's taxable years ending on or before December 31, 2009 could be payable in our common stock with the 10% or greater balance paid in cash. The Internal Revenue Service has also issued (and where Revenue Procedure 2009-15 is not currently applicable, the Internal Revenue Service continues to issue) private letter rulings on cash/stock dividends paid by regulated investment companies and real estate investment trusts using a 20% cash standard (instead of the 10% cash standard of Revenue Procedure 2009-15) if certain requirements are satisfied. Stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. It is unclear whether and to what extent we will be able to pay taxable dividends in cash and common stock (whether pursuant to Revenue Procedure 2009-15, a private letter ruling or otherwise).

## **Climate Change**

There is evidence of global climate change. Climate change creates physical and financial risk and some of our portfolio companies may be adversely affected by climate change. For example, the needs of customers of energy companies vary with weather conditions, primarily temperature and humidity. To the extent weather conditions are affected by climate change, energy use could increase or decrease depending on the duration and magnitude of any changes. Increased energy use due to weather changes may require additional investments by our portfolio companies engaged in the energy business in more pipelines and other infrastructure to serve increased demand. Increases in the cost of energy also could adversely affect the cost of operations of our portfolio companies if the use of energy products or services is material to their business. A decrease in energy use due to weather changes may affect some of our portfolio companies' financial condition, through decreased revenues. Extreme weather conditions in general require more system backup, adding to costs, and can contribute to increased system stresses, including service interruptions. Energy companies could also be affected by the potential for lawsuits against or taxes or other regulatory costs imposed on greenhouse gas emitters, based on links drawn between greenhouse gas emissions and climate change.

## **RISKS RELATED TO OUR INVESTMENTS**

### **Our investments in prospective portfolio companies are risky, and you could lose all or part of your investment.**

Investment in middle-market companies is speculative and involves a number of significant risks including a high degree of risk of credit loss. Middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment. In addition, they typically have shorter operating histories,

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narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Middle-market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Middle-market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

### **We invest primarily in mezzanine debt and senior secured loans and we may not realize gains from our equity investments.**

Mezzanine loans are generally unsecured and junior to other indebtedness of the issuer. As a consequence, the holder of a mezzanine loan may lack adequate protection in the event the issuer becomes distressed or insolvent and will likely experience a lower recovery than more senior debtholders in the event the issuer defaults on its indebtedness. In addition, mezzanine loans of middle market companies are often highly illiquid and in adverse market conditions may experience steep declines in valuation even if they are fully performing.

Senior secured loans are the most senior form of indebtedness of an issuer and, due to the ability of the lender to sell the collateral to repay its loan in the event of default, the lender will likely experience more favorable recovery than more junior creditors in the event of the issuer defaults on its indebtedness.

When we invest in mezzanine and senior secured loans, we have and may continue to acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

### **Economic recessions or downturns could impair our portfolio companies and harm our operating results.**

During portions of fiscal 2010, the economy was in the midst of a recession and in a difficult part of a credit cycle. Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets may increase and the value of our portfolio may decrease during these periods if we are required to write down the values of our investments. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company's failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, acceleration of the time when the loans are due and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize the portfolio company's ability to meet its obligations under the debt that we hold. We may incur additional expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we or one of our affiliates may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided significant managerial assistance to that portfolio company, a bankruptcy court might recharacterize our debt holding and subordinate all or a portion of our claim to that of other creditors.

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### **Our ability to invest in public companies may be limited in certain circumstances.**

As a BDC, 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). Subject to certain exceptions for follow-on investments and distressed companies, an investment in an issuer that has outstanding securities listed on a national securities exchange may be treated as qualifying assets only if such issuer has a market capitalization that is less than \$250 million at the time of such investment.

### **Our portfolio contains a limited number of portfolio companies, which subjects us to a greater risk of significant loss if any of these companies defaults on its obligations under any of its debt securities.**

A consequence of the limited number of investments in our portfolio is that the aggregate returns we realize may be significantly adversely affected if one or more of our significant portfolio company investments perform poorly or if we need to write down the value of any one significant investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our portfolio could contain relatively few portfolio companies.

### **Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.**

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments, may be constrained in our ability to employ available funds, or otherwise may lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

### **When we do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.**

We do not generally take controlling equity positions in our portfolio companies. To the extent that we do not hold a controlling equity interest in a portfolio company, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

### **An investment strategy focused primarily on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.**

We have invested and will continue to invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of AIM's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies.

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If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately-held companies frequently have less diverse product lines and smaller market presence than public company competitors, which often are larger. These factors could affect our investment returns.

### **Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.**

We have invested and intend to invest primarily in mezzanine and senior debt securities issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. In addition, we may not be in a position to control any portfolio company by investing in its debt securities. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors.

### **Our incentive fee may induce AIM to make certain investments, including speculative investments.**

The incentive fee payable by us to AIM may create an incentive for AIM to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to AIM is determined, which is calculated separately in two components as a percentage of the income (subject to a performance threshold) and as a percentage of the realized gain on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock, including investors in offerings of common stock, securities convertible into our common stock or warrants representing rights to purchase our common stock or securities convertible into our common stock. In addition, AIM receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no performance threshold applicable to the portion of the incentive fee based on net capital gains. As a result, AIM may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to AIM also may create an incentive for AIM to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, while a portion of this incentive fee would be based on income that we have not yet received in cash and with respect to which we do not have a formal claw-back right against our investment adviser per se, the amount of accrued income to the extent written off in any period will reduce the income in the period in which such write-off was taken and thereby reduce such period's incentive fee payment.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment

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company's expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to AIM with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our common stockholders will bear his or her share of the management and incentive fee of AIM as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest.

### **We may be obligated to pay our investment adviser incentive compensation even if we incur a loss.**

Our investment adviser is entitled to incentive compensation for each fiscal quarter in an amount equal to a percentage of the excess of our pre-incentive fee net investment income for that quarter (before deducting incentive compensation) above a performance threshold for that quarter. Accordingly, 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. Our pre-incentive fee net investment income for incentive compensation purposes excludes realized and unrealized capital losses or depreciation that we may incur in the fiscal quarter, even if such capital losses or depreciation result in a net loss on our statement of operations for that quarter. Thus, we may be required to pay AIM incentive compensation for a fiscal quarter even if there is a decline in the value of our portfolio or we incur a net loss for that quarter.

### **Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.**

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. These risks are likely to be more pronounced for investments in companies located in emerging markets and particularly for middle-market companies in these economies.

Although most of our investments are denominated in U.S. dollars, our investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective.

### **Hedging transactions may expose us to additional risks.**

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transactions may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

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While we may enter into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

## **RISKS RELATED TO ISSUANCE OF OUR PREFERRED STOCK**

*An investment in our preferred stock should not constitute a complete investment program.*

### **If we issue preferred stock, the net asset value and market value of our common stock may become more volatile.**

We cannot assure you that the issuance of preferred stock would result in a higher yield or return to the holders of the common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

### **Holders of any preferred stock we might issue would have the right to elect members of the board of directors and class voting rights on certain matters.**

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of the board of directors at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies or the terms of our credit facilities, might impair our ability to maintain our qualification as a RIC for federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

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### **RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK**

#### **Investing in our securities involves a high degree of risk and is highly speculative.**

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, therefore, an investment in our securities may not be suitable for someone with a low risk tolerance.

#### **There is a risk that investors in our equity securities may not receive dividends or that our dividends may not grow over time and that investors in our debt securities may not receive all of the interest income to which they are entitled.**

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. 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 RIC. 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 in cash to obtain tax benefits as a RIC.

If we do not distribute at least 98% of our annual taxable income (excluding net long-term capital gains retained or deemed to be distributed) in the year earned, we generally will be required to pay a non-deductible excise tax on amounts carried over and distributed to stockholders in the next year equal to 4% of the amount by which 98% of our annual taxable income available for distribution exceeds the distributions from such income for the current year.

Finally, if more stockholders opt to receive cash dividends rather than participate in our dividend reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make cash dividend payments.

#### **Our shares may trade at discounts from net asset value or at premiums that are unsustainable over the long term.**

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at a premium that is unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether shares will trade at, above, or below net asset value.

#### **Investigations and Reviews of Affiliate Use of Placement Agents Could Harm Our Reputation; Depress Our Stock Price or Have Other Negative Consequences.**

While AIC has not, to date, raised any funds through the use of placement agents (other than through the ordinary course engagement of underwriters, from time to time, in connection with the public offering of AIC's securities), affiliates of AIM sometimes use placement agents to assist in marketing certain of the investment funds that they manage. Various state attorneys general and regulatory agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly

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with respect to investments by public pension funds. Certain affiliates of AGM have received subpoenas and other requests for information from various government regulatory agencies and investors in AGM's funds, seeking information regarding the use of placement agents. California Public Employees Retirement System (CalPERS), one of AGM's strategic investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. AGM is cooperating with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that AGM has used), and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS' purchase of securities in various funds managed by AGM and another asset manager. No AGM entity is a party to the civil lawsuit, and the lawsuit does not allege any misconduct on the part of AIC, AIM or AGM. AGM has informed us that it believes it has handled its use of placement agents in an appropriate manner. AGM has received requests for information in connection with certain of these investigations and is cooperating with such requests. Any unanticipated developments from these or future investigations or changes in industry practice may adversely affect AGM's business (including with respect to AIM) or indirectly thereby, AIC's business. Even if these investigations or changes in industry practice do not directly or indirectly affect AGM's or AIC's respective businesses, adverse publicity could harm our reputation and may cause us to lose existing investors, fail to gain new investors, depress our stock price or have other negative consequences.

**The market price of our securities may fluctuate significantly.**

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;

changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;

loss of RIC status;

changes in earnings or variations in operating results;

changes in the value of our portfolio of investments;

any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;

departure of AIM's key personnel;

operating performance of companies comparable to us;

general economic trends and other external factors; and

loss of a major funding source.

**We may be unable to invest the net proceeds raised from offerings on acceptable terms, which would harm our financial condition and operating results.**

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Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings in interest-bearing deposits or other short-term instruments or use the net proceeds from such offerings to reduce then-outstanding obligations under our credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return.

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### **Sales of substantial amounts of our securities may have an adverse effect on the market price of our securities.**

Sales of substantial amounts of our securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for our securities. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

### **Stockholders may experience dilution in their ownership percentage if they do not participate in our dividend reinvestment plan.**

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not participate in the dividend reinvestment plan may experience dilution over time. Stockholders who do not elect to receive dividends in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

As of March 31, 2010, we do not own any real estate or other physical properties materially important to our operation. Our administrative and principal executive offices are located at 730 Fifth Avenue, New York, NY 10019 and 9 West 57<sup>th</sup> Street, New York, NY 10019, respectively. We believe that our office facilities are suitable and adequate for our business as it is contemplated to be conducted.

### **Item 3. Legal Proceedings**

As of March 31, 2010, we were not subject to any material pending legal proceedings.

As previously disclosed on April 13, 2010, by InnKeepers USA Trust ( InnKeepers ), a wholly-owned subsidiary of the Company, InnKeepers has not made certain scheduled monthly interest payments on certain of its debt obligations, and has retained financial and legal advisors to assist it in an evaluation of financial alternatives, including a potential restructuring of its balance sheet. On May 21, 2010, the special servicer with respect to certain of InnKeepers' indebtedness, Midland Loan Services, Inc. filed a complaint against the Company in New York Supreme Court, New York County. The Complaint alleges that InnKeepers has failed to timely complete certain property improvements guaranteed by the Company and asserts a single claim for specific performance of the guaranty. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities****PRICE RANGE OF COMMON STOCK**

Our common stock is traded on the NASDAQ Global Select Market under the symbol AINV. The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of net asset value, or NAV and quarterly dividends per share since shares of our common stock began being regularly quoted on NASDAQ.

|  | Closing Sales Price |          |          | Premium or Discount of High Sales Price to NAV(2) | Premium or Discount of Low Sales Price to NAV(2) | Declared Dividends |
|--|---------------------|----------|----------|---|--|--------------------|
|  | NAV(1)              | High     | Low      |   |  |                    |
| <b>Fiscal Year Ending March 31, 2010</b> |                     |          |          |   |  |                    |
| Fourth Fiscal Quarter                    | \$ 10.06            | \$ 12.73 | \$ 9.82  | 127%  | 98%  | \$ 0.28            |
| Third Fiscal Quarter                     | \$ 10.40            | \$ 10.12 | \$ 8.81  | 97%   | 85%  | \$ 0.28            |
| Second Fiscal Quarter                    | \$ 10.29            | \$ 10.31 | \$ 5.18  | 100%  | 50%  | \$ 0.28            |
| First Fiscal Quarter                     | \$ 10.15            | \$ 7.02  | \$ 3.97  | 69%   | 39%  | \$ 0.26            |
| <b>Fiscal Year Ending March 31, 2009</b> |                     |          |          |   |  |                    |
| Fourth Fiscal Quarter                    | \$ 9.82             | \$ 9.76  | \$ 2.05  | 99%   | 21%  | \$ 0.26            |
| Third Fiscal Quarter                     | \$ 9.87             | \$ 15.85 | \$ 6.08  | 161%  | 62%  | \$ 0.52            |
| Second Fiscal Quarter                    | \$ 13.73            | \$ 17.99 | \$ 13.11 | 131%  | 95%  | \$ 0.52            |
| First Fiscal Quarter                     | \$ 15.93            | \$ 18.59 | \$ 14.33 | 117%  | 90%  | \$ 0.52            |

(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.

While our common stock has from time to time traded in excess of our net asset value, there can be no assurance, however, that it will trade at such a premium (to net asset value) in the future. The last reported closing market price of our common stock on May 13, 2010 was \$11.71 per share. As of May 13, 2010, we had 98 stockholders of record.

**DIVIDENDS**

We intend to continue to distribute quarterly dividends to our stockholders. 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 Code. 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.

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We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the 1940 Act and due to provisions in current and future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

All dividends declared in cash payable to stockholders that are participants in our dividend reinvestment plan are generally automatically reinvested in shares of our common stock. As a result, stockholders that do not participate in the dividend reinvestment plan may experience dilution over time. Stockholders who do not elect to receive dividends in shares of common stock may experience accretion to the net asset value of their shares if our shares are trading at a premium and dilution if our shares are trading at a discount. The level of accretion or discount would depend on various factors, including the proportion of our stockholders who participate in the plan, the level of premium or discount at which our shares are trading and the amount of the dividend payable to a stockholder.

The following table lists the quarterly dividends per share from our common stock for the past two fiscal years.

|   | <b>Declared Dividends</b> |
|---|---------------------------|
| <b>Fiscal Year Ending March 31, 2010</b>      |                           |
| Fourth Fiscal Quarter                         | \$ 0.28                   |
| Third Fiscal Quarter                          | \$ 0.28                   |
| Second Fiscal Quarter                         | \$ 0.28                   |
| First Fiscal Quarter                          | \$ 0.26                   |
| <b>Fiscal Year Ending March 31, 2009</b>      |                           |
| Fourth Fiscal Quarter                         | \$ 0.26                   |
| Third Fiscal Quarter                          | \$ 0.52                   |
| Second Fiscal Quarter                         | \$ 0.52                   |
| First Fiscal Quarter                          | \$ 0.52                   |
| <b>Recent Sale of Unregistered Securities</b> |                           |

We did not engage in any sales of unregistered securities during the fiscal year ended March 31, 2010.

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**STOCK PERFORMANCE GRAPH**

This graph compares the return on our common stock with that of the Standard & Poor's 500 Stock Index and the Russell 2000 Financial Services Index, for the period April 8, 2004 (inception of Apollo Investment Corporation) through March 31, 2010. The graph assumes that, on April 8, 2004, a person invested \$100 in each of the following: our common stock, the S&P 500 Index, and the Russell 2000 Financial Services Index. The graph measures total stockholder return, which takes into account both changes in stock price and dividends. It assumes that dividends paid are invested in like securities.

The graph and other information furnished under this Part II Item 5 of this Form 10-K shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the 1934 Act. The stock price performance included in the above graph is not necessarily indicative of future stock price performance.

**Table of Contents****Item 6. Selected Financial Data**

The Statement of Operations, Per Share and Balance Sheet data for the fiscal years ended March 31, 2010, 2009, 2008, 2007, and 2006 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. This selected financial data should be read in conjunction with our financial statements and related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report.

|   | <b>For the Year Ended March 31,</b>  |              |              |              |              |
|---|--------------------------------------|--------------|--------------|--------------|--------------|
|   | <b>(dollar amounts in thousands,</b> |              |              |              |              |
|   | <b>except per share data)</b>        |              |              |              |              |
| <b>Statement of Operations Data:</b>                            | <b>2010</b>                          | <b>2009</b>  | <b>2008</b>  | <b>2007</b>  | <b>2006</b>  |
| Total Investment Income   | \$ 340,238                           | \$ 377,304   | \$ 357,878   | \$ 266,101   | \$ 152,827   |
| Net Expenses (including taxes)                                  | \$ 140,828                           | \$ 170,973   | \$ 156,272   | \$ 140,783   | \$ 63,684    |
| Net Investment Income   | \$ 199,410                           | \$ 206,331   | \$ 201,606   | \$ 125,318   | \$ 89,143    |
| Net Realized and Unrealized Gains (Losses)                      | \$ 63,880                            | \$ (818,210) | \$ (235,044) | \$ 186,848   | \$ 31,244    |
| Net Increase (Decrease) in Net Assets Resulting from Operations | \$ 263,290                           | \$ (611,879) | \$ (33,438)  | \$ 312,166   | \$ 120,387   |
| <b>Per Share Data:</b>  |                                      |              |              |              |              |
| Net Asset Value   | \$ 10.06                             | \$ 9.82      | \$ 15.83     | \$ 17.87     | \$ 15.15     |
| Net Increase (Decrease) in Net Assets Resulting from Operations | \$ 1.65                              | \$ (4.39)    | \$ (0.30)    | \$ 3.64      | \$ 1.90      |
| Distributions Declared  | \$ 1.10                              | \$ 1.82      | \$ 2.07      | \$ 1.93      | \$ 1.63      |
| <b>Balance Sheet Data:</b>                                      |                                      |              |              |              |              |
| Total Assets  | \$ 3,465,116                         | \$ 2,548,639 | \$ 3,724,324 | \$ 3,523,218 | \$ 2,511,074 |
| Borrowings Outstanding  | \$ 1,060,616                         | \$ 1,057,601 | \$ 1,639,122 | \$ 492,312   | \$ 323,852   |
| Total Net Assets  | \$ 1,772,806                         | \$ 1,396,138 | \$ 1,897,908 | \$ 1,849,748 | \$ 1,229,855 |
| <b>Other Data:</b>  |                                      |              |              |              |              |
| Total Return <sup>(1)</sup>                                     | 313.0%                               | (73.9)%      | (17.5)%      | 31.7%        | 12.9%        |
| Number of Portfolio Companies at Period End                     | 67                                   | 72           | 71           | 57           | 46           |
| Total Portfolio Investments for the Period                      | \$ 716,425                           | \$ 434,995   | \$ 1,755,913 | \$ 1,446,730 | \$ 1,110,371 |
| Investment Sales and Prepayments for the Period                 | \$ 451,687                           | \$ 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.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this report.

Some of the statements in this report constitute forward-looking statements, which relate to future events or our future performance or financial condition. The forward-looking statements contained herein 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;

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 any factors set forth in Risk Factors and elsewhere in this report.

We have based the forward-looking statements included in this report on information available to us on the date of this report, and we assume no obligation to update any such forward-looking statements. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, 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 any annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

## **OVERVIEW**

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the 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. Apollo

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Investment commenced operations on April 8, 2004 upon completion of its initial public offering that raised \$870 million in net proceeds selling 62 million shares of its common stock at a price of \$15.00 per share. Since then, and through March 31, 2010, we have raised approximately \$1.7 billion in net proceeds from additional offerings of common stock. Subsequently, in April 2010, the Company raised an additional \$204 million from an offering of common stock, bringing the total net proceeds from additional offerings of common stock since inception to approximately \$1.9 billion.

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### ***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 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. Interest on debt securities is generally payable quarterly or semiannually and while U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of our investments may include zero coupon and/or step-up bonds that accrue income on a constant yield to call or maturity basis. In addition, some of our investments provide for PIK. Such amounts of accrued payment-in-kind ( PIK ) interest or dividends are added to the cost of the investment on the respective capitalization dates and generally become due at maturity or upon being called by the issuer. We may also generate revenue in the form of commitment, origination, structuring fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

### ***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;

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registration and listing fees;

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

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transfer agent and custodial fees;

taxes;

independent directors' fees and expenses;

marketing and distribution-related expenses;

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

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

organizational costs; and

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

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.

**Portfolio and Investment Activity**

During our fiscal year ended March 31, 2010, we invested \$716 million across 5 new and 24 existing portfolio companies, primarily through opportunistic secondary market purchases. This compares to investing \$435 million in 12 new and 13 existing portfolio companies for the previous fiscal year ended March 31, 2009. Investments sold or prepaid during the fiscal year ended March 31, 2010 totaled \$452 million versus \$340 million for the fiscal year ended March 31, 2009.

At March 31, 2010, our net portfolio consisted of 67 portfolio companies and was invested 30% in senior secured loans, 59% in subordinated debt, 1% in preferred equity and 10% in common equity and warrants measured at fair value versus 72 portfolio companies invested 26% in senior secured loans, 58% in subordinated debt, 5% in preferred equity and 11% in common equity and warrants at March 31, 2009.

The weighted average yields on our senior secured loan portfolio, subordinated debt portfolio and total debt portfolio as of March 31, 2010 at our current cost basis were 8.5%, 13.5% and 11.8%, respectively. At March 31, 2009, the yields were 8.2%, 13.2%, and 11.7%, respectively.

Since the initial public offering of Apollo Investment in April 2004 and through March 31, 2010, invested capital totaled \$6.3 billion in 128 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 85 different financial sponsors.

At March 31, 2010, 64% or \$1.6 billion of our income-bearing investment portfolio is fixed rate debt and 36% or \$0.9 billion is floating rate debt, measured at fair value. On a cost basis, 65% or \$1.8 billion of our income-bearing investment portfolio is fixed rate debt and 35% or \$1.0 billion is floating rate debt. At March 31, 2009, 70% or \$1.5 billion of our income-bearing investment portfolio was fixed rate debt and 30% or \$0.7 billion was floating rate debt. On a cost basis, 66% or \$2.0 billion of our income-bearing investment portfolio is fixed rate debt and 34% or \$1.0 billion is floating rate debt.



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As previously disclosed on April 13, 2010, by InnKeepers USA Trust ( InnKeepers ), a wholly-owned subsidiary of the Company, InnKeepers has not made certain scheduled monthly interest payments on certain of its debt obligations, and has retained financial and legal advisors to assist it in an evaluation of financial alternatives, including a potential restructuring of its balance sheet. On May 21, 2010, the special servicer with respect to certain of InnKeepers' indebtedness, Midland Loan Services, Inc. filed a complaint against the Company in New York Supreme Court, New York County. The Complaint alleges that InnKeepers has failed to timely complete certain property improvements guaranteed by the Company and asserts a single claim for specific performance of the guaranty. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses. InnKeepers' financial distress has caused us to incur significant unrealized depreciation on our investment in Grand Prix Holdings LLC.

## **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 senior secured debt, subordinated 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. Accordingly, such investments go through our multi-step valuation process as described below. In each case, our independent valuation firms consider observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Investments maturing in 60 days or less are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

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

- (1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;
- (2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;
- (3) independent valuation firms 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.

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Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. For the fiscal year ended March 31, 2010, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

In September 2006, the Financial Accounting Standards Board issued guidance related to Fair Value Measurements. This guidance defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This guidance was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. We adopted this guidance for our first fiscal quarter ended June 30, 2008.

ASC 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

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

On October 10, 2008, revised guidance was issued which provides examples of how to determine fair value in a market that is not active. It did not change the fair value measurement principles set forth in ASC 820. Furthermore, on April 9, 2009, the FASB issued additional revised guidance which provides information on estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate a transaction is not orderly. According to this guidance in the above circumstances, more analysis and significant adjustments to transaction or quoted prices may be necessary to estimate fair value. In addition, it requires disclosure of any changes in valuation techniques and related inputs resulting from the application. The total effect of the change in valuation techniques and related inputs must also be disclosed by major asset category. This revised guidance was effective for periods ending after June 15, 2009. The adoption did not have a material effect on the Company's financial position or results of operations.

Accounting Standards Update No. 2010-06, Improving Disclosure about Fair Value Measurements was released in January 2010 and is effective for periods beginning after December 15, 2009. This update improves financial statement disclosure around transfers in and out of level 1 and 2 fair value measurements, around valuation techniques and inputs and around other related disclosures. Transfers between levels, if any, are recognized at the end of the reporting period. See certain additional disclosures in note 6 to our financial statements.

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### **Revenue Recognition**

The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments may have contractual PIK interest or dividends. PIK represents contractual interest or dividends accrued and is added to the cost of the investment on the respective capitalization dates and generally becomes due at maturity or upon being called by the issuer. Loan origination fees, original issue discount, and market discounts are capitalized and we amortize such amounts into income. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring fees are recorded as other income when earned.

### **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.

## **RESULTS OF OPERATIONS**

Results comparisons are for the fiscal years ended March 31, 2010, March 31, 2009 and March 31, 2008.

### **Investment Income**

For the fiscal years ended March 31, 2010, March 31, 2009 and March 31, 2008, gross investment income totaled \$340.2 million, \$377.3 million and \$357.9 million, respectively. The decrease in gross investment income from fiscal year 2009 to fiscal year 2010 was primarily due to two factors: the reduction in the size of the income-producing portfolio as compared to the previous fiscal year and the reduction in average LIBOR of over 150 basis points year over year. The increase in gross investment income from fiscal year 2008 to fiscal year 2009 was primarily due to changes in the composition of the portfolio as compared to the previous fiscal year.

### **Expenses**

Net operating expenses totaled \$139.6 million, \$170.5 million and \$154.4 million, respectively, for the fiscal years ended March 31, 2010, March 31, 2009 and March 31, 2008, of which \$103.9 million, \$111.3 million and \$90.3 million, respectively, were base management fees and performance-based incentive fees and \$24.5 million, \$48.9 million and \$55.8 million, respectively, were interest and other credit facility expenses. Of these net operating expenses, general and administrative expenses totaled \$11.2 million, \$10.3 million and \$8.3 million, respectively, for the fiscal years ended March 31, 2010, 2009 and 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 fiscal 2009 to 2010 was primarily related to the decrease in interest and other credit facility expenses due to the reduction in average LIBOR in the year over year period coupled with the lower average outstanding balance on the credit facility during fiscal year 2010 as compared to fiscal year 2009. The increase in net expenses from fiscal 2008 to 2009 was primarily related to the increase in performance-based incentive expenses accrued during fiscal 2009 as compared to those accrued during fiscal 2008. In addition, excise tax expense totaled \$1.2 million, \$0.5 million, and \$1.9 million for the fiscal years ended March 31, 2010, 2009 and 2008.

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### **Net Investment Income**

The Company's net investment income totaled \$199.4 million, \$206.3 million and \$201.6 million, or \$1.26, \$1.48, and \$1.82, on a per average share basis, respectively, for the fiscal years ended March 31, 2010, 2009 and 2008.

### **Net Realized Gains (Losses)**

The Company had investment sales and prepayments totaling \$452 million, \$340 million and \$714 million, respectively, for the fiscal years ended March 31, 2010, 2009 and 2008. Net realized losses for the fiscal year ended March 31, 2010 were \$473.0 million. Net realized losses for the fiscal year ended March 31, 2009 were \$83.7 million and the net realized gains were \$54.3 million for the fiscal year ended March 31, 2008. Net realized losses incurred during fiscal year 2010 were primarily related to sales and restructurings of certain underperforming portfolio companies, various portfolio optimization measures, and our liquidity management strategy during the financial crisis early in our fiscal year. Net realized losses incurred in fiscal 2009 were mainly derived from selective exits of underperforming investments. Net realized gains for fiscal 2008 were mainly derived from exits from certain outperforming investments.

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

For the fiscal year ended March 31, 2010, net change in unrealized appreciation on the Company's investments, cash equivalents, foreign currencies and other assets and liabilities totaled \$536.9 million. For the fiscal years ended March 31, 2009 and 2008, net change in unrealized depreciation on the Company's investments, cash equivalents, foreign currencies and other assets and liabilities totaled \$734.5 million and \$289.3 million, respectively. Net unrealized appreciation for fiscal 2010 was primarily due to the recognition of realized losses which reversed unrealized depreciation, net changes in specific portfolio company fundamentals, and improving capital market conditions. During fiscal 2009, a material increase in unrealized depreciation was recognized from significantly lower fair value determinations on many of our investments. These lower fair values were driven primarily from the general market dislocation, the illiquid capital markets, and the then current market expectations for pricing increased credit risk and default assumptions. For the fiscal 2008 period, unrealized depreciation generally stemmed from lower fair values on certain investments as compared to the prior fiscal year.

### **Net Increase (Decrease) in Net Assets From Operations**

For the fiscal year ended March 31, 2010, the Company had a net increase in net assets resulting from operations of \$263.3 million. For the fiscal years ended March 31, 2009 and 2008, the Company had a net decrease in net assets resulting from operations of \$611.9 million and \$33.4 million, respectively. For the year ended March 31, 2010, earnings per average share were \$1.65. The loss per average share was \$4.39 and \$0.30 for the years ended March 31, 2009 and 2008, respectively.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's liquidity and capital resources are generated and generally available through periodic follow-on equity offerings, our senior secured, multi-currency \$1.56 billion revolving credit facility (see note 12 within the Notes to Financial Statements), 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. At March 31, 2010, the Company had \$1.06 billion in borrowings outstanding and \$498 million of unused capacity on its revolving credit facility. In the future, the Company may raise additional equity or debt capital off its shelf registration, among other considerations. The primary use of funds will be investments in portfolio companies, reductions in debt outstanding and other general corporate purposes. On April 27, 2010, the Company closed on its most recent follow-on public equity offering of 17.25 million shares of common stock at \$12.40 per share raising approximately \$204 million in net proceeds.

**Table of Contents****Cash Equivalents**

The Company deems certain U.S. Treasury bills, repurchase agreements and other high-quality, short-term debt securities as cash equivalents. (See note 2(o) within the accompanying financial statements.) At the end of each fiscal quarter, Apollo Investment considers taking proactive steps utilizing cash equivalents with the objective of enhancing the Company's investment flexibility during the following quarter, pursuant to Section 55 of the 1940 Act. More specifically, Apollo Investment may purchase U.S. Treasury bills from time-to-time on the last business day of the quarter and typically closes out that position on the following business day, settling the sale transaction on a net cash basis with the purchase, subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions, including drawing down on its revolving credit facility, as it deems appropriate. The amount of these transactions or such drawn cash for this purpose is excluded from total assets for purposes of computing the asset base upon which the management fee is determined. There were \$449.8 million of cash equivalents held at March 31, 2010.

**Payments due by Period as of March 31, 2010 (dollars in millions)**

|   | Total    | Less than |           |           | More than |
|---|----------|-----------|-----------|-----------|-----------|
|   |          | 1 year    | 1-3 years | 3-5 years | 5 years   |
| Senior Secured Revolving Credit Facility(1) | \$ 1,061 | \$        | \$ 259    | \$ 802    | \$        |

(1) At March 31, 2010, \$498 million remained unused under our senior secured revolving credit facility.

Information about our senior securities is shown in the following table as of each year ended March 31 since the Company commenced operations, unless otherwise noted. The (1) 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)(1) | Asset Coverage Per Unit(2) | Involuntary Liquidating Preference Per Unit(3) | Average Market Value Per Unit(4) |
|----------------------------------|--|----------------------------|--|----------------------------------|
| <b>Revolving Credit Facility</b> |  |                            |  |                                  |
| Fiscal 2010                      | \$ 1,060,616                                       | \$ 2,671                   | \$   | 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



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assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount 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 (dollars in thousands)**

The Company has the ability to issue standby letters of credit through its revolving credit facility. As of March 31, 2010 and March 31, 2009, the Company had issued through JPMorgan Chase Bank, N.A. standby letters of credit totaling \$3,708 and \$3,508, respectively.

**AIC Credit Opportunity Fund LLC (currencies in thousands)**

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 \$39,500 in a special purpose entity wholly owned by AIC Holdco, AIC (FDC) Holdings LLC (Apollo FDC), which was used to purchase a Junior Profit-Participating Note due 2013 in principal amount of \$39,500 (the Junior Note) from Apollo I Trust (the Trust). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note) to an unaffiliated third party (FDC Counterparty) in principal amount of \$39,500 paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate \$79,000 proceeds to acquire \$100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Reference Obligation) due 2016 and paying interest at 11.25% per year. The Junior Note generally entitles Apollo FDC to the net interest and other proceeds due under the FDC Reference Obligation after payment of interest due under the Senior Notes, as described above. In addition, Apollo FDC is 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 \$11,375 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.

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 statement of assets and liabilities. The Senior Note, total return swap and Acquisition Loan are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of

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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 Apollo Investment may provide additional capital to AIC Holdco for purposes of funding margin calls under one or more of the transactions described above among other reasons. During the fiscal year ended March 31, 2009, we provided \$18,480 in additional capital to AIC Holdco. During the fiscal year ended March 31, 2010, \$9,336 of net capital was returned to us from AIC Holdco.

**Dividends**

Dividends paid to stockholders for the fiscal years ended March 31, 2010, 2009 and 2008 totaled \$181.4 million or \$1.10 per share, \$258.8 million or \$1.82 per share, and \$230.9 million or \$2.07 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.

The following table summarizes our quarterly dividends paid to stockholders for the fiscal years ended March 31, 2010, 2009 and 2008, respectively:

|  | <b>Declared Dividends</b> |
|--|---------------------------|
| <b>Fiscal Year Ending March 31, 2010</b> |                           |
| Fourth Fiscal Quarter                    | \$ 0.28                   |
| Third Fiscal Quarter                     | \$ 0.28                   |
| Second Fiscal Quarter                    | \$ 0.28                   |
| First Fiscal Quarter                     | \$ 0.26                   |
| <b>Fiscal Year Ending March 31, 2009</b> |                           |
| Fourth Fiscal Quarter                    | \$ 0.26                   |
| Third Fiscal Quarter                     | \$ 0.52                   |
| Second Fiscal Quarter                    | \$ 0.52                   |
| First Fiscal Quarter                     | \$ 0.52                   |
| <b>Fiscal Year Ending March 31, 2008</b> |                           |
| Fourth Fiscal Quarter                    | \$ 0.52                   |
| Third Fiscal Quarter                     | \$ 0.52                   |
| Second Fiscal Quarter                    | \$ 0.52                   |
| First Fiscal Quarter                     | \$ 0.51                   |

We have elected to be taxed as a RIC under Subchapter M of the Code. 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

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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 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.

**Item 7A. Quantitative and Qualitative Disclosure about Market Risk**

We are subject to financial market risks, including changes in interest rates. During the fiscal year ended March 31, 2010, 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 March 31, 2010, 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 fiscal year ended March 31, 2010, we did not engage in interest rate hedging activities.

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**Item 8. Financial Statements and Supplementary Data**

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**MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of March 31, 2010. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Management performed an assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2010 based upon criteria in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on our assessment, management determined that the Company's internal control over financial reporting was effective as of March 31, 2010 based on the criteria on Internal Control – Integrated Framework issued by COSO.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Apollo Investment Corporation:

In our opinion, the accompanying statements of assets and liabilities, including the schedules of investments, and the related statements of operations, changes in net assets and cash flows present fairly, in all material respects, the financial position of Apollo Investment Corporation ( the Company ) at March 31, 2010 and March 31, 2009, and the results of its operations, the changes in net assets, and its cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting appearing on page 42 of the annual report to shareholders. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

New York, New York

May 26, 2010

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**APOLLO INVESTMENT CORPORATION**  
**STATEMENTS OF ASSETS AND LIABILITIES**

(in thousands, except per share amounts)

|  | March 31, 2010      | March 31, 2009      |
|--|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |
| Non-controlled/non-affiliated investments, at value (cost \$2,782,880 and \$3,082,364, respectively)   | \$ 2,677,893        | \$ 2,345,470        |
| Non-controlled/affiliated investments, at value (cost \$102,135 and \$0, respectively)   | 83,136              |                     |
| Controlled investments, at value (cost \$357,590 and \$342,115, respectively)  | 92,551              | 141,421             |
| Cash equivalents, at value (cost \$449,852 and \$0, respectively)  | 449,828             |                     |
| Cash   | 7,040               | 5,914               |
| Foreign currency (cost \$30,705 and \$694, respectively)   | 30,717              | 693                 |
| Receivable for investments sold  | 49,643              |                     |
| Interest receivable  | 43,139              | 42,461              |
| Dividends receivable (see note 2)  | 5,700               | 7,302               |
| Miscellaneous income receivable  | 788                 | 51                  |
| Receivable from investment adviser   | 611                 | 393                 |
| Prepaid expenses and other assets  | 24,070              | 4,934               |
| <b>Total assets</b>  | <b>\$ 3,465,116</b> | <b>\$ 2,548,639</b> |
| <b>Liabilities</b>   |                     |                     |
| Credit facility payable (see note 7 & 12)  | \$ 1,060,616        | \$ 1,057,601        |
| Payable for investments and cash equivalents purchased   | 549,009             | 27,555              |
| Dividends payable  | 49,340              | 36,978              |
| Management and performance-based incentive fees payable (see note 3)   | 26,363              | 25,314              |
| Interest payable   | 2,132               | 711                 |
| Accrued administrative expenses  | 1,722               | 1,547               |
| Other liabilities and accrued expenses   | 3,128               | 2,795               |
| <b>Total liabilities</b>   | <b>\$ 1,692,310</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 176,214 and 142,221 issued and outstanding, respectively | \$ 176              | \$ 142              |
| Paid-in capital in excess of par (see note 2f)   | 2,645,687           | 2,352,205           |
| Undistributed net investment income (see note 2f)  | 104,878             | 96,174              |
| Accumulated net realized loss (see note 2f)  | (583,270)           | (120,811)           |
| Net unrealized depreciation  | (394,665)           | (931,572)           |
| <b>Total Net Assets</b>  | <b>\$ 1,772,806</b> | <b>\$ 1,396,138</b> |
| <b>Total liabilities and net assets</b>  | <b>\$ 3,465,116</b> | <b>\$ 2,548,639</b> |
| <b>Net Asset Value Per Share</b>   | <b>\$ 10.06</b>     | <b>\$ 9.82</b>      |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

|   | 2010              | Year Ended March 31,<br>2009 | 2008              |
|---|-------------------|------------------------------|-------------------|
| <b>INVESTMENT INCOME:</b>   |                   |                              |                   |
| From non-controlled/non-affiliated investments:   |                   |                              |                   |
| Interest  | \$ 297,123        | \$ 340,664                   | \$ 321,684        |
| Dividends   | 11,450            | 11,940                       | 14,551            |
| Other Income  | 10,003            | 5,326                        | 4,643             |
| From non-controlled/affiliated investments:   |                   |                              |                   |
| Interest  | 1,002             |                              |                   |
| From controlled investments:  |                   |                              |                   |
| Dividends   | 20,660            | 19,374                       | 7,000             |
| Other Income  |                   |                              | 10,000            |
| <b>Total Investment Income</b>  | <b>340,238</b>    | <b>377,304</b>               | <b>357,878</b>    |
| <b>EXPENSES:</b>  |                   |                              |                   |
| Management fees (see note 3)  | \$ 54,069         | \$ 59,686                    | \$ 59,871         |
| Performance-based incentive fees (see note 3)   | 49,853            | 51,583                       | 30,449            |
| Interest and other credit facility expenses   | 24,480            | 48,919                       | 55,772            |
| Administrative services expense   | 4,725             | 4,794                        | 3,450             |
| Insurance expense   | 1,100             | 948                          | 776               |
| Other general and administrative expenses   | 5,383             | 4,740                        | 4,360             |
| <b>Total expenses</b>   | <b>139,610</b>    | <b>170,670</b>               | <b>154,678</b>    |
| Expense offset arrangement (see note 8)   |                   | (217)                        | (273)             |
| <b>Net expenses</b>   | <b>139,610</b>    | <b>170,453</b>               | <b>154,405</b>    |
| Net investment income before excise taxes   | 200,628           | 206,851                      | 203,473           |
| Excise tax expense  | (1,218)           | (520)                        | (1,867)           |
| <b>Net investment income</b>  | <b>\$ 199,410</b> | <b>\$ 206,331</b>            | <b>\$ 201,606</b> |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:</b> |                   |                              |                   |
| Net realized gain (loss):   |                   |                              |                   |
| Investments and cash equivalents  | (467,275)         | (125,005)                    | 93,261            |
| Foreign currencies  | (5,752)           | 41,265                       | (38,961)          |
| <b>Net realized gain (loss)</b>   | <b>(473,027)</b>  | <b>(83,740)</b>              | <b>54,300</b>     |
| Net change in unrealized gain (loss):   |                   |                              |                   |
| Investments and cash equivalents  | 548,530           | (784,388)                    | (257,645)         |
| Foreign currencies  | (11,623)          | 49,918                       | (31,699)          |
| <b>Net change in unrealized gain (loss)</b>   | <b>536,907</b>    | <b>(734,470)</b>             | <b>(289,344)</b>  |

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|   |                   |                     |                    |
|---|-------------------|---------------------|--------------------|
| Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies | 63,880            | (818,210)           | (235,044)          |
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>                            | <b>\$ 263,290</b> | <b>\$ (611,879)</b> | <b>\$ (33,438)</b> |
| <b>EARNINGS (LOSS) PER SHARE (see note 5)</b>   | <b>\$ 1.65</b>    | <b>\$ (4.39)</b>    | <b>\$ (0.30)</b>   |

See notes to financial statements.

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

(in thousands, except shares)

|   | 2010         | Year Ended March 31,<br>2009 | 2008         |
|---|--------------|------------------------------|--------------|
| <b>Increase (Decrease) in net assets from operations:</b>         |              |                              |              |
| Net investment income   | \$ 199,410   | \$ 206,331                   | \$ 201,606   |
| Net realized gains (loss)   | (473,027)    | (83,740)                     | 54,300       |
| Net change in unrealized gain (loss)                              | 536,907      | (734,470)                    | (289,344)    |
| Net increase (decrease) in net assets resulting from operations   | 263,290      | (611,879)                    | (33,438)     |
| <b>Dividends and distributions to stockholders (see note 13):</b> | (181,356)    | (258,843)                    | (230,889)    |
| <b>Capital share transactions:</b>                                |              |                              |              |
| Net proceeds from shares sold                                     | 280,823      | 369,589                      | 285,545      |
| Less offering costs   | (618)        | (637)                        | (461)        |
| Reinvestment of dividends   | 14,529       |                              | 27,403       |
| Net increase in net assets from capital share transactions        | 294,734      | 368,952                      | 312,487      |
| <b>Total increase (decrease) in net assets:</b>                   | 376,668      | (501,770)                    | 48,160       |
| Net assets at beginning of period                                 | 1,396,138    | 1,897,908                    | 1,849,748    |
| Net assets at end of period                                       | \$ 1,772,806 | \$ 1,396,138                 | \$ 1,897,908 |
| <b>Capital share activity</b>                                     |              |                              |              |
| Shares sold   | 32,200,000   | 22,327,500                   | 14,950,000   |
| Shares issued from reinvestment of dividends                      | 1,792,583    |                              | 1,436,069    |
| Net increase from capital share activity                          | 33,992,583   | 22,327,500                   | 16,386,069   |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****STATEMENTS OF CASH FLOWS**

(in thousands)

|  | 2010              | Year Ended March 31,<br>2009 | 2008                |
|--|-------------------|------------------------------|---------------------|
| <b>Cash Flows from Operating Activities:</b>   |                   |                              |                     |
| Net Increase (Decrease) in Net Assets Resulting from Operations  | \$ 263,290        | \$ (611,879)                 | \$ (33,438)         |
| Adjustments to reconcile net increase (decrease):  |                   |                              |                     |
| Purchase of investment securities (including net amortization of discount and capitalized PIK)<br>(see note 2)                             | (831,880)         | (503,267)                    | (1,857,850)         |
| Proceeds from disposition of investment securities and cash equivalents  | 546,446           | 340,168                      | 809,223             |
| Increase (decrease) from foreign currency transactions   | (5,731)           | 41,265                       | (38,961)            |
| Decrease (increase) in interest and dividends receivable (see note 2)  | 924               | 19,904                       | (27,463)            |
| Decrease (increase) in prepaid expenses and other assets   | 2,645             | 749                          | (294)               |
| Increase (decrease) in management and performance-based incentive fees payable   | 1,049             | (1,655)                      | (16,610)            |
| Increase (decrease) in interest payable  | 1,421             | (5,467)                      | 4,329               |
| Increase in accrued expenses   | 508               | 1,902                        | 1,224               |
| Increase (decrease) in payable for investments and cash equivalents purchased  | 521,454           | (114,784)                    | (992,292)           |
| Decrease (increase) in receivables for securities sold   | (49,643)          |                              | 28,248              |
| Net change in unrealized depreciation (appreciation) on investments, cash equivalents, foreign currencies and other assets and liabilities | (536,907)         | 734,470                      | 289,344             |
| Net realized loss (gain) on investments and cash equivalents   | 473,027           | 83,740                       | (54,300)            |
| Net Cash Provided (Used) by Operating Activities   | \$ 386,603        | \$ (14,854)                  | \$ (1,888,840)      |
| <b>Cash Flows from Financing Activities:</b>   |                   |                              |                     |
| Net proceeds from the issuance of common stock   | \$ 280,823        | \$ 369,589                   | \$ 285,545          |
| Offering costs from the issuance of common stock   | (618)             | (637)                        | (461)               |
| Dividends paid in cash   | (154,465)         | (231,233)                    | (194,118)           |
| Borrowings under credit facility   | 1,285,103         | 1,739,502                    | 2,990,313           |
| Payments under credit facility   | (1,316,481)       | (2,270,751)                  | (1,875,396)         |
| Net Cash Provided (Used) by Financing Activities   | \$ 94,362         | \$ (393,530)                 | \$ 1,205,883        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | <b>\$ 480,965</b> | <b>\$ (408,384)</b>          | <b>\$ (682,957)</b> |
| Effect of exchange rates on cash balances  | 13                | 8                            | (12)                |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>  | <b>\$ 6,607</b>   | <b>\$ 414,983</b>            | <b>\$ 1,097,952</b> |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>  | <b>\$ 487,585</b> | <b>\$ 6,607</b>              | <b>\$ 414,983</b>   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>  |                   |                              |                     |
| Cash interest paid during the period   | \$ 18,098         | \$ 51,859                    | \$ 48,265           |
| Non-cash financing activities consist of the reinvestment of dividends totaling \$14,529, \$0 and \$27,403, respectively.                  |                   |                              |                     |

See notes to financial statements.

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| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED<br>PORTFOLIO COMPANIES 151.1% | Industry                        | Par<br>Amount* | Cost             | Fair<br>Value(1) |
|--|---------------------------------|----------------|------------------|------------------|
| <b>CORPORATE DEBT 137.2%</b>   |                                 |                |                  |                  |
| <b>BANK DEBT/SENIOR SECURED LOANS(2) 44.2%</b>                             |                                 |                |                  |                  |
| <b>1st Lien Bank Debt/Senior Secured Loans 1.2%</b>                        |                                 |                |                  |                  |
| ATI Acquisition Company, 12/30/14  | Education                       | \$ 18,454      | \$ 17,743        | \$ 18,038        |
| FoxCo Acquisition Sub LLC, 7/14/15   | Broadcasting &<br>Entertainment | 3,905          | 3,493            | 3,788            |
| <b>Total 1st Lien Bank Debt/Senior Secured Loans</b>                       |                                 |                | <b>\$ 21,236</b> | <b>\$ 21,826</b> |
| <b>2nd Lien Bank Debt/Senior Secured Loans 43.0%</b>                       |                                 |                |                  |                  |
| AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16                | Retail                          | £ 11,400       | \$ 19,983        | \$ 15,321        |
| AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16                | Retail                          | 3,961          | 5,499            | 4,749            |
| American Safety Razor Company, LLC, 1/30/14                                | Consumer Products               | \$ 1,000       | 774              | 625              |
| Asurion Corporation, 7/3/15  | Insurance                       | 148,300        | 147,019          | 147,605          |
| BNY ConvergEx Group, LLC, 4/2/14   | Business Services               | 83,229         | 80,722           | 83,229           |
| C.H.I. Overhead Doors, Inc., 13.00%, 10/22/11                              | Building Products               | 15,000         | 15,012           | 15,000           |
| Clean Earth, Inc., 13.00%, 8/1/14  | Environmental                   | 25,000         | 25,000           | 24,875           |
| Datatel, Inc., 12/9/16   | Education                       | 20,000         | 19,923           | 20,350           |
| Dresser, Inc., 5/4/15  | Industrial                      | 62,938         | 62,656           | 60,289           |
| Educate, Inc., 6/14/14   | Education                       | 10,000         | 10,000           | 9,400            |
| Garden Fresh Restaurant Corp., 12/22/11                                    | Retail                          | 33,600         | 32,880           | 33,600           |
| Generics International, Inc., 4/30/15                                      | Healthcare                      | 20,000         | 19,931           | 20,000           |
| Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14             | Business Services               | 5,000          | 5,000            | 3,925            |
| Infor Enterprise Solutions Holdings, Inc., 3/2/14                          | Business Services               | 15,000         | 14,883           | 12,581           |
| Infor Global Solutions European Finance S.á.R.L., 3/2/14                   | Business Services               | 6,210          | 8,263            | 6,722            |
| IPC Systems, Inc., 6/1/15  | Telecommunications              | \$ 44,250      | 41,165           | 37,613           |
| Kronos, Inc., 6/11/15  | Electronics                     | 60,000         | 60,000           | 56,820           |
| Ozburn-Hessey Holding Company LLC, 10/8/16                                 | Logistics                       | 35,000         | 35,000           | 35,000           |
| Ranpak Corp., 12/27/14(3)  | Packaging                       | 43,550         | 37,564           | 43,165           |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands)**

| <b>INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%</b> | <b>Industry</b>     | <b>Par Amount*</b> | <b>Cost</b>       | <b>Fair Value(1)</b> |
|--|---------------------|--------------------|-------------------|----------------------|
| <b>2nd Lien Bank Debt/Senior Secured Loans (continued)</b>                     |                     |                    |                   |                      |
| Ranpak Corp., 12/27/14(4)  | Packaging           | 21,970             | \$ 27,074         | \$ 29,464            |
| Sheridan Holdings, Inc., 6/15/15   | Healthcare          | \$ 67,847          | 66,948            | 67,169               |
| TransFirst Holdings, Inc., 6/15/15   | Financial Services  | 36,632             | 35,687            | 33,519               |
| <b>Total 2nd Lien Bank Debt/Senior Secured Loans</b>                           |                     |                    | <b>\$ 770,983</b> | <b>\$ 761,021</b>    |
| <b>TOTAL BANK DEBT/SENIOR SECURED LOANS</b>                                    |                     |                    | <b>\$ 792,219</b> | <b>\$ 782,847</b>    |
| <b>Subordinated Debt/Corporate Notes 93.0%</b>                                 |                     |                    |                   |                      |
| AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17         | Retail              | £ 40,847           | \$ 79,172         | \$ 56,817            |
| Advantage Sales & Marketing, Inc., 12.00%, 3/29/14                             | Grocery             | \$ 32,535          | 32,164            | 32,860               |
| Allied Security Holdings LLC, 13.75%, 8/21/15                                  | Business Services   | 20,000             | 19,661            | 20,500               |
| Altegrity Inc., 11.75%, 5/1/16 **  | Diversified Service | 14,639             | 9,716             | 13,644               |
| Altegrity Inc., 10.50%, 11/1/15 **   | Diversified Service | 13,475             | 11,852            | 12,693               |
| Angelica Corporation, 15.00%, 2/4/14   | Healthcare          | 60,000             | 60,000            | 64,260               |
| ATI Acquisition Company, L+1100, 12/30/15                                      | Education           | 38,500             | 37,750            | 38,115               |
| BNY ConvergEx Group, LLC, 14.00%, 10/2/14                                      | Business Services   | 42,730             | 35,913            | 44,140               |
| Booz Allen Hamilton Inc., 13.00%, 7/31/16                                      | Consulting Services | 23,435             | 23,109            | 24,197               |
| Catalina Marketing Corporation, 11.625%, 10/1/17 **                            | Grocery             | 42,175             | 40,997            | 45,549               |
| Catalina Marketing Corporation, 10.50%, 10/1/15 **                             | Grocery             | 5,000              | 5,094             | 5,300                |
| Ceridian Corp., 13.00%, 11/15/15   | Diversified Service | 53,250             | 53,250            | 52,185               |
| Ceridian Corp., 11.25%, 11/15/15   | Diversified Service | 36,000             | 35,246            | 34,740               |
| Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17                          | Healthcare          | 8,033              | 12,547            | 10,923               |
| Delta Educational Systems, Inc., 14.20%, 5/12/13                               | Education           | \$ 19,517          | 19,120            | 19,713               |
| Dura-Line Merger Sub, Inc., 14.00%, 9/22/14                                    | Telecommunications  | 42,363             | 41,792            | 42,787               |
| European Directories (DH5) B.V., 15.735%, 7/1/16 ***                           | Publishing          | 3,452              | 4,475             |                      |
| European Directories (DH7) B.V., E+950, 7/1/15 ***                             | Publishing          | 17,454             | 21,846            | 5,810                |
| First Data Corporation, 11.25%, 3/31/16  | Financial Services  | \$ 40,000          | 33,801            | 33,500               |
| First Data Corporation, 9.875%, 9/24/15  | Financial Services  | 45,500             | 40,129            | 39,244               |
| FleetPride Corporation, 11.50%, 10/1/14 **                                     | Transportation      | 47,500             | 47,500            | 46,075               |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands)**

| <b>INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%</b> | <b>Industry</b>              | <b>Par Amount*</b> | <b>Cost</b>         | <b>Fair Value(1)</b> |
|--|------------------------------|--------------------|---------------------|----------------------|
| <b>Subordinated Debt/Corporate Notes (continued)</b>                           |                              |                    |                     |                      |
| FoxCo Acquisition Sub LLC, 13.375%, 7/15/16 "                                  | Broadcasting & Entertainment | \$ 25,250          | \$ 25,034           | \$ 25,250            |
| FPC Holdings, Inc. (FleetPride Corporation), 14.00%, 6/30/15 "                 | Transportation               | 37,846             | 37,429              | 35,575               |
| General Nutrition Centers, Inc., L+450, 3/15/14                                | Retail                       | 12,275             | 12,149              | 11,630               |
| General Nutrition Centers, Inc., 10.75%, 3/15/15                               | Retail                       | 24,500             | 24,906              | 25,113               |
| Goodman Global Inc., 13.50%, 2/15/16   | Manufacturing                | 25,000             | 25,518              | 28,000               |
| Hub International Holdings, 10.25%, 6/15/15 "                                  | Insurance                    | 33,732             | 32,498              | 32,214               |
| Intelsat Bermuda Ltd., 11.25%, 2/4/17  | Broadcasting & Entertainment | 75,000             | 77,335              | 79,469               |
| Laureate Education, Inc., 11.75%, 8/15/17 "                                    | Education                    | 53,540             | 51,133              | 56,217               |
| LVI Services, Inc., 17.25%, 11/16/12   | Environmental                | 51,061             | 51,061              | 15,000               |
| MW Industries, Inc., 14.50%, 5/1/14  | Manufacturing                | 61,186             | 60,375              | 62,471               |
| NCO Group Inc., 11.875%, 11/15/14  | Consumer Finance             | 22,630             | 18,974              | 21,758               |
| N.E.W. Holdings I, LLC, L+750, 3/23/17   | Consumer Services            | 40,000             | 40,000              | 39,600               |
| Nielsen Finance LLC, 0% / 12.50%, 8/1/16                                       | Market Research              | 61,000             | 54,275              | 58,255               |
| Pacific Crane Maintenance Company, L.P., 15.00%, 2/15/14 ***                   | Machinery                    | 50,172             | 36,825              | 1,505                |
| PBM Holdings, Inc., 13.50%, 9/29/13  | Beverage, Food & Tobacco     | 17,723             | 17,723              | 18,210               |
| Playpower Holdings Inc., 15.50%, 12/31/12 "                                    | Leisure Equipment            | 97,184             | 97,184              | 82,325               |
| Ranpak Holdings, Inc., 15.00%, 12/27/15  | Packaging                    | 67,643             | 67,643              | 68,557               |
| RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 1/30/15 ***    | Consumer Products            | 57,351             | 55,479              | 6,882                |
| Sorenson Communications, Inc., 10.50%, 2/1/15 "                                | Consumer Services            | 32,500             | 31,901              | 31,444               |
| SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17 "           | Consumer Finance             | 55,000             | 54,046              | 54,046               |
| The Servicemaster Company, 10.75%, 7/15/15 "                                   | Diversified Service          | 52,173             | 49,286              | 55,580               |
| TL Acquisitions, Inc. (Cengage Learning), 13.25%, 7/15/15 "                    | Education                    | 72,500             | 72,253              | 70,748               |
| TL Acquisitions, Inc. (Cengage Learning), 10.50%, 1/15/15 "                    | Education                    | 22,000             | 20,681              | 21,065               |
| US Foodservice, 10.25%, 6/30/15 "  | Beverage, Food & Tobacco     | 81,543             | 62,034              | 84,498               |
| Varietal Distribution, 10.75%, 6/30/17   | Distribution                 | 22,204             | 21,664              | 20,983               |
| <b>Total Subordinated Debt/Corporate Notes</b>                                 |                              |                    | <b>\$ 1,762,540</b> | <b>\$ 1,649,447</b>  |
| <b>TOTAL CORPORATE DEBT</b>  |                              |                    | <b>\$ 2,554,759</b> | <b>\$ 2,432,294</b>  |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands, except shares)**

| <b>INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%</b> | <b>Industry</b>  | <b>Par Amount*</b> | <b>Cost</b>      | <b>Fair Value(1)</b> |
|--|------------------|--------------------|------------------|----------------------|
| <b>COLLATERALIZED LOAN OBLIGATIONS 1.5%</b>                                    |                  |                    |                  |                      |
| Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 "                      | Asset Management | \$ 11,000          | \$ 10,097        | \$ 10,690            |
| Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 "                      | Asset Management | 10,366             | 7,676            | 8,420                |
| Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 "                          | Asset Management | 11,000             | 6,684            | 6,756                |
| <b>TOTAL COLLATERALIZED LOAN OBLIGATIONS</b>                                   |                  |                    | <b>\$ 24,457</b> | <b>\$ 25,866</b>     |

|  | <b>Shares</b>    |         |                  |                  |
|--|------------------|---------|------------------|------------------|
| <b>PREFERRED EQUITY 1.6%</b>   |                  |         |                  |                  |
| AHC Mezzanine LLC (Advanstar) **   | Media            | 1       | \$ 1,063         | \$ 298           |
| CA Holding, Inc. (Collect America, Ltd.) Series A                                    | Consumer Finance | 7,961   | 788              | 1,592            |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14      | Education        | 12,360  | 19,286           | 19,443           |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible) | Education        | 332,500 | 5,364            | 5,360            |
| Varietal Distribution Holdings, LLC, 8.00%   | Distribution     | 3,097   | 3,852            | 1,907            |
| <b>TOTAL PREFERRED EQUITY</b>  |                  |         | <b>\$ 30,353</b> | <b>\$ 28,600</b> |

**EQUITY 10.8%****Common Equity/Interests 10.4%**

|   |                     |           |          |          |
|---|---------------------|-----------|----------|----------|
| AB Capital Holdings LLC (Allied Security) **                      | Business Services   | 2,000,000 | \$ 2,000 | \$ 2,628 |
| A-D Conduit Holdings, LLC (Duraline) **                           | Telecommunications  | 2,778     | 2,778    | 4,381    |
| CA Holding, Inc. (Collect America, Ltd.) Series A **              | Consumer Finance    | 25,000    | 2,500    | 1,771    |
| CA Holding, Inc. (Collect America, Ltd.) Series AA **             | Consumer Finance    | 4,294     | 429      | 859      |
| Clothesline Holdings, Inc. (Angelica) **                          | Healthcare          | 6,000     | 6,000    | 8,901    |
| Explorer Coinvest LLC (Booz Allen)                                | Consulting Services | 430       | 4,300    | 8,849    |
| FSC Holdings Inc. (Hanley Wood LLC) **                            | Media               | 10,000    | 10,000   | 167      |
| Garden Fresh Restaurant Holding, LLC **                           | Retail              | 50,000    | 5,000    | 11,455   |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.) ** | Education           | 17,500    | 175      | 4,014    |
| GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems)(5,6)       | Industrial          | 1         |          | 385      |
| LVI Acquisition Corp. (LVI Services, Inc.) **                     | Environmental       | 6,250     | 2,500    |          |
| MEG Energy Corp.(7)   | Oil & Gas           | 2,176,722 | 55,006   | 88,202   |

See notes to financial statements.

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

**March 31, 2010**

(in thousands, except shares and warrants)

| INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%                   | Industry           | Shares     | Cost                | Fair Value(1)       |
|---|--------------------|------------|---------------------|---------------------|
| <b>Common Equity/Interests (continued)</b>  |                    |            |                     |                     |
| New Omaha Holdings Co-Invest LP<br>(First Data) **  | Financial Services | 13,000,000 | \$ 65,000           | \$ 31,590           |
| PCMC Holdings, LLC (Pacific Crane) **   | Machinery          | 50,000     | 4,000               |                     |
| Penton Business Media Holdings, LLC   | Media              | 124        | 4,950               | 4,950               |
| Pro Mach Co-Investment, LLC **  | Machinery          | 150,000    | 1,500               | 4,200               |
| RC Coinvestment, LLC (Ranpak Corp.) **  | Packaging          | 50,000     | 5,000               | 5,088               |
| Sorenson Communications Holdings, LLC Class A   | Consumer Services  | 454,828    | 45                  | 6,080               |
| Varietal Distribution Holdings, LLC Class A **  | Distribution       | 28,028     | 28                  |                     |
| <b>Total Common Equity/Interests</b>  |                    |            | <b>\$ 171,211</b>   | <b>\$ 183,520</b>   |
| <b>Warrants</b>   |                    |            |                     |                     |
| <b>Warrants 0.4%</b>  |                    |            |                     |                     |
| CA Holding, Inc. (Collect America, Ltd.), Common  | Consumer Finance   | 7,961      | \$ 8                |                     |
| Fidji Luxco (BC) S.C.A., Common (FCI)(5) **   | Electronics        | 48,769     | 491                 | \$ 2,939            |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.),<br>Common **              | Education          | 9,820      | 98                  | 2,252               |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.),<br>Class A-1 Preferred ** | Education          | 45,947     | 460                 | 741                 |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class<br>B-1 Preferred ** | Education          | 104,314    | 1,043               | 1,681               |
| <b>Total Warrants</b>   |                    |            | <b>\$ 2,100</b>     | <b>\$ 7,613</b>     |
| <b>TOTAL EQUITY</b>   |                    |            | <b>\$ 173,311</b>   | <b>\$ 191,133</b>   |
| <b>Total Investments in Non-Controlled/ Non-Affiliated Portfolio Companies</b>            |                    |            | <b>\$ 2,782,880</b> | <b>\$ 2,677,893</b> |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands, except shares and warrants)**

| INVESTMENTS IN NON-CONTROLLED/AFFILIATED<br>PORTFOLIO COMPANIES 4.7%(8)   | Industry   | Par<br>Amount* | Cost              | Fair<br>Value(1) |
|---|------------|----------------|-------------------|------------------|
| <b>CORPORATE DEBT 4.0%</b>  |            |                |                   |                  |
| <b>BANK DEBT/SENIOR SECURED LOANS (2) 3.4%</b>                            |            |                |                   |                  |
| <b>1st Lien Bank Debt/Senior Secured Loans 0.1%</b>                       |            |                |                   |                  |
| Gray Wireline Service, Inc., 10/22/12                                     | Oil & Gas  | \$ 1,000       | \$ 1,000          | \$ 1,000         |
| <b>2nd Lien Bank Debt/Senior Secured Loans 3.3%</b>                       |            |                |                   |                  |
| Gray Wireline Service, Inc., 14.00%, 10/22/12                             | Oil & Gas  | \$ 77,554      | \$ 77,554         | \$ 59,251        |
| <b>TOTAL BANK DEBT/SENIOR SECURED LOANS</b>                               |            |                | <b>\$ 78,554</b>  | <b>\$ 60,251</b> |
| <b>Subordinated Debt/Corporate Notes 0.6%</b>                             |            |                |                   |                  |
| DSI Renal Inc., 17.00%, 4/7/14  | Healthcare | \$ 9,860       | \$ 9,860          | \$ 10,057        |
| <b>TOTAL CORPORATE DEBT</b>   |            |                | <b>\$ 88,414</b>  | <b>\$ 70,308</b> |
| <b>Shares</b>   |            |                |                   |                  |
| <b>EQUITY 0.7%</b>  |            |                |                   |                  |
| <b>Common Equity/Interests 0.6%</b>                                       |            |                |                   |                  |
| CDSI I Holding Company, Inc. (DSI Renal Inc.)                             | Healthcare | 9,303          | \$ 9,300          | \$ 10,206        |
| Gray Energy Services, LLC Class H (Gray Wireline) **                      | Oil & Gas  | 1,081          | 2,000             |                  |
| <b>Total Common Equity/Interests</b>                                      |            |                | <b>\$ 11,300</b>  | <b>\$ 10,206</b> |
| <b>Warrants</b>   |            |                |                   |                  |
| <b>Warrants 0.1%</b>  |            |                |                   |                  |
| CDSI I Holding Company, Inc. Series A (DSI Renal Inc.)                    | Healthcare | 2,031          | \$ 773            | \$ 854           |
| CDSI I Holding Company, Inc. Series B (DSI Renal Inc.)                    | Healthcare | 2,031          | 645               | 693              |
| CDSI I Holding Company, Inc. (DSI Renal Inc.) §                           | Healthcare | 6,093,750      | 1,003             | 1,075            |
| Gray Holdco, Inc.   | Oil & Gas  | 3,559          |                   |                  |
| <b>Total Warrants</b>   |            |                | <b>\$ 2,421</b>   | <b>\$ 2,622</b>  |
| <b>TOTAL EQUITY</b>   |            |                | <b>\$ 13,721</b>  | <b>\$ 12,828</b> |
| <b>Total Investments in Non-Controlled/Affiliated Portfolio Companies</b> |            |                | <b>\$ 102,135</b> | <b>\$ 83,136</b> |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands, except shares)**

| <b>INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES 5.2%(9)</b>     | <b>Industry</b>               | <b>Shares</b>      | <b>Cost</b>         | <b>Fair Value(1)</b> |
|--|-------------------------------|--------------------|---------------------|----------------------|
| <b>Preferred Equity 0.3%</b>                                     |                               |                    |                     |                      |
| Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA) ***   | Hotels, Motels, Inns & Gaming | 2,989,431          | \$ 101,346          | \$ 5,268             |
| <b>EQUITY</b>  |                               |                    |                     |                      |
| <b>Common Equity/Interests 4.9%</b>                              |                               |                    |                     |                      |
| AIC Credit Opportunity Fund LLC (10)                             | Asset Management              |                    | \$ 70,041           | \$ 73,514            |
| Generation Brands Holdings, Inc. (Quality Home Brands)           | Consumer Products             | 750                |                     | 230                  |
| Generation Brands Holdings, Inc. Series H (Quality Home Brands)  | Consumer Products             | 7,500              | 2,297               | 2,297                |
| Generation Brands Holdings, Inc. Series 2L (Quality Home Brands) | Consumer Products             | 36,700             | 11,242              | 11,242               |
| Grand Prix Holdings, LLC (Innkeepers USA) **                     | Hotels, Motels, Inns & Gaming | 17,335,834         | 172,664             |                      |
| <b>Total Common Equity/Interests</b>                             |                               |                    | <b>\$ 256,244</b>   | <b>\$ 87,283</b>     |
| <b>TOTAL EQUITY</b>  |                               |                    | <b>\$ 256,244</b>   | <b>\$ 87,283</b>     |
| <b>Total Investments in Controlled Portfolio Companies</b>       |                               |                    | <b>\$ 357,590</b>   | <b>\$ 92,551</b>     |
| <b>Total Investments 161.0%(11)</b>                              |                               |                    | <b>\$ 3,242,605</b> | <b>\$ 2,853,580</b>  |
|  |                               | <b>Par Amount*</b> |                     |                      |
| <b>CASH EQUIVALENTS 25.3%</b>                                    |                               |                    |                     |                      |
| U.S. Treasury Bill, 0.13%, 7/1/10                                | Government                    | \$ 450,000         | \$ 449,852          | \$ 449,828           |
| <b>Total Investments and Cash Equivalents 186.3%</b>             |                               |                    | <b>\$ 3,692,457</b> | <b>\$ 3,303,408</b>  |
| <b>Liabilities in Excess of Other Assets (86.3%)</b>             |                               |                    |                     | <b>(1,530,602)</b>   |
| <b>Net Assets 100.0%</b>   |                               |                    |                     | <b>\$ 1,772,806</b>  |

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2010****(in thousands)**

- (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, 2010, the range of interest rates on floating rate bank debt was 4.59% to 10.50%.
- (3) Position is held across five US Dollar-denominated tranches with varying yields.
- (4) Position is held across three Euro-denominated tranches with varying yields.
- (5) Denominated in Euro ( ).
- (6) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (7) Denominated in Canadian dollars.
- (8) Denotes investments in which we are an Affiliated Person, as defined in the 1940 Act, due to owning, controlling, or holding the power to vote, 5% or more of the outstanding voting securities of the investment. Transactions during the fiscal year ended March 31, 2010 in these Affiliated investments are as follows:

| Name of Issuer  | Fair Value at<br>March 31, 2009 | Gross<br>Additions | Gross<br>Reductions | Interest/Dividend<br>Income | Fair Value at<br>March 31, 2010 |
|---|---------------------------------|--------------------|---------------------|-----------------------------|---------------------------------|
| Gray Wireline Service, Inc. 1 <sup>st</sup> Out           | \$                              | \$ 1,000           | \$                  | \$ 5                        | \$ 1,000                        |
| Gray Wireline Service, Inc. 2 <sup>nd</sup> Out           |                                 | 77,554             |                     | 633                         | 59,251                          |
| DSI Renal, Inc., 17.00%                                   |                                 | 9,860              |                     | 364                         | 10,057                          |
| CDSI I Holding Company, Inc. Common Equity                |                                 | 9,300              |                     |                             | 10,206                          |
| Gray Energy Services, LLC Class H Common Equity           | 3,590                           |                    |                     |                             |                                 |
| CDSI I Holding Company, Inc. Series A Warrant             |                                 | 773                |                     |                             | 854                             |
| CDSI I Holding Company, Inc. Series B Warrant             |                                 | 645                |                     |                             | 693                             |
| CDSI I Holding Company, Inc. Contingent Payment Agreement |                                 | 1,003              |                     |                             | 1,075                           |
| Gray Holdco, Inc. Warrant                                 |                                 |                    |                     |                             |                                 |
|   | \$ 3,590                        | \$ 100,135         | \$                  | \$ 1,002                    | \$ 83,136                       |

- (9) Denotes investments in which we are deemed to exercise a controlling influence over the management or policies of a company, as defined in the 1940 Act, due to beneficially owning, either directly or through one or more controlled companies, more than 25% of the outstanding voting securities of the investment. Transactions during the fiscal year ended March 31, 2010 in these Controlled investments are as follows:

| Name of Issuer   | Fair Value at<br>March 31, 2009 | Gross<br>Additions | Gross<br>Reductions | Interest/Dividend<br>Income | Fair Value at March 31,<br>2010 |
|--|---------------------------------|--------------------|---------------------|-----------------------------|---------------------------------|
| Grand Prix Holdings, LLC Series A Preferred              | \$ 76,557                       | \$ 11,272          | \$                  | \$ 9,351                    | \$ 5,268                        |
| AIC Credit Opportunity Fund LLC Common Equity (10)       | 57,294                          | 11,854             | 21,190              | 11,309                      | 73,514                          |
| Generation Brands Holdings, Inc. Common Equity           |                                 |                    |                     |                             | 230                             |
| Generation Brands Holdings, Inc. Series H Common Equity  |                                 | 2,297              |                     |                             | 2,297                           |
| Generation Brands Holdings, Inc. Series 2L Common Equity |                                 | 11,242             |                     |                             | 11,242                          |
| Grand Prix Holdings, LLC Common Equity                   | 7,570                           |                    |                     |                             |                                 |
|  | \$ 141,421                      | \$ 36,665          | \$ 21,190           | \$ 20,660                   | \$ 92,551                       |

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**  
**SCHEDULE OF INVESTMENTS (continued)**  
**March 31, 2010**  
**(in thousands)**

The Company has a 99%, 100%, and 27% equity ownership interest in Grand Prix Holdings LLC, AIC Credit Opportunity Fund LLC, and Generation Brands Holdings, Inc., respectively.

(10) See note 6.

(11) Aggregate gross unrealized appreciation for federal income tax purposes is \$164,234; aggregate gross unrealized depreciation for federal income tax purposes is \$524,226. Net unrealized depreciation is \$359,992 based on a tax cost of \$3,663,400.

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

\* Denominated in USD unless otherwise noted.

\*\* Non-income producing security

\*\*\* Non-accrual status (see note 2m)

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

§ Position reflects a contingent payment agreement.

See notes to financial statements.

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

| <b>Industry Classification</b> | <b>Percentage of Total<br/>Investments (at<br/>fair value) as of<br/>March 31, 2010</b> |
|--------------------------------|---|
| Education                      | 10.1%   |
| Healthcare                     | 6.8%  |
| Insurance                      | 6.3%  |
| Business Services              | 6.1%  |
| Diversified Service            | 5.9%  |
| Retail                         | 5.6%  |
| Oil & Gas                      | 5.2%  |
| Packaging                      | 5.1%  |
| Financial Services             | 4.8%  |
| Broadcasting & Entertainment   | 3.8%  |
| Beverage, Food & Tobacco       | 3.6%  |
| Asset Management               | 3.5%  |
| Manufacturing                  | 3.2%  |
| Telecommunications             | 3.0%  |
| Grocery                        | 2.9%  |
| Leisure Equipment              | 2.9%  |
| Transportation                 | 2.9%  |
| Consumer Finance               | 2.8%  |
| Consumer Services              | 2.7%  |
| Industrial                     | 2.1%  |
| Electronics                    | 2.1%  |
| Market Research                | 2.0%  |
| Environmental                  | 1.4%  |
| Logistics                      | 1.2%  |
| Consulting Services            | 1.2%  |
| Distribution                   | 0.8%  |
| Consumer Products              | 0.7%  |
| Building Products              | 0.5%  |
| Publishing                     | 0.2%  |
| Machinery                      | 0.2%  |
| Media                          | 0.2%  |
| Hotels, Motels, Inns & Gaming  | 0.2%  |
| <b>Total Investments</b>       | <b>100.0%</b>   |

See notes to financial statements.

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

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

See notes to financial statements.

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

| <b>INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 168.0%</b>     | <b>Industry</b>              | <b>Par Amount*</b> | <b>Cost</b> | <b>Fair Value(1)</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 ConvergEx Group, LLC, 14.00%, 10/2/14  | Business Services            | 15,611             | 15,611      | 13,879               |
| Booz Allen Hamilton Inc., 13.00%, 7/31/16  | Consulting Services          | 23,435             | 23,073      | 20,857               |
| Brenntag Holding GmbH & Co. KG, E+700, 12/23/15                                    | Chemicals                    | 19,725             | 24,412      | 21,396               |
| Catalina Marketing Corporation, 11.625%, 10/1/17 "                                 | Grocery                      | \$ 31,959          | 30,327      | 27,165               |
| Ceridian Corp., 12.25%, 11/15/15   | Diversified Service          | 50,000             | 50,000      | 42,750               |
| Ceridian Corp., 11.25%, 11/15/15   | Diversified Service          | 36,000             | 35,140      | 31,788               |
| Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17                              | Healthcare                   | 7,668              | 12,028      | 8,603                |
| Collect America, Ltd., 16.00%, 8/5/12 "  | Consumer Finance             | \$ 38,136          | 37,658      | 36,647               |
| Delta Educational Systems, Inc., 14.20%, 5/12/13                                   | Education                    | 19,271             | 18,777      | 19,126               |
| DSI Renal Inc., 16.00%, 4/7/14   | Healthcare                   | 11,357             | 11,357      | 9,647                |
| Dura-Line Merger Sub, Inc., 14.00%, 9/22/14  | Telecommunications           | 41,218             | 40,561      | 39,033               |
| Eurofresh, Inc., 0% / 14.50%, 1/15/14 *****  | Agriculture                  | 26,504             | 24,303      | 199                  |
| Eurofresh, Inc., 11.50%, 1/15/13 *****   | Agriculture                  | 50,000             | 50,000      | 11,250               |
| European Directories (DH5) B.V., 15.735%, 7/1/16                                   | Publishing                   | 2,961              | 3,777       | 3,356                |
| European Directories (DH7) B.V., E+950, 7/1/15                                     | Publishing                   | 16,643             | 20,695      | 19,114               |
| First Data Corporation, 11.25%, 3/31/16 "  | Financial Services           | \$ 40,000          | 33,203      | 32,080               |
| First Data Corporation, 9.875%, 9/24/15  | Financial Services           | 45,500             | 39,489      | 35,945               |
| FleetPride Corporation, 11.50%, 10/1/14 "  | Transportation               | 47,500             | 47,500      | 40,375               |
| Fox Acquisition Sub LLC, 13.375%, 7/15/16 "  | Broadcasting & Entertainment | 25,000             | 24,785      | 20,825               |
| FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15 "                | Transportation               | 37,846             | 36,826      | 30,276               |
| General Nutrition Centers, Inc., L+450, 3/15/14                                    | Retail                       | 15,275             | 15,070      | 9,375                |
| Goodman Global Inc., 13.50%, 2/15/16   | Manufacturing                | 25,000             | 25,000      | 24,025               |

See notes to financial statements.

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

| <b>INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED<br/>PORTFOLIO COMPANIES 168.0%</b> | <b>Industry</b>          | <b>Par<br/>Amount*</b> | <b>Cost</b>         | <b>Fair<br/>Value(1)</b> |
|--|--------------------------|------------------------|---------------------|--------------------------|
| <b>Subordinated Debt/Corporate Notes (continued)</b>                               |                          |                        |                     |                          |
| 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%,<br>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                   |
| 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%,<br>1/30/15         | Consumer Products        | 50,129                 | 50,130              | 38,976                   |
| The Servicemaster Company, 10.75%,<br>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. (Travellex), 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%,<br>5/1/16 "                              | Diversified Service      | 14,639                 | 9,085               | 11,901                   |
| US Investigations Services, Inc., 10.50%,<br>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<br/>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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**APOLLO INVESTMENT CORPORATION**  
**SCHEDULE OF INVESTMENTS (continued)**

**March 31, 2009**

(in thousands, except shares)

**INVESTMENTS IN NON-CONTROLLED/NON-**

| <b>AFFILIATED PORTFOLIO COMPANIES 168.0%</b>   | <b>Industry</b> | <b>Shares</b> | <b>Cost</b>      | <b>Fair Value(1)</b> |
|--|-----------------|---------------|------------------|----------------------|
| <b>PREFERRED EQUITY 4.0%</b>   |                 |               |                  |                      |
| AHC Mezzanine LLC (Advanstar) **   | Media           | 1             | \$ 1,063         |                      |
| DSI Holding Company, Inc. (DSI Renal Inc.), 19.00%, 10/7/14                          | Healthcare      | 32,500        | 50,514           | \$ 33,051            |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14      | Education       | 12,360        | 16,599           | 17,592               |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible) | Education       | 332,500       | 4,743            | 4,743                |
| Varietal Distribution Holdings, LLC, 8.00%   | Distribution    | 3,097         | 3,558            | 583                  |
| <b>TOTAL PREFERRED EQUITY</b>  |                 |               | <b>\$ 76,477</b> | <b>\$ 55,969</b>     |

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

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

See notes to financial statements.

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

| <b>AFFILIATED PORTFOLIO COMPANIES</b>                             | <b>168.0%</b> | <b>Industry</b>    | <b>Shares</b> | <b>Cost</b>       | <b>Fair Value(1)</b> |
|---|---------------|--------------------|---------------|-------------------|----------------------|
| <b>Common Equity/Interests (continued)</b>                        |               |                    |               |                   |                      |
| Garden Fresh Restaurant Holding, LLC **                           |               | Retail             | 50,000        | \$ 5,000          | \$ 8,463             |
| Gray Energy Services, LLC Class H (Gray Wireline) **              |               | Oil & Gas          | 1,081         | 2,000             | 3,590                |
| Gryphon Colleges Corporation (Delta Educational Systems, Inc.) ** |               | Education          | 17,500        | 175               |                      |
| GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems)(5,6)       |               | Industrial         | 1             |                   | 43,264               |
| Latham International, Inc. (fka Latham Acquisition Corp.) **      |               | Leisure Equipment  | 33,091        | 3,309             |                      |
| LVI Acquisition Corp. (LVI Services, Inc.) **                     |               | Environmental      | 6,250         | 2,500             |                      |
| MEG Energy Corp.(7) **  |               | Oil & Gas          | 1,718,388     | 44,718            | 43,706               |
| New Omaha Holdings Co-Invest LP (First Data) **                   |               | Financial Services | 13,000,000    | 65,000            | 47,893               |
| PCMC Holdings, LLC (Pacific Crane) **                             |               | Machinery          | 40,000        | 4,000             | 847                  |
| Prism Business Media Holdings, LLC (Penton Media, Inc.) **        |               | Media              | 68            | 14,947            | 3,443                |
| Pro Mach Co-Investment, LLC **                                    |               | Machinery          | 150,000       | 1,500             | 3,158                |
| RC Coinvestment, LLC (Ranpak Corp.) **                            |               | Packaging          | 50,000        | 5,000             | 5,535                |
| Sorenson Communications Holdings, LLC Class A                     |               | Consumer Services  | 454,828       | 45                | 5,943                |
| Varietal Distribution Holdings, LLC Class A **                    |               | Distribution       | 28,028        | 28                |                      |
| <b>Total Common Equity/Interests</b>                              |               |                    |               | <b>\$ 186,229</b> | <b>\$ 193,289</b>    |

**Warrants**

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

|                     |  |  |  |                   |                   |
|---------------------|--|--|--|-------------------|-------------------|
| <b>TOTAL EQUITY</b> |  |  |  | <b>\$ 188,495</b> | <b>\$ 197,843</b> |
|---------------------|--|--|--|-------------------|-------------------|

|   |  |  |  |                     |                     |
|---|--|--|--|---------------------|---------------------|
| <b>TOTAL INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES</b> |  |  |  | <b>\$ 3,082,364</b> | <b>\$ 2,345,470</b> |
|---|--|--|--|---------------------|---------------------|

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

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**SCHEDULE OF INVESTMENTS (continued)**

**March 31, 2009**

**(in thousands)**

- (1) Fair value is determined in good faith by or under the direction of the board of directors of the Company (see Note 2).
  - (2) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At March 31, 2009, the range of interest rates on floating rate bank debt was 4.92% to 9.16%.
  - (3) Position is held across five US Dollar-denominated tranches with varying yields.
  - (4) Position is held across three Euro-denominated tranches with varying yields.
  - (5) Denominated in Euro ( ).
  - (6) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
  - (7) Denominated in Canadian dollars.
  - (8) See Note 6.
  - (9) Aggregate gross unrealized appreciation for federal income tax purposes is \$72,338; aggregate gross unrealized depreciation for federal income tax purposes is \$1,016,662. Net unrealized depreciation is \$944,324 based on a tax cost of \$3,431,215.
- .. These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- \* Denominated in USD unless otherwise noted.
- \*\* Non-income producing security
- \*\*\* Non-accrual status (see note 2m)

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**(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.

Financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and 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 have been included. In addition, certain amounts totaling \$40,993 were reclassified on the statements of assets and liabilities and of cash flows for the year ended March 31, 2009 to conform to the current period's presentation.

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

The significant accounting policies consistently followed by Apollo Investment are:

(a) Security transactions are accounted for on the trade date;

(b) Under procedures established by our board of directors, we value investments, including certain senior secured debt, subordinated 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. Investments that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

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

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

Investments in all asset classes are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company's ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. When readily available, broker quotations and/or quotations provided by pricing services are considered in the valuation process of independent valuation firms. For the fiscal year ended March 31, 2010, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

In September 2006, the Financial Accounting Standards Board issued guidance related to Fair Value Measurements. This guidance defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This guidance was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. We adopted this guidance for our first fiscal quarter ended June 30, 2008.

Accounting Standards Codification (ASC) 820 classifies the inputs used to measure these fair values into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities, accessible by the Company at the measurement date.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

(d) The Company records interest and dividend income, adjusted for amortization of premium and accretion of discount, on an accrual basis. Some of our loans and other investments, including certain preferred equity investments may have contractual payment-in-kind (PIK) interest or dividends. PIK represents contractual interest or dividends accrued and is added to the cost of the investment on the respective capitalization dates and generally becomes due at maturity. Loan origination fees, original issue discount, and market discounts are capitalized and we amortize such amounts into income. Upon the prepayment of a loan, any unamortized loan origination fees are recorded as interest income. We record prepayment premiums on loans and other investments as interest income when we receive such amounts. Structuring fees are recorded as other income when earned.

(e) The Company intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies to make distributions of taxable income 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; accordingly, at March 31, 2010, \$10,568 was reclassified on our statement of assets and liabilities between accumulated net

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

realized gain (loss) and undistributed net investment income and \$1,218 was reclassified on our statement of assets and liabilities between undistributed net investment income and paid-in capital in excess of par. Total earnings and net asset value are not affected;

(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 generally distributed or deemed distributed at least annually.

(h) In accordance with Regulation S-X and the AICPA Audit and Accounting Guide for Investment Companies and ASC 810 *Consolidation*, the Company generally will 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 generally will not consolidate special purpose entities through which the special purpose entity acquires and holds investments subject to financing with third parties. At March 31, 2010, the Company did not have any such subsidiaries or controlled operating companies that were consolidated. See note 6. In addition and pursuant to ASC 860 *Transfers and Servicing*, the Company may in the future need to consolidate certain special purpose entities involving transfers of our portfolio investments.

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

(j) The Company may enter into forward exchange contracts in order to hedge against foreign currency risk. These contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. Realized gains or losses are recognized when contracts are settled.

(k) The Company records origination expenses related to its multi-currency revolving credit facility as prepaid assets. These expenses are deferred and amortized using the straight-line method over the stated life of the facility.

(l) The Company records expenses related to shelf filings and other applicable offering costs as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with the AICPA Audit and Accounting Guide for Investment Companies.

(m) Loans and other investments, including certain preferred equity investments are generally placed on non-accrual status when principal or interest/dividend payments are past due 30 days or more and/or when there is reasonable doubt that principal or interest will be collected. Accrued, uncapitalized interest or dividends is generally reversed when an investment is placed on non-accrual status. Interest or dividend payments received on non-accrual designated investments may be recognized as income or applied to principal depending upon management's judgment. Non-accrual investments are restored to accrual status when past due principal and interest or dividends are paid and/or in management's judgment, are likely to remain current. To the extent PIK interest or dividends are not expected to be realized, a reserve will be established as required by the AICPA Audit and Accounting Guide for Investment Companies.

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

(n) In May 2009, the FASB issued new guidance which sets forth principles and requirements for subsequent events, specifically (1) the period during which management should evaluate events or transactions that may occur for potential recognition and disclosure, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date, and (3) the disclosures that an entity should make about events and transactions occurring after the balance sheet date. This guidance is effective for interim reporting periods ending after June 15, 2009. In February 2010, the FASB amended its authoritative guidance related to subsequent events to alleviate potential conflicts with current United States Securities and Exchange Commission (SEC) guidance. Effectively immediately, these amendments remove the requirement that an SEC filer disclose the date through which it has evaluated subsequent events. The Company has adopted this guidance which did not have a material impact on its financial statements. See note 16.

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

**Note 3. Agreements**

Apollo Investment has an Investment Advisory and Management Agreement with Apollo Investment Management, L.P. (the Investment Adviser or AIM), under which the Investment Adviser, subject to the overall supervision of Apollo Investment's board of directors, will manage the day-to-day operations of, and provide investment advisory services to, Apollo Investment. For providing these services, the Investment Adviser receives a fee from Apollo Investment, consisting of two components: a base management fee and an incentive fee. The base management fee is determined by taking the average value of Apollo Investment's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Apollo Investment's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus Apollo Investment's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Apollo Investment's net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment's pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of Apollo Investment's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

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 fiscal years ended March 31, 2010, 2009 and 2008, the Investment Adviser accrued \$54,069, \$59,686 and \$59,871, respectively, in base investment advisory and management fees and \$49,853, \$51,583 and \$30,449, respectively, in performance-based incentive fees from Apollo Investment.

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.

At the fiscal years ended March 31, 2010, 2009 and 2008, the Administrator was reimbursed \$3,003, \$3,247 and \$3,162, respectively, from Apollo Investment on the \$4,725, \$4,794 and \$3,450, respectively, of expenses accrued under the Administration Agreement.

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

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

At March 31, 2010, the Company's total net assets and net asset value per share were \$1,772,806 and \$10.06, respectively. This compares to total net assets and net asset value per share at March 31, 2009 of \$1,396,138 and \$9.82, respectively.

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

(in thousands except share and per share amounts)

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

The following information sets forth the computation of basic and diluted earnings (loss) per share for the years ended March 31, 2010, 2009 and 2008, respectively:

|  | Year Ended March 31, |              |             |
|--|----------------------|--------------|-------------|
|  | 2010                 | 2009         | 2008        |
| Numerator for increase (decrease) in net assets per share: | \$ 263,290           | \$ (611,879) | \$ (33,438) |
| Denominator for basic and diluted weighted average shares: | 159,368,701          | 139,468,630  | 112,049,771 |
| Basic and diluted earnings (loss) per share:               | 1.65                 | (4.39)       | (0.30)      |

**Note 6. Investments**

**AIC Credit Opportunity 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 \$39,500 in a special purpose entity wholly owned by AIC Holdco, AIC (FDC) Holdings LLC ( Apollo FDC ), which was used to purchase a Junior Profit-Participating Note due 2013 in principal amount of \$39,500 (the Junior Note ) from Apollo I Trust (the Trust ). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note ) to an unaffiliated third party ( FDC Counterparty ) in principal amount of \$39,500 paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate \$79,000 proceeds to acquire \$100,000 face value of a senior subordinated loan of First Data Corporation (the FDC Reference Obligation ) due 2016 and paying interest at 11.25% per year. The Junior Note generally entitles Apollo FDC to the net interest and other proceeds due under the FDC Reference Obligation after payment of interest due under the Senior Notes, as described above. In addition, Apollo FDC is 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 \$11,375 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.

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

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 statement of assets and liabilities. 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 Apollo Investment may provide additional capital to AIC Holdco for purposes of funding margin calls under one or more of the transactions described above among other reasons. During the fiscal year ended March 31, 2009, we provided \$18,480 in additional capital to AIC Holdco. During the fiscal year ended March 31, 2010, \$9,336 of net capital was returned to us from AIC Holdco.

Investments and cash equivalents consisted of the following as of March 31, 2010 and March 31, 2009.

|                                   | March 31, 2010 |              | March 31, 2009 |              |
|-----------------------------------|----------------|--------------|----------------|--------------|
|                                   | Cost           | Fair Value   | Cost           | Fair Value   |
| Bank Debt/Senior Secured Loans    | \$ 870,773     | \$ 843,098   | \$ 829,473     | \$ 655,610   |
| Subordinated Debt/Corporate Notes | 1,772,400      | 1,659,504    | 1,964,197      | 1,417,070    |
| Collateralized Loan Obligations   | 24,457         | 25,866       | 23,722         | 18,978       |
| Preferred Equity                  | 131,699        | 33,868       | 166,551        | 132,526      |
| Common Equity/Interests           | 438,755        | 281,009      | 438,270        | 258,153      |
| Warrants                          | 4,521          | 10,235       | 2,266          | 4,554        |
| Cash Equivalents                  | 449,852        | 449,828      |                |              |
| Totals                            | \$ 3,692,457   | \$ 3,303,408 | \$ 3,424,479   | \$ 2,486,891 |

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

At March 31, 2010, our investments and cash equivalents were categorized as follows in the fair value hierarchy for ASC 820 purposes:

| Description                       | March 31,<br>2010 | Fair Value Measurement at Reporting Date Using:                               |   |  |
|-----------------------------------|-------------------|---|---|--|
|                                   |                   | Quoted Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Bank Debt/Senior Secured Loans    | \$ 843,098        | \$  | \$  | \$ 843,098   |
| Subordinated Debt/Corporate Notes | 1,659,504         |   |   | 1,659,504  |
| Collateralized Loan Obligations   | 25,866            |   |   | 25,866   |
| Preferred Equity                  | 33,868            |   |   | 33,868   |
| Common Equity/Interests           | 281,009           |   |   | 281,009  |
| Warrants                          | 10,235            |   |   | 10,235   |

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|  |              |    |         |              |
|--|--------------|----|---------|--------------|
| Total Investments                      | \$ 2,853,580 | \$ | \$      | \$ 2,853,580 |
| Cash Equivalents                       | 449,828      |    | 449,828 |              |
| Total Investments and Cash Equivalents | \$ 3,308,408 | \$ | 449,828 | \$ 2,853,580 |

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

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

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

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

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (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 fiscal year ended March 31, 2010.

|  | Fair Value Measurements Using Significant Unobservable Inputs (Level 3)* |   |                                       |                     |                            |           | Total        |
|--|--|---|---------------------------------------|---------------------|----------------------------|-----------|--------------|
|  | Bank Debt /<br>Senior Secured<br>Loans                                   | Subordinated<br>Debt/Corporate<br>Notes | Collateralized<br>Loan<br>Obligations | Preferred<br>Equity | Common<br>Equity/Interests | Warrants  |              |
| Beginning Balance, March 31, 2009                        | \$ 655,610   | \$ 1,417,070                            | \$ 18,978                             | \$ 132,526          | \$ 258,153                 | \$ 4,554  | \$ 2,486,891 |
| Total realized gains or losses<br>included in earnings   | (52,891)   | (418,546)                               | 125                                   | (46,392)            | 50,450                     | 26        | (467,228)    |
| Total unrealized gains or losses<br>included in earnings | 146,187  | 434,223                                 | 6,153                                 | (63,806)            | 22,372                     | 3,426     | 548,555      |
| Purchases, including capitalized<br>PIK(1)               | 271,974  | 482,616                                 | 1,490                                 | 21,051              | 52,296                     | 2,429     | 831,856      |
| Sales  | (177,782)  | (255,859)                               | (880)                                 | (9,511)             | (102,262)                  | (200)     | (546,494)    |
| Transfer in and/or out of Level 3(2)                     |  |   |                                       |                     |                            |           |              |
| Ending Balance, March 31, 2010                           | \$ 843,098   | \$ 1,659,504                            | \$ 25,866                             | \$ 33,868           | \$ 281,009                 | \$ 10,235 | \$ 2,853,580 |

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.

|  |            |           |          |             |            |          |            |
|--|------------|-----------|----------|-------------|------------|----------|------------|
|  | \$ 115,007 | \$ 66,256 | \$ 6,153 | \$ (81,270) | \$ (4,791) | \$ 3,252 | \$ 104,607 |
|--|------------|-----------|----------|-------------|------------|----------|------------|

(1) Includes amortization of approximately \$2,239, \$23,215, \$394, \$213, \$0, \$0 and \$26,061, respectively.

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

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

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (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 fiscal year ended March 31, 2009 .

|   | <b>Fair Value Measurements<br/>Using Significant<br/>Unobservable Inputs<br/>(Level 3)</b> |
|---|--|
| Beginning Balance, March 31, 2008                     | \$ 3,233,548   |
| Total realized gains or losses included in earnings   | (124,971)  |
| Total unrealized gains or losses included in earnings | (784,689)  |
| Purchases, including capitalized PIK interest(1)      | 503,137  |
| Sales   | (340,134)  |
| Transfer in and/or out of Level 3                     |  |
| Ending Balance, March 31, 2009                        | \$ 2,486,891   |

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.

|  |              |
|--|--------------|
|  | \$ (847,080) |
|--|--------------|

(1) Includes amortization of approximately \$31,359

With the adoption of fair value measurement and disclosure guidance, the Company has reclassified the ending balance, March 31, 2009, to conform to the current period's presentation.

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

At March 31, 2010, the Company had outstanding non-US borrowings on its multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

| <b>Foreign Currency</b> | <b>Local<br/>Currency</b> | <b>Original<br/>Borrowing<br/>Cost</b> | <b>Current<br/>Value</b> | <b>Reset Date</b> | <b>Unrealized<br/>Appreciation<br/>(Depreciation)</b> |
|-------------------------|---------------------------|--|--------------------------|-------------------|---|
| British Pound           | £ 2,000                   | \$ 3,565                               | \$ 3,034                 | 04/13/2010        | \$ 531  |
| Euro                    | 7,500                     | 11,131                                 | 10,148                   | 04/16/2010        | 983   |
| Euro                    | 13,000                    | 18,591                                 | 17,590                   | 04/16/2010        | 1,001   |
| Canadian Dollar         | C\$ 11,113                | 10,505                                 | 10,954                   | 04/21/2010        | (449)   |
| British Pound           | £ 37,500                  | 59,395                                 | 56,884                   | 04/26/2010        | 2,511   |
| Euro                    | 45,000                    | 58,921                                 | 60,889                   | 04/26/2010        | (1,968)   |
| Euro                    | 11,500                    | 15,058                                 | 15,561                   | 04/29/2010        | (503)   |
| British Pound           | £ 13,000                  | 21,471                                 | 19,720                   | 04/29/2010        | 1,751   |
| Canadian Dollar         | C\$ 29,700                | 25,161                                 | 29,274                   | 05/25/2010        | (4,113)   |
| Canadian Dollar         | C\$ 22,500                | 19,189                                 | 22,177                   | 06/08/2010        | (2,988)   |
| Canadian Dollar         | C\$ 15,000                | 13,035                                 | 14,785                   | 06/29/2010        | (1,750)   |
| Canadian Dollar         | C\$ 3,000                 | 2,318                                  | 2,957                    | 06/30/2010        | (639)   |

|            |            |            |
|------------|------------|------------|
| \$ 258,340 | \$ 263,973 | \$ (5,633) |
|------------|------------|------------|

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

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

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

**Note 8. Expense Offset Arrangement**

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. ( custodian bank ) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the years ended March 31, 2010, 2009, and 2008 are \$0, \$217, and \$273, respectively.

**Note 9. Cash Equivalents**

There were \$449,828 and \$0 of cash equivalents held at March 31, 2010 and March 31, 2009, respectively.

**Note 10. Repurchase Agreements**

The Company may enter into repurchase agreements as part of its investment program. The Company's custodian takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at March 31, 2010 or March 31, 2009.

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

(in thousands except share and per share amounts)

**Note 11. Financial Highlights**

The following is a schedule of financial highlights for the years ended March 31, 2010, 2009, 2008, 2007, and 2006:

|   | Fiscal Year Ended March 31, |             |             |             |            |
|---|-----------------------------|-------------|-------------|-------------|------------|
|   | 2010                        | 2009        | 2008        | 2007        | 2006       |
| <b>Per Share Data:</b>  |                             |             |             |             |            |
| Net asset value, beginning of period                            | \$ 9.82                     | \$ 15.83    | \$ 17.87    | \$ 15.15    | \$ 14.27   |
| Net investment income   | 1.26                        | 1.48        | 1.82        | 1.49        | 1.41       |
| Net realized and unrealized gain (loss)                         | 0.45                        | (5.74)      | (1.90)      | 2.11        | 0.49       |
| Net increase (decrease) in net assets resulting from operations | 1.71                        | (4.26)      | (0.08)      | 3.60        | 1.90       |
| Dividends to stockholders(1)                                    | (1.14)                      | (1.86)      | (2.06)      | (1.96)      | (1.62)     |
| Effect of anti-dilution (dilution)                              | (0.33)                      | 0.11        | 0.10        | 1.09        | 0.61       |
| Offering costs  | *                           | *           | *           | (0.01)      | (0.01)     |
| Net asset value at end of period                                | \$ 10.06                    | \$ 9.82     | \$ 15.83    | \$ 17.87    | \$ 15.15   |
| Per share market value at end of period                         | \$ 12.73                    | \$ 3.48     | \$ 15.83    | \$ 21.40    | \$ 17.81   |
| Total return(2)   | 313.0%                      | (73.90)%    | (17.50)%    | 31.70%      | 12.94%     |
| Shares outstanding at end of period                             | 176,213,918                 | 142,221,335 | 119,893,835 | 103,507,766 | 81,191,954 |
| <b>Ratio/Supplemental Data:</b>                                 |                             |             |             |             |            |
| Net assets at end of period (in millions)                       | \$ 1,772.8                  | \$ 1,396.1  | \$ 1,897.9  | \$ 1,849.7  | \$ 1,229.9 |
| Ratio of net investment income to average net assets            | 12.36%                      | 10.71%      | 9.85%       | 9.09%       | 9.89%      |
| Ratio of operating expenses to average net assets**             | 7.21%                       | 6.35%       | 4.92%       | 7.73%       | 5.64%      |
| Ratio of credit facility related expenses to average net assets | 1.52%                       | 2.54%       | 2.73%       | 2.49%       | 1.44%      |
| Ratio of total expenses to average net assets**                 | 8.73%                       | 8.89%       | 7.65%       | 10.22%      | 7.08%      |

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|                          |              |              |            |            |               |
|--------------------------|--------------|--------------|------------|------------|---------------|
| Average debt outstanding | \$ 1,041,084 | \$ 1,193,809 | \$ 882,775 | \$ 580,209 | \$ 325,639*** |
| Average debt per share   | \$ 6.53      | \$ 8.56      | \$ 7.88    | \$ 6.76    | \$ 5.10***    |
| Portfolio turnover ratio | 17.2%        | 11.2%        | 24.2%      | 43.8%      | 39.2%         |

- (1) Dividends and distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America. Per share amounts reflect total dividends paid divided by average shares for the respective periods.

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

- (2) Total return is based on the change in market price per share during the respective periods. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan.
- \* Represents less than one cent per average share.
- \*\* The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is 7.21% and 8.73%, respectively, at March 31, 2010, inclusive of the expense offset arrangement (see Note 8). At March 31, 2009, the ratios were 6.33% and 8.87%, respectively. At March 31, 2008, the ratios were 4.91% and 7.64%, respectively. At March 31, 2007, the ratios were 7.72% and 10.21%, respectively. At March 31, 2006, the ratios were 5.63% and 7.07%, respectively.
- \*\*\* Average debt outstanding and per share are calculated from July 8, 2005 (the date of the Company's first borrowing from its revolving credit facility) through March 31, 2006, and average debt per share is calculated as average debt outstanding divided by the average shares outstanding during the period (in 000's).

**Note 12. Credit Agreement and Borrowings**

Under the terms of the Amended and Restated Senior Secured Revolving Credit Agreement dated March 31, 2006 (the Facility), as amended on December 21, 2009, certain lenders agreed to extend credit to Apollo Investment in an aggregate principal or face amount not exceeding \$1,558,750 at any one time outstanding. The Facility also permits Apollo Investment to seek additional commitments from new and existing lenders in the future, up to an aggregate amount not to exceed \$2,000,000. On December 21, 2009, Apollo Investment amended the Facility to extend the maturity date of certain lenders' commitments totaling \$1,178,750 until April 12, 2013. The commitments of certain non-extended lenders totaling \$380,000 will mature on April 13, 2011. The Facility is secured by substantially all of the assets in Apollo Investment's portfolio, including cash and cash equivalents. Pricing with respect to the commitments of extended lenders is at 300 basis points over LIBOR while pricing with respect to the non-extended lenders remains at 100 basis points over LIBOR. The Facility contains affirmative and restrictive covenants, including: (a) periodic financial reporting requirements, (b) maintaining minimum stockholders' equity of the greater of (i) 40% of the total assets of Apollo Investment and its consolidated subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) \$725,000 plus (B) 25% of the net proceeds from the sale of equity interests in Apollo Investment after the closing date of the Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of Apollo Investment and its consolidated subsidiaries, of not less than 2.0:1.0, (d) maintaining minimum liquidity, (e) limitations on the incurrence of additional indebtedness, including a requirement to meet a certain minimum liquidity threshold before Apollo Investment can incur such additional debt, (f) limitations on liens, (g) limitations on investments (other than in the ordinary course of Apollo Investment's business), (h) limitations on mergers and disposition of assets (other than in the normal course of Apollo Investment's business activities), (i) limitations on the creation or existence of agreements that permit liens on properties of Apollo Investment's consolidated subsidiaries and (j) limitations on the repurchase or redemption of certain unsecured debt and debt securities. In addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in Apollo Investment's portfolio. The Facility is used to supplement Apollo Investment's equity capital to make additional portfolio investments and for other general corporate purposes.

The average debt outstanding on the Facility was \$1,041,084 and \$1,193,809 for the fiscal years ended March 31, 2010 and 2009, respectively. The weighted average annual interest cost for the fiscal year ended March 31, 2010 was 1.87%, exclusive of 0.48% for commitment fees and for other prepaid expenses related to establishing the Facility. The weighted average annual interest cost for the fiscal year ended March 31, 2009 was 3.89%, exclusive of 0.21% for commitment fees and for other prepaid expenses related to establishing the Facility. This

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

weighted average annual interest cost reflects the average interest cost for all borrowings, including EURIBOR, CAD LIBOR, GBP LIBOR and USD LIBOR. The maximum amount borrowed during the fiscal year ended March 31, 2010 and 2009 was \$1,163,167 and \$1,685,285, respectively, at value. The remaining capacity under the Facility was \$498,134 at March 31, 2010. At March 31, 2010, the Company was in compliance with all financial covenants required by the Facility.

**Note 13(a). Income Tax Information and Distributions to Stockholders**

The tax character of dividends for the fiscal year ended March 31, 2010 was as follows:

|                 |            |
|-----------------|------------|
| Ordinary income | \$ 181,356 |
|-----------------|------------|

As of March 31, 2010, the components of accumulated losses on a tax basis were as follows<sup>1</sup>:

|                                      |                        |
|--------------------------------------|------------------------|
| Distributable ordinary income        | \$ 134,555             |
| Capital loss carryforward            | (258,513) <sup>2</sup> |
| Other book/tax temporary differences | (383,536)              |
| Unrealized depreciation              | (365,563)              |
| Total accumulated losses             | \$ (873,057)           |

As of March 31, 2010, we had a post-October loss deferral of \$334,196.

- 1 Tax information for the fiscal year ended March 31, 2010 is an estimate and will not be finally determined until the Company files its 2010 tax return in December 2010.
- 2 On March 31, 2010, the Company had net capital loss carryforwards of \$59,182 and \$199,331, which expire in 2017 and 2018, respectively. These amounts will be available to offset like amounts of any future taxable gains. It is unlikely that capital gains distributions will be paid to shareholders of the Company until net gains have been realized in excess of such capital loss carryforward or the carryforward expires.

The tax character of dividends paid during the fiscal year ended March 31, 2009 was as follows:

|                 |            |
|-----------------|------------|
| Ordinary income | \$ 258,843 |
|-----------------|------------|

As of March 31, 2009, the components of accumulated losses on a tax basis were as follows:

|                               |           |
|-------------------------------|-----------|
| Distributable ordinary income | \$ 84,182 |
|-------------------------------|-----------|

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|                                      |                       |
|--------------------------------------|-----------------------|
| Capital loss carryforward            | (59,182) <sup>1</sup> |
| Other book/tax temporary differences | (44,466)              |
| Unrealized depreciation              | (936,743)             |
| <b>Total accumulated losses</b>      | <b>\$ (956,209)</b>   |

As of March 31, 2009, we had a post-October currency loss deferral of \$61,725.

- 1 On March 31, 2009, the Company had a net capital loss carryforward of \$59,182, which expires in 2017. This amount will be available to offset like amounts of any future taxable gains. It is unlikely that capital gains distributions will be paid to shareholders of the Company until net gains have been realized in excess of such capital loss carryforward or the carryforward expires.

**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (continued)****(in thousands except share and per share amounts)****Note 13(b). Other Tax Information**

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2010 eligible for qualified dividend income treatment is 5.39%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2010 eligible for the 70% dividends received deduction for corporate stockholders is 5.39%.

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2009 eligible for qualified dividend income treatment is 5.47%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2009 eligible for the 70% dividends received deduction for corporate stockholders is 5.47%.

**Note 14. Selected Quarterly Financial Data (unaudited)**

| Quarter Ended      | Investment Income |           | Net Investment Income |           | Net Realized And Unrealized Gain (Loss) on Assets |           | Net Increase (Decrease) In Net Assets From Operations |           |
|--------------------|-------------------|-----------|-----------------------|-----------|---|-----------|---|-----------|
|                    | Total             | Per Share | Total                 | Per Share | Total   | Per Share | Total   | Per Share |
| March 31, 2010     | 87,657            | 0.50      | 48,532                | 0.28      | (58,396)  | (0.33)    | (9,864)   | (0.06)    |
| December 31, 2009  | 85,617            | 0.51      | 50,158                | 0.30      | 29,365  | 0.18      | 79,523  | 0.48      |
| September 30, 2009 | 84,403            | 0.55      | 51,391                | 0.34      | 57,766  | 0.38      | 109,157   | 0.71      |
| June 30, 2009      | 82,561            | 0.58      | 49,330                | 0.35      | 35,144  | 0.25      | 84,474  | 0.59      |
| March 31, 2009     | 85,274            | 0.60      | 50,740                | 0.36      | (20,964)  | (0.15)    | 29,776  | 0.21      |
| December 31, 2008  | 97,525            | 0.69      | 52,787                | 0.37      | (528,330)   | (3.71)    | (475,543)   | (3.34)    |
| September 30, 2008 | 103,547           | 0.73      | 56,491                | 0.40      | (294,443)   | (2.07)    | (237,952)   | (1.67)    |
| June 30, 2008      | 90,959            | 0.69      | 46,313                | 0.35      | 25,527  | 0.19      | 71,840  | 0.55      |
| March 31, 2008     | 90,009            | 0.75      | 43,725                | 0.37      | (206,102)   | (1.73)    | (162,377)   | (1.36)    |
| December 31, 2007  | 92,854            | 0.78      | 41,500                | 0.35      | (67,107)  | (0.56)    | (25,607)  | (0.21)    |
| September 30, 2007 | 86,069            | 0.81      | 61,623                | 0.58      | (84,799)  | (0.80)    | (23,176)  | (0.22)    |
| June 30, 2007      | 88,946            | 0.86      | 54,758                | 0.53      | 122,964   | 1.19      | 177,722   | 1.72      |

**Note 15. Commitments and Contingencies**

The Company has the ability to issue standby letters of credit through our revolving credit facility. As of March 31, 2010 and March 31, 2009, the Company had issued through JPMorgan Chase Bank, N.A. standby letters of credit totaling \$3,708 and \$3,508, respectively.

**Note 16. Subsequent Events**

As previously disclosed on April 13, 2010, by InnKeepers USA Trust ( InnKeepers ), a wholly-owned subsidiary of the Company, InnKeepers has not made certain scheduled monthly interest payments on certain of its debt obligations, and has retained financial and legal advisors to assist it in an evaluation of financial alternatives, including a potential restructuring of its balance sheet. On May 21, 2010, the special servicer with respect to certain of InnKeepers indebtedness, Midland Loan Services, Inc. filed a complaint against the Company in New York Supreme Court, New York County. The Complaint alleges that InnKeepers has failed to timely complete certain property improvements guaranteed by the Company and asserts a single claim for specific performance of the guaranty. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses. Innkeepers financial distress has caused us to incur significant unrealized depreciation on our investment in Grand Prix Holdings LLC.

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On April 27, 2010, the Company closed on its most recent follow-on public equity offering of 17.25 million shares of common stock at \$12.40 per share raising approximately \$204,300 in net proceeds.

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

None.

**Item 9A. Controls and Procedures**

***(a) Evaluation of Disclosure Controls and Procedures***

As of March 31, 2010 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

***(b) Management's Report on Internal Control Over Financial Reporting***

Management's Report on Internal Control Over Financial Reporting, which appears on page 42 of this Form 10-K, is incorporated by reference herein.

***(c) Attestation Report of the Independent Registered Public Accounting Firm***

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an attestation report on the Company's internal control over financial reporting, which is set forth above under the heading "Report of Independent Registered Public Accounting Firm" in Item 8.

***(d) Changes in Internal Controls Over Financial Reporting***

Management has not identified any change in the Company's internal control over financing reporting that occurred during the fourth fiscal quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

**Table of Contents****PART III****Item 10. Directors and Executive Officers of the Registrant****MANAGEMENT**

Our business and affairs are managed under the direction of our board of directors. The board of directors currently consists of eight members, six of whom are not interested persons of Apollo Investment as defined in Section 2(a)(19) of the 1940 Act. We refer to these individuals as our independent directors. Our board of directors elects our officers, who serve at the discretion of the board of directors.

**BOARD OF DIRECTORS**

Under our charter, our directors are divided into three classes. Each class of directors holds office for a three year term. At each annual meeting of our stockholders, the successors to the class of directors whose terms expire at such meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. Each director holds office for the term to which he or she is elected and until his or her successor is duly elected and qualifies.

**Directors**

Information regarding the board of directors is as follows:

| <b>Name</b>   | <b>Age</b> | <b>Position</b>                    | <b>Director Since</b> | <b>Expiration of Term</b> |
|---|------------|------------------------------------|-----------------------|---------------------------|
| <b>Interested Directors</b>   |            |                                    |                       |                           |
| John J. Hannan  | 57         | Chairman of the Board              | 2004                  | 2012                      |
| James C. Zelter   | 47         | Chief Executive Officer & Director | 2008                  | 2012                      |
| <b>Independent Directors</b>  |            |                                    |                       |                           |
| Ashok N. Bakhru   | 68         | Director                           | 2008                  | 2012                      |
| Claudine B. Malone  | 74         | Director                           | 2007                  | 2011                      |
| Frank C. Puleo  | 64         | Director                           | 2008                  | 2011                      |
| Carl Spielvogel   | 81         | Director                           | 2004                  | 2011                      |
| Elliot Stein, Jr.   | 61         | Director                           | 2004                  | 2010                      |
| Bradley J. Wechsler   | 58         | Director                           | 2004                  | 2010                      |
| The address for each director is c/o Apollo Investment Corporation, 9 West 57 <sup>th</sup> Street, New York, NY 10019. |            |                                    |                       |                           |

**Executive officers who are not directors**

Information regarding our executive officers who are not directors is as follows:

| <b>Name</b>       | <b>Age</b> | <b>Position</b>                             |
|-------------------|------------|---|
| Patrick J. Dalton | 41         | President and Chief Operating Officer       |
| Richard L. Peteka | 48         | Chief Financial Officer and Treasurer       |
| John J. Suydam    | 50         | Vice President and Chief Legal Officer      |
| Cindy Z. Michel   | 36         | Vice President and Chief Compliance Officer |

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Joseph D. Glatt

36 Vice President and Secretary

The address for each executive officer is c/o Apollo Investment Corporation, 9 West 57<sup>th</sup> Street, New York, NY 10019.

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### **Biographical information**

#### ***Directors***

Our directors have been divided into two groups – independent directors and interested directors. Interested directors are interested persons as defined in the 1940 Act.

#### **Independent Directors**

**Ashok N. Bakhru** (68) Director. Mr. Bakhru became a Director of Apollo Investment Corporation on October 16, 2008. Mr. Bakhru currently serves as the Chairman of the Board of the Goldman Sachs Group of Mutual Funds. Mr. Bakhru served as the Chairman of GS Hedge Fund Partners Registered Fund LLC from 2004 to 2009 and Chairman of GS Hedge Fund Partners Registered Master Fund LLC from 2005 to 2009. Previously Mr. Bakhru was the Chief Financial Officer and Chief Administrative Officer of Coty Inc. in New York City. Prior to that he served at Scott Paper Company in Philadelphia, where he held several senior management positions including Senior Vice President and Chief Financial Officer roles. Mr. Bakhru also serves on the Board of Governors of the Investment Company Institute, the Governing Council of the Independent Directors Council and the Advisory Board of BoardIQ, an investment publication. He has been actively involved with Cornell University, having served on its Council and Administrative Board over the past several years.

**Claudine B. Malone** (74) Director. Ms. Malone became a Director of Apollo Investment Corporation on April 17, 2007. Ms. Malone is the President and Chief Executive Officer of Financial & Management Consulting Inc. of McLean, Virginia. She also currently serves as a Director of Aviva Life Insurance Company (USA). Previously, Ms. Malone served as a Director of Novell, Inc. from 2003 to 2010, Hasbro, Inc. from 1992 to 2008, Lowe's Companies Inc. from 1995 to 2005 and Science Applications International Corporation from 1993 to 2006. Ms. Malone was Chairman of the Board of the Federal Reserve Bank of Richmond from 1996 to 1999. She served as a visiting professor at the Colgate-Darden Business School of the University of Virginia from 1984 to 1987, an adjunct professor of the School of Business Administration at Georgetown University from 1982 to 1984 and an assistant and associate professor at the Harvard Graduate School of Business Administration from 1972 to 1981.

**Frank C. Puleo** (64) Director. Mr. Puleo became a Director of Apollo Investment Corporation on February 4, 2008. Mr. Puleo currently serves as a Director of Commercial Industrial Finance Corp., a credit asset manager, Capital Markets Engineering & Trading Holdings, LLC, a trade processing software and financial engineering company, SLM Corp., a student loan company, and Syncora Capital Assurance, Inc., a monoline financial guaranty and insurance company. Previously Mr. Puleo was a partner at Milbank, Tweed, Hadley & McCloy LLP where he advised clients on structured finance transactions, bank and bank holding company regulatory and securities law matters. Mr. Puleo became a partner of Milbank, Tweed, Hadley & McCloy LLP in 1978 and Co-Chair of the firm's Global Finance Group in 1995 until retiring at the end of 2006. He was a member of the firm's Executive Committee from 1982 to 1991 and from 1996 to 2002. Mr. Puleo served as a Lecturer at Columbia University School of Law from 1997 to 2001.

**Carl Spielvogel** (81) Director. Ambassador Spielvogel became a Director of Apollo Investment Corporation in March 2004. Ambassador Spielvogel is Chairman and Chief Executive Officer of Carl Spielvogel Associates, Inc., an international management and counseling company, from 1997 to 2000, and from 2001 to present. From 2000-2001, Amb. Spielvogel served as U.S. Ambassador to the Slovak Republic, based in Bratislava, Slovakia. He served as a Director of Interactive Data Corporation, Inc. from 1996 to 2009. From 1994 to 1997, Ambassador Spielvogel was Chairman and Chief Executive Officer of the United Auto Group, Inc., one of the first publicly-owned auto dealership groups. Earlier, Ambassador Spielvogel was Chairman and Chief Executive Officer of Backer Spielvogel Bates Worldwide, a global marketing communications company from 1985 to 1994. Ambassador Spielvogel is a Trustee of the Metropolitan Museum of Art; a member of the Board of Trustees and Chairman of the Business Council of the Asia Society; a member of the Board of Trustees of Lincoln Center for the Performing Arts; a member of the Council on Foreign Relations; a member of the Executive Committee of the Council of American Ambassadors, and a Trustee and member of the Executive Committee of the State University of New York.

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**Elliot Stein, Jr.** (61) Director. Mr. Stein became a Director of Apollo Investment Corporation in March 2004. He currently serves as Lead Independent Director. He has served as Chairman of Caribbean International News Corporation since 1985. He is also a Managing Director of Commonwealth Capital Partners as well as a board member of various private companies including Cloud Solutions LLC, Cohere Communications, RHM Global LLC and Assay Healthcare Solutions. Mr. Stein is a Trustee of Claremont Graduate University and the New School University. He is a member of the Council on Foreign Relations. He formerly served as a Director of VTG Holdings, Bargain Shop Holdings, Inc. and various other private companies.

**Bradley J. Wechsler** (58) Director. Mr. Wechsler became a Director of Apollo Investment Corporation in April 2004. Mr. Wechsler was the Co-Chairman and Co-Chief Executive Officer of IMAX Corporation from May, 1996 through April, 2009 and is currently Chairman. Previously Mr. Wechsler has had several executive positions in the entertainment industry and finance industries. Mr. Wechsler is a Vice-Chairman of the board of the NYU Hospital and Medical Center, a member of the Executive Committee and chairs its Finance Committee. In addition, he sits on the boards of Assay Healthcare Solutions, the Ethical Culture Fieldston Schools and Math for America. He is also a member of the Academy of Motion Picture Arts and Sciences.

### **Interested directors**

**John J. Hannan** (57) Chairman of the Board of Directors. Mr. Hannan became a Director of Apollo Investment Corporation in March 2004 and was elected as Chairman of the Board of Directors in August 2006. He served as the Chief Executive Officer from February 2006 to November 2008. Mr. Hannan, a senior partner of Apollo Management, L.P., co-founded Apollo Management, L.P. in 1990. He formerly served as a director for Vail Resorts, Inc. and Goodman Global, Inc.

**James C. Zelter** (47) Chief Executive Officer and Director. Mr. Zelter joined Apollo in 2006. He became the Chief Executive Officer and a Director of Apollo Investment Corporation in November 2008. He is the Managing Partner of Apollo Capital Management (ACM). The funds in the ACM platform include: Apollo Strategic Value Fund, Apollo Credit Opportunity Fund I and II, Apollo Asia Opportunity Fund and Apollo European Principal Finance Fund. ACM also includes Apollo Investment Management, L.P. the investment manager to Apollo Investment Corporation. Prior to joining Apollo, Mr. Zelter was with Citigroup and its predecessor companies from 1994 to 2006. From 2003 to 2005, Mr. Zelter was Chief Investment Officer of Citigroup Alternative Investments, and prior to that he was responsible for the firm's Global High Yield franchise.

### **Executive officers who are not directors**

**Patrick J. Dalton** (41) President and Chief Operating Officer. Mr. Dalton joined Apollo in June 2004 as a partner and a member of Apollo Investment Management's Investment Committee. Mr. Dalton was appointed Chief Investment Officer of Apollo Investment Management in November 2006. He was also appointed Executive Vice President of Apollo Investment Corporation in November 2006 and promoted to President and Chief Operating Officer in November 2008. Before joining Apollo, Mr. Dalton was a Vice President with Goldman, Sachs & Co.'s Principal Investment Area as an investment professional in the Goldman Sachs Mezzanine Partners' Funds since 2000. Prior to Goldman Sachs, Mr. Dalton spent 10 years with The Chase Manhattan Bank from 1990 to 2000, most recently as Vice President in the Acquisition Finance Department of Chase Securities, Inc.

**Richard L. Peteka** (48) Chief Financial Officer and Treasurer. Mr. Peteka joined Apollo Investment Corporation in June 2004. Prior to that, he was Chief Financial Officer and Treasurer of various closed-end and open-end registered investment companies for Citigroup Asset Management. He joined Citigroup Asset Management as a Director in July 1999.

**John J. Suydam** (50) Chief Legal Officer and Vice President. Mr. Suydam joined Apollo Investment Corporation in 2006. Mr. Suydam also serves as the Chief Legal Officer of Apollo Global Management, LLC, a position he has held since 2006. From 2002 to 2006, Mr. Suydam was a partner at O'Melveny & Myers LLP,

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where he served as head of Mergers & Acquisitions and co-head of the Corporate Department. Prior to that time, Mr. Suydam served as chairman of the law firm O'Sullivan, LLP which specialized in representing private equity investors. Mr. Suydam serves on the board of directors of the Big Apple Circus.

**Cindy Z. Michel** (36) Chief Compliance Officer and Vice President. Ms. Michel was appointed Chief Compliance Officer and Vice President of Apollo Investment Corporation in 2010. Ms. Michel joined Apollo Global Management, LLC in 2007 as its Director of Compliance and continues to serve in this role. Prior to joining Apollo, Ms. Michel served as the Director of Compliance of the Private Equity Division at Lehman Brothers. Prior to that, she was associated with the investment bank Credit-Suisse Securities as a member of its Compliance Department supporting the Private Equity and Investment Banking businesses. Before joining Credit-Suisse, Ms. Michel was associated with the law firm of DLA Piper.

**Joseph D. Glatt** (36) Secretary and Vice President. Mr. Glatt was appointed Secretary of Apollo Investment Corporation in 2010 and Vice President in 2009. Mr. Glatt is also currently General Counsel of Apollo Capital Management L.P., a position he has held since 2007. Previously, Mr. Glatt was associated with the law firms of Simpson Thacher & Bartlett LLP from 1998 to 2003 and Schulte Roth & Zabel LLP from 2003 to 2007, in each case, primarily focusing on mergers and acquisitions, leveraged buyouts and capital markets activities.

Additional information required by this item, including for example, director qualifications, is contained in the Registrant's definitive Proxy Statement for its 2010 Annual Stockholders Meeting under the caption, "Information about the Nominees and Directors" to be filed with the Securities and Exchange Commission within 120 days after March 31, 2010 and is incorporated herein by reference.

### **The Audit Committee**

The audit committee operates pursuant to an audit committee charter approved by the board of directors. The charter sets forth the responsibilities of the audit committee, which include selecting or retaining each year an independent registered public accounting firm (the auditors) to audit the accounts and records of the Company; reviewing and discussing with management and the auditors the annual audited financial statements of the Company, including disclosures made in management's discussion and analysis, and recommending to the board of directors whether the audited financial statements should be included in the Company's annual report on Form 10-K; reviewing and discussing with management and the auditors the Company's quarterly financial statements prior to the filings of its quarterly reports on Form 10-Q; pre-approving the auditors' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the auditors. The audit committee is presently composed of six persons: Messrs. Bakhru, Puleo, Spielvogel, Stein, Wechsler, and Ms. Malone, all of whom are independent directors and are otherwise considered independent under the listing standards of NASDAQ Marketplace Rule 5605(a)(2). The Company's board of directors has determined that Mr. Bakhru and Ms. Malone each is an audit committee financial expert as that term is defined under Item 401 of Regulation S-K under the Securities Exchange Act of 1934, as amended, (the Exchange Act). The Audit Committee Charter is available on the Company's website ([www.apolloic.com](http://www.apolloic.com)).

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Exchange Act, the Company's directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to the Securities and Exchange Commission and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based on the Company's review of Forms 3, 4 and 5 filed by such persons and information provided by the Company's directors and officers, the Company believes that during the fiscal year ended March 31, 2010, all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

**Table of Contents****Code of Conduct**

We have adopted a code of conduct for all our directors and employees, including our Chief Executive Officer and Chief Financial Officer, as required under Item 406 of Regulation S-K under the Exchange Act and the listing standards of NASDAQ Marketplace Rule 5610. The code of conduct is available on our website located at [www.apolloic.com](http://www.apolloic.com). You may also read and copy the code of conduct at the SEC's Public Reference Room in Washington, D.C. You may obtain information on operations of the Public Reference Room by calling the SEC at (202) 942-8090. In addition, the code of conduct will be available on the EDGAR Database on the SEC Internet site at <http://www.sec.gov>. You may also obtain copies of the code of conduct, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing to the SEC's Public Reference Section, 450 5th Street, NW, Washington, D.C. 20549.

**Item 11. Executive Compensation****COMPENSATION DISCUSSION AND ANALYSIS**

Apollo Investment Corporation does not currently have any employees. The executive officers of the company are either employees of our investment adviser, Apollo Investment Management ( "adviser" ), or our administrator, Apollo Investment Administration ( "administrator" ). The adviser and administrator provide necessary services to the business, pursuant to the terms of our investment advisory and management agreement and our administration agreement. Our day-to-day investment operations are managed by our investment adviser. Most of the services necessary for the origination and administration of our investment portfolio are provided by investment professionals employed by the adviser. In addition, we generally reimburse the administrator for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our chief financial officer, chief compliance officer and their respective staffs.

**Summary Compensation Table**

The following table shows information regarding the compensation expected to be received by the independent directors and executive officers for the fiscal year ended March 31, 2010. No compensation is paid to directors who are interested persons.

| Name                         | Aggregate<br>compensation from<br>Apollo Investment | Pension or<br>retirement benefits<br>accrued as part of<br>our expenses(1) | Total<br>compensation<br>from<br>Apollo Investment<br>paid to director/<br>officer |
|------------------------------|---|--|--|
| <b>Independent directors</b> |   |  |  |
| Ashok Bakhru                 | \$ 136,500  | None   | \$ 136,500   |
| Claudine B. Malone           | 144,000   | None   | 144,000  |
| Frank C. Puleo               | 135,000   | None   | 135,000  |
| Carl Spielvogel              | 133,000   | None   | 133,000  |
| Elliot Stein, Jr.            | 140,500   | None   | 140,500  |
| Bradley J. Wechsler          | 122,000   | None   | 122,000  |
| <b>Interested directors</b>  |   |  |  |
| John J. Hannan               | None  | None   | None   |
| James C. Zelter(2)           | None  | None   | None   |
| <b>Executive Officers</b>    |   |  |  |
| Patrick J. Dalton            | None  | None   | None   |
| Richard L. Peteka(3)         | None  | None   | None   |
| John J. Suydam               | None  | None   | None   |
| Cindy Michel                 | None  | None   | None   |
| Joseph Glatt                 | None  | None   | None   |

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- (1) We do not have a profit sharing or retirement plan, and directors do not receive any pension or retirement benefits.  
 (2) James C. Zelter is also an executive officer of Apollo Investment Corporation.  
 (3) Richard L. Peteka is an employee of Apollo Administration.

The independent directors' annual fee is \$100,000. The independent directors also receive \$2,500 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with attending each board meeting, \$1,000 plus reimbursement of reasonable out-of-pocket expenses incurred in connection with each committee meeting attended, and \$1,500 for each telephonic committee or board meeting attended. In addition, the Chairman of the Audit Committee receives an annual fee of \$7,500 and each chairman of any other committee receives an annual fee of \$2,500 for additional services in these capacities. Further, we purchase directors' and officers' liability insurance on behalf of our directors and officers. Independent directors have the option to receive their directors' fees paid in shares of our common stock issued at a price per share equal to the greater of net asset value or the market price at the time of payment.

Additional information required by this item, including for example, compensation of officers and directors, is contained in the Registrant's definitive Proxy Statement for its 2010 Annual Stockholders Meeting under the caption, "Compensation of Directors and Executive Officers" to be filed with the Securities and Exchange Commission within 120 days after March 31, 2010 and is incorporated herein by reference.

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

As of March 31, 2010, there were no persons that owned 25% or more of our outstanding voting securities, and no person would be deemed to control us, as such term is defined in the 1940 Act.

Our directors have been divided into two groups: interested directors and independent directors. Interested directors are interested persons as defined in the Investment Company Act of 1940.

The following table sets forth, as of March 31, 2010, certain ownership information with respect to our common stock for those persons whom we believe, based on public filings and/or information provided by such persons, directly or indirectly owned, controlled or held with the power to vote, 5% or more of our outstanding common stock as of that date and all officers and directors, as a group. Unless otherwise indicated, we believe that each beneficial owner set forth in the table has sole voting and investment power.

| Name and address                                      | Type of ownership(1) | Shares owned | Percentage of common stock outstanding |
|---|----------------------|--------------|--|
| BlackRock, Inc.(2)                                    | Beneficial           | 10,712,395   | 6.07%                                  |
| Thornburg Investment Management Inc.(3)               | Beneficial           | 9,800,435    | 5.56%                                  |
| All officers and directors as a group (13 persons)(4) | Beneficial           | 320,469      | * %                                    |

\* Represents less than 1%.

- (1) All of our common stock is owned of record by Cede & Co., as nominee of the Depository Trust Company.  
 (2) The principal address for BlackRock, Inc. is 40 East 52<sup>nd</sup> Street, New York, NY 10022.  
 (3) The principal address for Thornburg Investment Management Inc. is 2300 North Ridgetop Road, Sante Fe, New Mexico, 87506.  
 (4) The address for all officers and directors is c/o Apollo Investment Corporation, 9 West 57<sup>th</sup> Street, New York, NY 10019.

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The following table sets forth the dollar range of our equity securities beneficially owned by each of our directors as of March 31, 2010. (We are not part of a family of investment companies, as that term is defined in the 1940 Act.)

| Name of Director             | Dollar Range of Equity<br>Securities in Apollo<br>Investment(1) |                  |
|------------------------------|---|------------------|
| <b>Independent Directors</b> |   |                  |
| Ashok Bakhru                 | \$ 100,001  | \$ 500,000       |
| Claudine B. Malone           | \$ 100,001  | \$ 500,000       |
| Frank C. Puleo               | \$ 100,001  | \$ 500,000       |
| Carl Spielvogel              | \$ 50,001   | \$ 100,000       |
| Elliot Stein, Jr.            | \$ 100,001  | \$ 500,000       |
| Bradley J. Wechsler          | \$ 500,001  | \$1,000,000      |
| <b>Interested Directors</b>  |   |                  |
| John J. Hannan               | \$ 500,001  | \$1,000,000(2)   |
| James C. Zelter              |   | Over \$1,000,000 |

(1) Dollar ranges are as follows: None, \$1-\$10,000, \$10,001-\$50,000, \$50,001-\$100,000, \$100,001-\$500,000, \$500,001-\$1,000,000 or over \$1,000,000.

(2) Dollar range includes 69,782 shares held through indirect beneficial ownership of a family trust.

Additional information required by this item, including for example, security ownership of management, is contained in the Registrant's definitive Proxy Statement for its 2010 Annual Stockholders Meeting under the caption, Security Ownership of Certain Beneficial Owners and Management to be filed with the Securities and Exchange Commission within 120 days after March 31, 2010 and is incorporated herein by reference.

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

We have entered into an investment advisory and management agreement with AIM. Certain of our senior officers and our chairman of the board of directors have ownership and financial interests in AIM. Certain of our senior officers also serve as principals of other investment managers affiliated with AIM that may in the future manage investment funds with investment objectives similar to ours. In addition, our executive officers and directors and the partners of our investment adviser, AIM, serve or may serve as officers, directors or principals of entities that operate in the same or related line of business as we do, or of investment funds managed by its affiliates, although we may not be given the opportunity to participate in certain investments made by investment funds managed by advisers affiliated with AIM. However, our investment adviser and its affiliates intend to allocate investment opportunities in a fair and equitable manner consistent with our investment objectives and strategies so that we are not disadvantaged in relation to any other client.

We have entered into a royalty-free license agreement with AIM, pursuant to which AIM has agreed to grant us a non-exclusive license to use the name Apollo. Under the license agreement, we have the right to use the Apollo name for so long as AIM or one of its affiliates remains our investment adviser. In addition, we rent office space from AIA, an affiliate of AIM, and pay Apollo Administration our allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under our administration agreement with AIA, including our allocable portion of the cost of our chief financial officer and chief compliance officer and their respective staffs, which can create conflicts of interest that our board of directors must monitor. We may invest, to the extent permitted by law, on a concurrent basis with affiliates of AIM, subject to compliance with applicable regulations and our allocation procedures.

Further information relating to relationships and director independence is hereby incorporated by reference from our 2010 Proxy Statement under the caption Certain Relationships and Transactions.

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### **Item 14. Principal Accountant Fees and Services**

The audit committee of the board of directors selected PricewaterhouseCoopers LLP as independent auditors for the Company for the fiscal year ending March 31, 2010. The audit committee has received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

**Audit Fees:** Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings. Audit fees billed during the fiscal years ending March 31, 2010 and March 31, 2009 were \$580,000 and \$637,000, respectively.

**Audit-Related Fees:** Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. Audit-related fees billed during the fiscal years ending March 31, 2010 and March 31, 2009 were \$126,000 and \$253,000, respectively.

**Tax Services Fees:** Tax services fees consist of fees billed for professional tax services. These services also include assistance regarding federal, state, and local tax compliance. Tax services and fees billed during the fiscal years ending March 31, 2010 and March 31, 2009 were \$31,920 and \$30,000, respectively, which represented work related to preparation of tax returns, our RIC qualification, excise tax distribution requirements, form extensions, etc.

**All Other Fees:** Other fees would include fees for products and services other than the services reported above, of which there were none in the fiscal years ended March 31, 2010 and March 31, 2009.

The Audit Committee of the board of directors of Apollo Investment Corporation operates under a written charter adopted by the board of directors. Management is responsible for the Company's internal controls and the financial reporting process. The independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States and expressing an opinion on the conformity of those audited financial statements in accordance with accounting principles generally accepted in the United States. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee is also directly responsible for the appointment, compensation and oversight of the Company's independent auditors.

The Audit Committee has established a pre-approval policy that describes the permitted audit, audit-related, tax and other services to be provided by PricewaterhouseCoopers LLP, the Company's independent auditor. The policy requires that the Audit Committee pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such service does not impair the auditor's independence.

Any requests for audit, audit-related, tax and other services that have not received general pre-approval must be submitted to the Audit Committee for specific pre-approval, and cannot commence until such approval has been granted. Normally, pre-approval is provided at regularly scheduled meetings of the Audit Committee. However, the Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee does not delegate its responsibilities to pre-approve services performed by the independent auditor to management.

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The Audit Committee has reviewed the audited financial statements and met and held discussions with management regarding the audited financial statements. Management has represented to the Audit Committee that the Company's financial statements were prepared in accordance with accounting principles generally accepted in the United States.

The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent auditors, matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU section 380),<sup>1</sup> as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

Based on the Audit Committee's discussion with management and the independent auditors, the Audit Committee's review of the audited financial statements, the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee has recommended that the board of directors include the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2010 for filing with the Securities and Exchange Commission. The Audit Committee has also appointed PricewaterhouseCoopers LLP to serve as independent auditors for the fiscal year ended March 31, 2011.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

- (a)(1) Financial Statements.  
Refer to Item 8 above.
- (a)(2) Financial Statement Schedules  
None.
- (a)(3) Exhibits
  - 3.1(a) Articles of Amendment(1)
  - 3.1(b) Articles of Amendment and Restatement(2)
  - 3.2 Third Amended and Restated Bylaws(3)
  - 4.1 Form of Stock Certificate(4)
  - 10.1 Amended and Restated Investment Advisory Management Agreement between Registrant and Apollo Investment Management, L.P.\*
  - 10.2 Amended and Restated Administration Agreement between Registrant and Apollo Investment Administration, LLC\*
  - 10.3 Dividend Reinvestment Plan(5)
  - 10.4 Custodian Agreement(2)
  - 10.5 License Agreement between the Registrant and Apollo Management, L.P.(2)
  - 10.6 Form of Transfer Agency and Service Agreement(2)
  - 10.7 Amendment No. 1 to Amended and Restated Senior Secured Revolving Credit Agreement(6)
  - 11.1 Statement regarding computation of per share earnings\*
  - 14.1 Code of Conduct(7)
  - 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.\*
  - 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.\*
  - 32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).\*
  - 32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).\*

\* Filed herewith.

- (1) Incorporated by reference from the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on June 20, 2005.
- (2) Incorporated by reference from the Registrant's pre-effective Amendment No. 3 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on April 1, 2004.
- (3) Incorporated by reference from the Registrant's Form 8-K, filed on November 6, 2009.
- (4) Incorporated by reference from the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on March 12, 2004.
- (5) Incorporated by reference from the Registrant's Form 10-K, filed on June 12, 2006.
- (6) Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2009.
- (7) Incorporated by reference from the Registrant's Form 10-K, filed on May 29, 2008.

**Table of Contents****Signatures**

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

APOLLO INVESTMENT CORPORATION

By: /s/ James C. Zelter  
James C. Zelter

Chief Executive Officer

May 26, 2010

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

| <b>SIGNATURE</b>                                    | <b>TITLE</b>  | <b>DATE</b>  |
|---|---|--------------|
| /s/ James C. Zelter<br><b>James C. Zelter</b>       | Chief Executive Officer (principal executive officer)                                 | May 26, 2010 |
| /s/ Richard L. Peteka<br><b>Richard L. Peteka</b>   | Chief Financial Officer and Treasurer<br>(principal financial and accounting officer) | May 26, 2010 |
| /s/ Patrick J. Dalton<br><b>Patrick J. Dalton</b>   | President and Chief Operating Officer   | May 26, 2010 |
| /s/ John J. Hannan<br><b>John J. Hannan</b>         | Chairman of the Board,<br>Director  | May 26, 2010 |
| /s/ Ashok Bakhru<br><b>Ashok Bakhru</b>             | Director  | May 26, 2010 |
| /s/ Claudine B. Malone<br><b>Claudine B. Malone</b> | Director  | May 26, 2010 |
| /s/ Frank C. Puleo<br><b>Frank C. Puleo</b>         | Director  | May 26, 2010 |
| /s/ Carl Spielvogel<br><b>Carl Spielvogel</b>       | Director  | May 26, 2010 |
| /s/ Elliot Stein, Jr.<br><b>Elliot Stein, Jr.</b>   | Director  | May 26, 2010 |

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/s/ Bradley J. Wechsler

Director

May 26, 2010

**Bradley J. Wechsler**