

APOLLO INVESTMENT CORP  
Form 10-Q  
February 05, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

- x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the Quarter Ended December 31, 2007
  
- .. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
Commission File Number: 333-112591

**APOLLO INVESTMENT CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

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

**14th Floor**

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

**(212) 515-3450**

**10019**  
(Zip Code)

(Registrant's telephone number, including area code)

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of February 1, 2008 was 119,299,947.

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**APOLLO INVESTMENT CORPORATION**

**FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2007**

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**PART I. FINANCIAL INFORMATION**

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

**Item 1. Financial Statements**

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

(in thousands, except per share amounts)

	December 31, 2007 (unaudited)	March 31, 2007
<b>Assets</b>		
Non-controlled/non-affiliated investments, at value (cost - \$3,004,315 and \$2,244,400, respectively)	\$ 3,048,476	\$ 2,348,981
Controlled investments, at value (cost - \$247,400 and \$0, respectively)	247,400	
Cash equivalents, at value (cost - \$821,608 and \$1,089,792, respectively)	821,608	1,089,792
Cash	11,324	7,326
Foreign currency (cost - \$2,860 and \$832, respectively)	2,860	834
Interest receivable	36,780	35,217
Receivable for investments sold		28,248
Dividends receivable	18,291	6,987
Prepaid expenses and other assets	5,348	5,833
<b>Total assets</b>	<b>\$ 4,192,087</b>	<b>\$ 3,523,218</b>
<b>Liabilities</b>		
Credit facility payable (see note 7)	\$ 1,119,925	\$ 492,312
Payable for investments and cash equivalents purchased	918,156	1,134,561
Management and performance-based incentive fees payable (see note 3)	32,799	43,579
Interest payable	5,202	1,848
Accrued administrative expenses	72	200
Other liabilities and accrued expenses	3,357	970
<b>Total liabilities</b>	<b>\$ 2,079,511</b>	<b>\$ 1,673,470</b>
<b>Net Assets</b>		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 119,300 and 103,508 issued and outstanding, respectively	\$ 119	\$ 104
Paid-in capital in excess of par	1,975,918	1,673,191
Distributions in excess of net investment income (see note 2g)	(27,255)	(16,283)
Accumulated net realized gain (see note 2g)	159,367	100,494
Net unrealized appreciation	4,427	92,242
<b>Total Net Assets</b>	<b>\$ 2,112,576</b>	<b>\$ 1,849,748</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,192,087</b>	<b>\$ 3,523,218</b>
<b>Net Asset Value Per Share</b>	<b>\$ 17.71</b>	<b>\$ 17.87</b>

See notes to financial statements.

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

(in thousands, except per share amounts)

	Three months ended		Nine months ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>INVESTMENT INCOME:</b>				
From non-controlled/non-affiliated investments:				
Interest	\$ 84,488	\$ 67,058	\$ 238,107	\$ 173,554
Dividends	3,956	3,717	11,323	16,018
Other income	2,099	296	3,820	1,274
From controlled investments:				
Dividends	2,311		4,619	
Other income			10,000	
Total investment income	92,854	71,071	267,869	190,846
<b>EXPENSES:</b>				
Management fees (see note 3)	\$ 15,987	\$ 10,860	\$ 43,833	\$ 29,004
Performance-based incentive fees (see note 3)	16,040	7,194	19,518	25,898
Interest and other credit facility expenses	15,966	12,848	38,693	26,664
Administrative services expense	618	501	2,772	2,002
Other general and administrative expenses	1,118	981	3,694	3,100
Total expenses	49,729	32,384	108,510	86,668
Expense offset arrangement (see note 8)	(78)	(17)	(225)	(82)
Net expenses	49,651	32,367	108,285	86,586
Net investment income before excise taxes	43,203	38,704	159,584	104,260
Excise tax expense	(1,703)	(670)	(1,703)	(670)
Net investment income	\$ 41,500	\$ 38,034	\$ 157,881	\$ 103,590
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:</b>				
Net realized gain (loss):				
Investments and cash equivalents	98,672	3,039	80,462	33,329
Foreign currencies	(18,150)	(3,495)	(21,589)	(7,046)
Net realized gain (loss)	80,522	(456)	58,873	26,283
Net change in unrealized gain (loss):				
Investments and cash equivalents	(154,104)	31,878	(60,418)	101,574
Foreign currencies	6,475	(12,479)	(27,397)	(22,048)
Net change in unrealized gain (loss)	(147,629)	19,399	(87,815)	79,526
	(67,107)	18,943	(28,942)	105,809

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

<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>(\$ 25,607)</b>	<b>\$ 56,977</b>	<b>\$ 128,939</b>	<b>\$ 209,399</b>
<b>EARNINGS (LOSS) PER COMMON SHARE (see note 5)</b>	<b>(\$ 0.21)</b>	<b>\$ 0.69</b>	<b>\$ 1.18</b>	<b>\$ 2.57</b>

See notes to financial statements.

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

(in thousands, except shares)

	Nine months ended December 31, 2007 (unaudited)	Year ended March 31, 2007
<b>Increase (decrease) in net assets from operations:</b>		
Net investment income	\$ 157,881	\$ 125,318
Net realized gains (losses)	58,873	132,882
Net change in unrealized gain	(87,815)	53,966
<b>Net increase in net assets resulting from operations</b>	<b>128,939</b>	<b>312,166</b>
<b>Dividends and distributions to shareholders:</b>	<b>(168,853)</b>	<b>(168,449)</b>
<b>Capital share transactions:</b>		
Net proceeds from shares sold	285,545	443,605
Less offering costs	(823)	(986)
Reinvestment of dividends	18,020	33,557
<b>Net increase in net assets from capital share transactions</b>	<b>302,742</b>	<b>476,176</b>
<b>Total increase in net assets:</b>	<b>262,828</b>	<b>619,893</b>
Net assets at beginning of period	\$ 1,849,748	\$ 1,229,855
Net assets at end of period	\$ 2,112,576	\$ 1,849,748
<b>Capital share activity:</b>		
Shares sold	14,950,000	20,700,000
Shares issued from reinvestment of dividends	842,181	1,615,812
<b>Net increase in capital share activity</b>	<b>15,792,181</b>	<b>22,315,812</b>

See notes to financial statements.



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

(in thousands)

	Nine months ended	
	December 31, 2007	December 31, 2006
<b>Cash Flows from Operating Activities:</b>		
Net Increase in Net Assets Resulting from Operations	\$ 128,939	\$ 209,399
Adjustments to reconcile net increase:		
Purchase of investment securities	(1,633,217)	(1,109,081)
Proceeds from disposition of investment securities	706,477	551,280
Decrease from foreign currency transactions	(21,589)	(7,046)
Increase in interest and dividends receivable	(12,907)	(18,331)
Decrease in prepaid expenses and other assets	485	2,040
Increase (decrease) in management and performance-based incentive fees payable	(10,780)	7,056
Increase in interest payable	3,353	5,112
Increase (decrease) in accrued expenses	2,124	(358)
Decrease in payable for investments and cash equivalents purchased	(216,264)	(596,365)
Decrease in receivables for securities sold	28,248	17,261
Net change in unrealized appreciation on investments, cash equivalents, foreign currencies and other assets and liabilities	87,815	(79,548)
Net realized (gain) loss on investments and cash equivalents	(58,873)	(26,283)
Net Cash Used by Operating Activities	(996,189)	(1,044,864)
<b>Cash Flows from Financing Activities:</b>		
Net proceeds from the issuance of common stock	285,545	
Offering costs from the issuance of common stock	(823)	(109)
Dividends paid in cash	(150,833)	(92,047)
Borrowings under credit facility	2,226,313	1,250,751
Repayments under credit facility	(1,626,171)	(670,777)
Net Cash Provided by Financing Activities	\$ 734,031	\$ 487,818
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(\$ 262,158)	(\$ 557,046)
Effect of exchange rates on cash balances	(2)	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	1,097,952	904,959
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 835,792	\$ 347,913
Total non-cash financing activities consisting of the reinvestment of dividends	\$ 18,020	\$ 23,846

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited)****December 31, 2007****(in thousands)****Investments in Non-Controlled/Non-Affiliated Portfolio****Companies****Subordinated Debt/Corporate Notes 86.3%**

AB Acquisitions UK Topco 2 Limited (Alliance Boots),

	Industry	Par Amount*	Cost	Fair Value (1)
GBP L+650, 7/9/17	Retail	£ 37,839	\$ 73,364	\$ 71,933
Advanstar, Inc., L+700, 11/30/15	Media	\$ 21,472	21,472	21,579
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	31,088	30,575	31,088
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14 <i>¿</i>	Building Products	49,419	48,587	49,419
Applied Systems, Inc., 12.50%, 9/26/14	Business Services	22,000	21,901	22,110
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	67,395	67,217	50,546
Associated Materials, Inc., 0% / 11.25%, 3/1/14	Building Products	43,415	30,661	28,111
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	15,150	15,150	15,150
Brenntag Holding GmbH & Co. KG, E+700, 12/23/15	Chemicals	18,846	23,123	27,033
Catalina Marketing Corporation, L+500, 10/2/17	Grocery	\$ 31,959	30,204	29,882
Ceridian Corp., 12.25%, 11/15/15	Diversified Service	50,000	50,000	46,625
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	31,000	30,530	28,869
Collect America, Ltd., 13.50%, 8/5/12 <i>¿</i>	Consumer Finance	36,320	35,770	36,320
Delta Educational Systems, Inc., 14.00%, 5/12/13	Education	18,712	18,122	18,712
DSI Renal Inc., 14.00%, 4/7/14	Healthcare	10,352	10,352	10,352
Dura-Line Merger Sub, Inc., 13.25%, 9/22/14	Telecommunications	40,259	39,513	40,259
Energy Future Holdings, 11.25%, 11/1/17	Utilities	25,000	24,459	25,313
Eurofresh, Inc., 0% / 14.50%, 1/15/14 <i>¿</i>	Agriculture	26,504	20,631	12,589
Eurofresh, Inc., 11.50%, 1/15/13 <i>¿</i>	Agriculture	50,000	50,000	34,000
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,539	3,153	3,638
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	15,867	19,546	22,735
FleetPride Corporation, 11.50%, 10/1/14 <i>¿</i>	Transportation	\$ 47,500	47,500	47,025
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15 <i>¿</i>	Transportation	37,846	31,848	31,317
General Nutrition Centers, Inc., L+450, 3/15/14 <i>¿</i>	Retail	29,775	29,281	28,063
Hub International Holdings, 10.25%, 6/15/15 <i>¿</i>	Insurance	20,000	20,000	16,950
HydroChem Holding, Inc., 13.50%, 1/12/15	Environmental	20,226	20,225	20,124

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Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	8,340	8,340	7,923
KAR Holdings, Inc., 10.00%, 5/1/15	Transportation	31,000	29,433	27,784
Language Line Holdings, Inc., 0% / 14.125%, 6/15/13	Business Services	27,678	23,615	22,511

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2007****(in thousands)**

<b>Subordinated Debt/Corporate Notes (continued)</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (1)</b>
Language Line Inc., 11.125%, 6/15/12	Business Services	\$ 27,081	\$ 26,852	\$ 28,164
Latham Manufacturing Corp., 14.00%, 12/30/12	Leisure Equipment	34,381	33,876	34,381
Laureate Education, Inc., L+500, 8/15/17	Education	34,590	32,869	32,342
Lexicon Marketing (USA), Inc., 13.25%, 5/11/13***	Direct Marketing	28,482	28,482	
LVI Services, Inc., 14.75%, 11/16/12	Environmental	44,770	44,770	44,770
MW Industries, Inc., 13.00%, 5/1/14	Manufacturing	60,000	58,918	60,000
Neff Corp., 10.00%, 6/1/15	Rental Equipment	5,000	5,000	2,731
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	40,205	43,463
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15	Direct Marketing	22,831	22,831	22,831
Pacific Crane Maintenance Company, L.P., 13.00%, 2/15/14	Machinery	34,000	34,000	34,000
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,723	17,723	17,191
Playpower Holdings Inc., 15.50%, 12/31/12	Leisure Equipment	72,098	72,098	72,098
Plinius Investments II B.V. (Casema), E+925, 9/13/16	Cable TV	17,282	22,434	25,200
Pro Mach Merger Sub, Inc., 13.00%, 6/15/12	Machinery	\$ 14,562	14,364	14,562
QHB Holdings LLC (Quality Home Brands), 13.50%, 12/20/13	Consumer Products	42,884	41,969	42,884
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	50,000	50,000	50,000
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	42,371	42,371	42,371
Safety Products Holdings LLC, 11.75%, 1/1/12	Manufacturing	32,154	31,758	33,118
Serpering Investments B.V. (Casema), E+925, 9/13/16	Cable TV	16,019	20,156	23,424
Sigmakalon Holdco B.V., E+1000, 12/31/15	Chemicals	52,795	64,923	77,671
The Servicemaster Company, L+450, 7/15/15	Diversified Service	\$ 67,173	60,004	60,288
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15	Education	72,500	59,191	58,181
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15	Education	47,500	46,657	46,075
TP Financing 2, Ltd. (Travellex), GBP L+725, 4/1/15	Financial Services	£ 11,862	23,043	22,758
Varietal Distribution, 10.25%, 7/15/15	Distribution	\$ 15,000	15,000	14,269
Varietal Distribution, 10.75%, 6/30/17	Distribution	21,875	21,237	20,781

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WDAC Intermediate Corp., E+600, 11/29/15	Publishing	41,611	55,883	56,999
Yankee Acquisition Corp., 9.75%, 2/15/17	Retail	\$ 17,000	16,971	15,656
<b>Total Subordinated Debt/Corporate Notes</b>			<b>\$ 1,878,157</b>	<b>\$ 1,824,168</b>

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2007****(in thousands, except shares)**

<b>Preferred Equity 5.0%</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
DSI Holding Company, Inc. (DSI Renal Inc.), 15.00%, 10/7/14	Healthcare	32,500	\$ 31,851	\$ 32,500
Exco Resources, Inc., 7.00%/9.00% (Convertible)	Oil & Gas	975	9,750	10,579
Exco Resources, Inc., 7.00%/9.00% Hybrid (Convertible)	Oil & Gas	4,025	40,250	43,671
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	11,134	12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	3,325	3,325	2,225
LVI Acquisition Corp. (LVI Services, Inc.), 14.00%	Environmental	1,875	1,875	126
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,097	3,097
<b>Total Preferred Equity</b>			<b>\$ 101,282</b>	<b>\$ 104,558</b>
<b>Common Equity/Partnership Interests 15.7%</b>				
A-D Conduit Holdings, LLC (Duraline)	Telecommunications	2,778	\$ 2,778	\$ 3,700
AHC Mezzanine LLC (Advanstar)	Media	10,000	10,000	9,995
CA Holding, Inc. (Collect America, Ltd.)	Consumer Finance	25,000	2,500	3,270
DTPI Holdings, Inc. (American Asphalt & Grading)**	Infrastructure	200,000	2,000	
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	12,530
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	4,798
Gray Energy Services, LLC Class H (Gray Wireline)	Oil & Gas	1,081	2,000	3,060
Gryphon Colleges Corporation (Delta Educational Systems, Inc.) **	Education	175	175	
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (2,3)	Industrial			107,292
Latham International, Inc. (fka Latham Acquisition Corp.) **	Leisure Equipment	33,091	3,309	1,255
LM Acquisition Ltd. (Lexicon Marketing Inc.) **	Direct Marketing	10,000	10,000	
LVI Acquisition Corp. (LVI Services, Inc.) **	Environmental	6,250	625	
MEG Energy Corp. (4) **	Oil & Gas	1,718,388	44,718	87,055
New Omaha Holdings Co-Invest LP (First Data)	Financial Services	13,000,000	65,000	65,000
PCMC Holdings, LLC (Pacific Crane)	Machinery	40,000	4,000	4,290
Prism Business Media Holdings, LLC	Media	68	14,947	16,524
Pro Mach Co-Investment, LLC **	Machinery	150,000	1,500	2,622
RC Coinvestment, LLC (Ranpak Corp.)	Packaging	50,000	5,000	5,000

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Sorenson Communications Holdings, LLC Class A**	Consumer Services	454,828	45	5,205
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See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2007****(in thousands, except shares and warrants)**

<b>Common Equity/Partnership Interests (continued)</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value (1)</b>
Varietal Distribution Holdings, LLC Class A	Distribution	28,028	\$ 28	\$ 260
<b>Total Common Equity and Partnership Interests</b>			<b>\$ 183,625</b>	<b>\$ 331,856</b>

<b>Warrants 0.4%</b>		<b>Warrants</b>		
DSI Holdings Company, Inc. (DSI Renal Inc.), Common **	Healthcare	5,011,327		\$ 2,763
Fidji Luxco (BC) S.C.A., Common (FCI)(2) **	Electronics	48,769	\$ 491	4,081
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	98	98	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	459	460	562
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	1,043	1,043	698
<b>Total Warrants</b>			<b>\$ 2,092</b>	<b>\$ 8,104</b>

<b>2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans (5) 36.9%</b>		<b>Par Amount*</b>		
Advanstar Communications, Inc., 12/1/14	Media	\$ 20,000	\$ 20,000	\$ 18,500
American Asphalt & Grading Co., 7/10/09	Infrastructure	30,546	30,546	7,637
Asurion Corporation, 7/3/15	Insurance	135,300	134,866	131,241
BNY Convergex Group, LLC, 4/2/14	Business Services	50,000	49,778	48,062
C.H.I. Overhead Doors, Inc., 10/22/11	Building Products	15,000	15,025	13,950
Clean Earth, Inc., 10/14/11	Environmental	25,000	24,978	25,000
Dresser, Inc., 5/4/15	Industrial	60,000	60,000	57,150
Educate, Inc., 6/14/14	Education	10,000	10,000	9,500
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,812	25,870
Generics International, Inc., 4/30/15	Healthcare	20,000	19,901	19,925
Gray Wireline Service, Inc., 12.25%, 2/28/13	Oil & Gas	77,500	76,843	77,500
HydroChem Industrial Services, Inc., 7/14/14	Environmental	35,100	35,100	34,924
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	4,519
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,830	13,519



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Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	8,239
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See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2007****(in thousands, except shares)**

<b>2<sup>nd</sup> Lien Bank Debt/Senior Secured Loans (5) (continued)</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value(1)</b>
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 37,250	\$ 36,131	\$ 29,862
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	56,175
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,000	39,488	32,000
Ranpak Corp.(6), 12/27/14	Packaging	12,500	12,500	12,500
Ranpak Corp.(7), 12/27/14	Packaging	5,206	7,585	7,612
Sheridan Holdings, Inc., 6/15/15	Healthcare	\$ 60,000	60,000	55,800
Sorenson Communications, Inc., 2/18/14	Consumer Services	62,103	62,103	61,482
TransFirst Holdings, Inc., 6/15/15	Financial Services	30,500	30,410	28,823
<b>Total 2nd Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 839,159</b>	<b>\$ 779,790</b>
<b>Total Investments in Non-Controlled/Non-Affiliated Portfolio Companies 144.3%</b>			<b>\$ 3,004,315</b>	<b>\$ 3,048,476</b>
<b>Investments in Controlled Portfolio Companies</b>				
<b>Preferred Equity 3.5%</b>			<b>Shares</b>	
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming		2,989,431	74,736
				74,736
<b>Common Equity 8.2%</b>				
Grand Prix Holdings, LLC (Innkeepers USA)	Hotels, Motels, Inns & Gaming		17,335,834	172,664
				172,664
<b>Total Investments in Controlled Portfolio Companies 11.7%</b>			<b>\$ 247,400</b>	<b>\$ 247,400</b>
<b>Total Investments</b>			<b>\$ 3,251,715</b>	<b>\$ 3,295,876</b>
<b>Cash Equivalents 38.9%</b>				
U.S. Treasury Bill, 2.96%, 2/21/08	Government	\$ 825,000	\$ 821,608	\$ 821,608
<b>Total Investments &amp; Cash Equivalents 194.9% (8)</b>			<b>\$ 4,073,323</b>	<b>\$ 4,117,484</b>
<b>Liabilities in Excess of Other Assets (94.9%)</b>				<b>(2,004,908)</b>
<b>Net Assets 100.0%</b>				<b>\$ 2,112,576</b>

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**SCHEDULE OF INVESTMENTS (unaudited) (continued)**

**December 31, 2007**

**(in thousands)**

- (1) Fair value is determined by or under the direction of the Board of Directors of the Company (see Note 2).
- (2) Denominated in Euro ( ).
- (3) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (4) Denominated in Canadian dollars.
- (5) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At December 31, 2007, the range of interest rates on floating rate bank debt was 9.84% 13.59%.
- (6) Position is held across five US Dollar-denominated tranches with varying yields.
- (7) Position is held across three Euro-denominated tranches with varying yields.
- (8) Aggregate gross unrealized appreciation for federal income tax purposes is \$210,640; aggregate gross unrealized depreciation for federal income tax purposes is \$174,341. Net unrealized appreciation is \$36,299 based on a tax cost of \$4,081,185.

∩ 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 notes to financial statements.

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

<b>Industry Classification</b>	<b>Percentage at December 31, 2007</b>
Hotels, Motels, Inns and Gaming	7.5%
Oil & Gas	6.7%
Education	5.5%
Business Services	5.2%
Industrial	5.0%
Insurance	4.5%
Retail	4.4%
Diversified Service	4.1%
Environmental	3.8%
Healthcare	3.7%
Consumer Products	3.6%
Financial Services	3.5%
Leisure Equipment	3.3%
Transportation	3.2%
Chemicals	3.2%
Manufacturing	2.8%
Building Products	2.8%
Publishing	2.5%
Media	2.4%
Packaging	2.3%
Telecommunications	2.3%
Direct Marketing	2.2%
Consumer Services	2.0%
Grocery	1.8%
Electronics	1.8%
Machinery	1.7%
Cable TV	1.5%
Agriculture	1.4%
Market Research	1.3%
Consumer Finance	1.2%
Distribution	1.2%
Utilities	0.8%
Beverage, Food, & Tobacco	0.5%
Infrastructure	0.2%
Rental Equipment	0.1%
 Total Investments	 100.0%

See notes to financial statements.

**Table of Contents****APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****March 31, 2007****(in thousands)**

<b>Portfolio Company (1)</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (2)</b>
<b>Subordinated Debt/Corporate Notes 77.5%</b>				
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	\$ 30,618	\$ 30,066	\$ 30,618
ALM Media Holdings, Inc., 13.00%, 3/15/13 <i>¿</i>	Publishing	20,018	19,885	20,018
ALM Media Group Holdings, Inc., 13.00%, 3/2/15 <i>¿</i>	Publishing	63,000	63,000	63,000
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14 <i>¿</i>	Building Products	48,539	47,656	48,539
API Heat Transfer, Inc., 13.75%, 12/31/12	Manufacturing	26,835	26,430	26,835
Applied Systems, Inc., 13.50%, 6/19/14	Business Services	22,000	21,894	22,220
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	58,812	58,621	58,812
Associated Materials, Inc., 0% / 11.25%, 3/1/14	Building Products	43,415	27,318	30,825
Audatex Holdings III, B.V., E+900, 10/13/14	Business Services	16,408	20,244	22,497
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	\$ 15,000	15,000	15,000
Brenntag Holding GmbH & Co. KG, E+900, 1/25/16	Chemicals	15,616	18,546	21,398
Collect America, Ltd., 13.50%, 8/5/12 <i>¿</i>	Consumer Finance	\$ 36,320	35,709	36,320
Delta Educational Systems, Inc., 14.00%, 5/12/13	Education	18,573	17,931	18,573
DSI Renal Inc., 14.00%, 4/7/14	Healthcare	10,198	10,198	10,198
Dura-Line Merger Sub, Inc., 13.25%, 9/22/14	Telecommunications	39,814	39,019	39,814
Eurofresh, Inc., 0% / 14.50%, 1/15/14 <i>¿</i>	Agriculture	26,504	18,337	16,366
Eurofresh, Inc., 11.50%, 1/15/13 <i>¿</i>	Agriculture	50,000	50,000	49,750
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,176	2,641	2,969
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	15,126	18,503	20,638
FleetPride Corporation, 11.50%, 10/1/14 <i>¿</i>	Transportation	\$ 47,500	47,500	48,213
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15 <i>¿</i>	Transportation	37,846	28,212	28,384
General Nutrition Centers, Inc., L+450, 3/15/14 <i>¿</i>	Retail	15,000	14,719	14,709
Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	7,539	7,539	7,628
Language Line Holdings, Inc., 0% / 14.125%, 6/15/13	Business Services	27,678	21,244	23,388
Language Line Inc., 11.125%, 6/15/12	Business Services	27,081	26,818	28,909
Latham Manufacturing Corp., 14.00%, 12/30/12	Leisure Equipment	34,124	33,570	34,124
Lexicon Marketing (USA), Inc., 13.25%, 5/11/13	Direct Marketing	28,393	28,393	28,393
LVI Services, Inc., 15.25%, 11/16/12	Environmental	43,082	43,082	43,082

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MW Industries, Inc., 13.00%, 5/1/14

Manufacturing  
See notes to financial statements.

60,000

58,840

60,000

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

**March 31, 2007**

**(in thousands, except shares)**

<b>Subordinated Debt/Corporate Notes (continued)</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value (2)</b>
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	\$ 61,000	\$ 34,678	