

APOLLO INVESTMENT CORP
Form 10-Q
August 04, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTER ENDED JUNE 30, 2010

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

COMMISSION FILE NUMBER: 814-00646

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 57th Street

37th Floor

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

10019
(Zip Code)

(212) 515-3450

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of August 4, 2010 was 194,460,328.

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

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

(in thousands, except per share amounts)

	June 30, 2010 (unaudited)	March 31, 2010
Assets		
Non-controlled/non-affiliated investments, at value (cost \$2,913,402 and \$2,782,880, respectively)	\$ 2,677,725	\$ 2,677,893
Non-controlled/affiliated investments, at value (cost \$102,648 and \$102,135, respectively)	96,764	83,136
Controlled investments, at value (cost \$359,290 and \$357,590, respectively)	73,807	92,551
Cash equivalents, at value (cost \$199,929 and \$449,852, respectively)	199,923	449,828
Cash	15,340	7,040
Foreign currency (cost \$3,742 and \$30,705, respectively)	3,685	30,717
Receivable for investments sold	1,935	49,643
Interest receivable	44,041	43,139
Dividends receivable	11	5,700
Miscellaneous income receivable		788
Receivable from investment adviser		611
Prepaid expenses and other assets	21,792	24,070
Total assets	\$ 3,135,023	\$ 3,465,116
Liabilities		
Credit facility payable (see note 7 & 12)	\$ 993,034	\$ 1,060,616
Payable for investments and cash equivalents purchased	213,551	549,009
Dividends payable	54,276	49,340
Management and performance-based incentive fees payable (see note 3)	24,761	26,363
Interest payable	2,436	2,132
Accrued administrative expenses	2,094	1,722
Other liabilities and accrued expenses	1,969	3,128
Total liabilities	\$ 1,292,121	\$ 1,692,310
Net Assets		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 193,845 and 176,214 issued and outstanding, respectively	\$ 194	\$ 176
Paid-in capital in excess of par (see note 2f)	2,854,352	2,645,687
Undistributed net investment income (see note 2f)	91,428	104,878
Accumulated net realized loss (see note 2f)	(579,403)	(583,270)
Net unrealized depreciation	(523,669)	(394,665)
Total net assets	\$ 1,842,902	\$ 1,772,806
Total liabilities and net assets	\$ 3,135,023	\$ 3,465,116

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Net Asset Value Per Share	\$	9.51	\$	10.06
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See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share amounts)

	Three months ended	
	June 30, 2010	June 30, 2009
INVESTMENT INCOME:		
From non-controlled/non-affiliated investments:		
Interest	\$ 72,505	\$ 75,297
Dividends	920	3,236
Other income	1,669	1,269
From non-controlled/affiliated investments:		
Interest	3,154	
From controlled investments:		
Dividends		2,759
Total Investment Income	78,248	82,561
EXPENSES:		
Management fees (see note 3)	\$ 14,554	\$ 12,722
Performance-based incentive fees (see note 3)	10,207	12,332
Interest and other credit facility expenses	9,894	5,068
Administrative services expense	1,396	1,309
Other general and administrative expenses	1,370	1,800
Total expenses	37,421	33,231
Net investment income	\$ 40,827	\$ 49,330
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:		
Net realized gain (loss):		
Investments and cash equivalents	\$ 780	\$ (98,078)
Foreign currencies	3,087	(157)
Net realized gain (loss)	3,867	(98,235)
Net change in unrealized gain (loss):		
Investments and cash equivalents	(137,959)	151,835
Foreign currencies	8,955	(18,455)
Net change in unrealized gain (loss)	(129,004)	133,380
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	(125,137)	35,145
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ (84,310)	\$ 84,475
EARNINGS (LOSS) PER SHARE (see note 5)	\$ (0.45)	\$ 0.59

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Three months ended June 30, 2010 (unaudited)	Year ended March 31, 2010
Increase (Decrease) in net assets from operations:		
Net investment income	\$ 40,827	\$ 199,410
Net realized gain (loss)	3,867	(473,027)
Net change in unrealized gain (loss)	(129,004)	536,907
Net increase (decrease) in net assets resulting from operations	(84,310)	263,290
Dividends and distributions to stockholders:	(54,277)	(181,356)
Capital share transactions:		
Net proceeds from shares sold	204,275	280,823
Less offering costs	(427)	(618)
Reinvestment of dividends	4,835	14,529
Net increase in net assets from capital share transactions	208,683	294,734
Total increase in net assets:	70,096	376,668
Net assets at beginning of period	1,772,806	1,396,138
Net assets at end of period	\$ 1,842,902	\$ 1,772,806
Capital share activity:		
Shares sold	17,250,000	32,200,000
Shares issued from reinvestment of dividends	380,709	1,792,583
Net increase in capital share activity	17,630,709	33,992,583

See notes to financial statements.

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

	Three months ended June 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net Increase (Decrease) in Net Assets Resulting from Operations	\$ (84,310)	\$ 84,475
Adjustments to reconcile net increase (decrease):		
Purchase of investments (including net amortization and capitalized PIK)	(244,531)	(93,835)
Proceeds from disposition of investment securities and cash equivalents	112,637	78,291
Increase from foreign currency transactions	3,040	39
Decrease in interest and dividends receivable	4,787	6,891
Decrease in prepaid expenses and other assets	3,677	1,472
Decrease in management and performance-based incentive fees payable	(1,602)	(260)
Increase (decrease) in interest payable	304	(208)
Decrease in accrued expenses	(787)	(725)
Decrease in payable for investments and cash equivalents purchased	(335,458)	(1,155)
Decrease in receivables for investments sold	47,708	
Net change in unrealized depreciation (appreciation) on investments, cash equivalents, foreign currencies and other assets and liabilities	129,004	(133,380)
Net realized loss (gain) on investments and cash equivalents	(3,867)	98,235
Net Cash Provided (Used) by Operating Activities	\$ (369,398)	\$ 39,840
Cash Flows from Financing Activities:		
Net proceeds from the issuance of common stock	\$ 204,275	\$
Offering costs from the issuance of common stock	(427)	
Dividends paid in cash	(44,505)	(36,978)
Borrowings under credit facility	465,211	151,145
Payments under credit facility	(523,723)	(155,500)
Net Cash Provided (Used) by Financing Activities	\$ 100,831	\$ (41,333)
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (268,567)	\$ (1,493)
Effect of exchange rates on cash balances	(70)	2
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 487,585	\$ 6,607
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 218,948	\$ 5,116

Non-cash financing activities consist of the reinvestment of dividends totaling \$4,835 and \$0, respectively (in thousands).

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited)****June 30, 2010****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 145.3%	Industry	Par Amount*	Cost	Fair Value(1)
CORPORATE DEBT 132.5%				
BANK DEBT/SENIOR SECURED LOANS 46.0%(2)				
1st Lien Bank Debt/Senior Secured Loans 1.6%				
ATI Acquisition Company, 12/30/14	Education	\$ 18,408	\$ 17,729	\$ 18,131
Fox Acquisition Sub LLC, 7/14/15	Broadcasting & Entertainment	1,879	1,690	1,820
Playpower, Inc., 6/30/12	Leisure Equipment	10,890	9,913	9,801
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 29,332	\$ 29,752
2nd Lien Bank Debt/Senior Secured Loans 44.4%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	£ 11,400	\$ 20,032	\$ 14,753
AB Acquisitions UK Topco 2 Limited (Alliance Boots), 7/9/16	Retail	3,961	5,514	4,197
Advantage Sales & Marketing, Inc., 5/5/17	Grocery	\$ 50,000	49,508	49,500
Asurion Corporation, 7/3/15	Insurance	148,300	147,066	144,870
BNY ConvergEx Group, LLC, 4/2/14	Business Services	83,229	80,852	81,731
Clean Earth, Inc., 13.00%, 8/1/14	Environmental	25,000	25,000	24,875
Datatel, Inc., 12/9/16	Education	20,000	19,925	20,250
Dresser, Inc., 5/4/15	Industrial	62,938	62,667	58,414
Educate, Inc., 6/14/14	Education	9,968	9,968	9,146
Garden Fresh Restaurant Corp., 12/11/13	Retail	46,600	46,600	47,485
Generics International, Inc., 4/30/15	Healthcare	20,000	19,934	19,600
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	3,625
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	15,000	14,890	11,175
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	5,363
IPC Systems, Inc., 6/1/15	Telecommunications	\$ 44,250	41,278	36,838
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	56,200
Ozburn-Hessey Holding Company LLC, 10/8/16	Logistics	38,000	37,963	37,525
Ranpak Corp., 12/27/14(3)	Packaging	43,550	37,793	42,244
Ranpak Corp., 12/27/14(4)	Packaging	21,970	27,232	26,104

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2010****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 145.3%	Industry	Par Amount*	Cost	Fair Value(1)
2nd Lien Bank Debt/Senior Secured Loans (continued)				
RSA Holdings Corp. of Delaware (American Safety Razor), 1/30/14	Consumer Products	\$ 1,000	\$ 786	\$ 125
Sedgwick Holdings, Inc., 5/26/17	Business Services	25,000	24,627	24,844
Sheridan Holdings, Inc., 6/15/15	Healthcare	67,847	66,982	65,608
TransFirst Holdings, Inc., 6/15/15	Financial Services	37,291	36,378	33,898
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 848,258	\$ 818,370
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 877,590	\$ 848,122
Subordinated Debt/Corporate Notes 86.5%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650, 7/9/17	Retail	£ 41,295	\$ 79,913	\$ 50,970
Allied Security Holdings LLC, 13.75%, 8/21/15	Business Services	\$ 20,000	19,672	20,200
Altegrity Inc., 11.75%, 5/1/16 "	Diversified Service	14,639	9,879	13,600
Altegrity Inc., 10.50%, 11/1/15 "	Diversified Service	13,475	11,916	12,532
American Tire Distributors, Inc., 11.50%, 6/1/18 "	Distribution	25,000	25,000	25,000
American Tire Distributors, Inc., 9.75%, 6/1/17 "	Distribution	10,000	9,877	10,100
Angelica Corporation, 15.00%, 2/4/14	Healthcare	60,000	60,000	64,500
ATI Acquisition Company, L+1100, 12/30/15	Education	38,500	37,772	38,115
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	42,943	36,348	44,361
Booz Allen Hamilton Inc., 13.00%, 7/31/16	Consulting Services	23,435	23,119	23,962
Catalina Marketing Corporation, 11.625%, 10/1/17 "	Grocery	42,175	41,344	44,284
Catalina Marketing Corporation, 10.50%, 10/1/15 "	Grocery	5,000	5,097	5,125
Ceridian Corp., 12.25%, 11/15/15	Diversified Service	53,250	53,250	48,458
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	36,000	35,273	32,580
Cidron Healthcare C S.á.R.L. (Convatec) E+950, 8/1/17	Healthcare	8,136	12,681	9,691
Delta Educational Systems, Inc., 14.20%, 5/12/13	Education	\$ 19,575	19,203	20,064
Dura-Line Merger Sub, Inc., 14.00%, 9/22/14	Telecommunications	42,654	42,106	42,654
European Directories (DH5) B.V., 15.735%, 7/1/16 ***	Publishing	3,726	4,475	
European Directories (DH7) B.V., E+950, 7/1/15 ***	Publishing	17,871	21,846	
First Data Corporation, 11.25%, 3/31/16	Financial Services	\$ 40,000	33,964	29,800
First Data Corporation, 9.875%, 9/24/15	Financial Services	45,500	40,301	34,864
FleetPride Corporation, 11.50%, 10/1/14 "	Transportation	47,500	47,500	46,075

See notes to financial statements.

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INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 145.3%	Industry	Par Amount*	Cost	Fair Value(1)
Subordinated Debt/Corporate Notes (continued)				
Fox Acquisition Sub LLC, 13.375%, 7/15/16 "	Broadcasting & Entertainment	\$ 26,125	\$ 25,908	\$ 25,733
FPC Holdings, Inc. (FleetPride Corporation), 14.00%, 6/30/15 "	Transportation	37,846	37,734	35,575
General Nutrition Centers, Inc., 10.75%, 3/15/15	Retail	24,500	24,890	24,500
General Nutrition Centers, Inc., L+450, 3/15/14	Retail	12,275	12,157	11,232
Goodman Global Inc., 13.50%, 2/15/16	Manufacturing	25,000	25,590	27,563
Hub International Holdings, 10.25%, 6/15/15 "	Insurance	36,232	34,830	33,175
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	90,000	91,951	91,350
Laureate Education, Inc., 11.75%, 8/15/17 "	Education	53,540	51,400	54,745
LVI Services, Inc., 17.25%, 11/16/12***	Environmental	53,263	53,263	5,000
MW Industries, Inc., 14.50%, 5/1/14	Manufacturing	61,645	60,871	62,877
NCO Group Inc., 11.875%, 11/15/14	Consumer Finance	22,630	19,109	21,725
N.E.W. Holdings I, LLC, L+750, 3/23/17	Consumer Services	40,000	40,000	39,175
Nielsen Finance LLC, 0% / 12.50%, 8/1/16	Market Research	61,000	56,101	58,179
Pacific Crane Maintenance Company, L.P., 15.00%, 2/15/14***	Machinery	52,074	36,825	885
Playpower Holdings Inc., 15.50%, 12/31/12 "	Leisure Equipment	104,716	104,716	79,584
Ranpak Holdings, Inc., 15.00%, 12/27/15	Packaging	70,095	70,095	70,095
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 1/30/15***	Consumer Products	59,308	55,479	
Sorenson Communications, Inc., 10.50%, 2/1/15 "	Consumer Services	32,500	31,925	20,963
SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17 "	Consumer Finance	53,000	52,101	50,350
The Servicemaster Company, 10.75%, 7/15/15 "	Diversified Service	52,173	49,692	54,292
TL Acquisitions, Inc. (Thomson Learning), 13.25%, 7/15/15 "	Education	72,500	72,261	68,150
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 "	Education	22,000	20,746	20,460
US Foodservice, 10.75%, 6/30/15 "	Beverage, Food & Tobacco	81,543	63,770	80,523
U.S. Renal Care, Inc., 13.25%, 5/24/17	Healthcare	20,030	20,030	19,930
Varietal Distribution, 10.75%, 6/30/17	Distribution	22,204	21,676	20,872
Total Subordinated Debt/Corporate Notes			\$ 1,803,656	\$ 1,593,868
TOTAL CORPORATE DEBT			\$ 2,681,246	\$ 2,441,990

See notes to financial statements.

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INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 145.3%	Industry	Par Amount*	Cost	Fair Value(1)
COLLATERALIZED LOAN OBLIGATIONS 1.3%				
Babson CLO Ltd., Series 2008-2A Class E, L+975, 7/15/18 "	Asset Management	\$ 11,000	\$ 10,111	\$ 10,285
Babson CLO Ltd., Series 2008-1A Class E, L+550, 7/20/18 "	Asset Management	10,150	7,559	7,651
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 "	Asset Management	11,000	6,730	6,911
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 24,400	\$ 24,847

	Shares			
PREFERRED EQUITY 1.7%				
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	20,010	20,766
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	332,500	5,531	5,531
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,929	2,233
TOTAL PREFERRED EQUITY			\$ 31,321	\$ 30,420

EQUITY 9.8%**Common Equity/Interests 9.4%**

AB Capital Holdings LLC (Allied Security) **	Business Services	2,000,000	\$ 2,000	\$ 2,812
Accelerate Parent Corp. (American Tire)	Distribution	312,500	3,125	3,110
A-D Conduit Holdings, LLC (Duraline) **	Telecommunications	2,778	2,778	3,412
CA Holding, Inc. (Collect America, Ltd.) Series A **	Consumer Finance	25,000	2,500	1,056
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Consumer Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica) **	Healthcare	6,000	6,000	8,569
Explorer Coinvest LLC (Booz Allen)	Consulting Services	430	4,300	9,033
FSC Holdings Inc. (Hanley Wood LLC) **	Media	10,000	10,000	
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	10,586
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)**	Education	17,500	175	3,699
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems)(5,6)	Industrial	1		255
LVI Acquisition Corp. (LVI Services, Inc.) **	Environmental	6,250	2,500	
MEG Energy Corp.(7)	Oil & Gas	2,176,722	55,006	92,300

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2010****(in thousands, except shares and warrants)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 145.3%	Industry	Shares	Cost	Fair Value(1)
Common Equity/Interests (continued)				
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	\$ 65,000	\$ 20,814
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	3,631
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	5,689
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	2,340
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
Total Common Equity/Interests			\$ 174,336	\$ 173,115
Warrants 0.4%				
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	\$ 2,932
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	1,923
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	764
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,734
Total Warrants			\$ 2,099	\$ 7,353
TOTAL EQUITY			\$ 176,435	\$ 180,468
Total Investments in Non-Controlled/ Non-Affiliated Portfolio Companies			\$ 2,913,402	\$ 2,677,725

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 2010****(in thousands, except shares)**

INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES 4.0% (9)	Industry	Shares	Cost	Fair Value(1)
Preferred Equity 0.0%				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA) ***	Hotels, Motels, Inns & Gaming	2,989,431	\$ 101,346	\$ 0
EQUITY				
Common Equity/Interests 4.0%				
AIC Credit Opportunity Fund LLC (10)	Asset Management		\$ 71,741	\$ 60,038
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	
Total Common Equity/Interests			\$ 257,944	\$ 73,807
TOTAL EQUITY			\$ 257,944	\$ 73,807
Total Investments in Controlled Portfolio Companies			\$ 359,290	\$ 73,807
Total Investments 154.6% (11)			\$ 3,375,340	\$ 2,848,296
		Par Amount*		
CASH EQUIVALENTS 10.8%				
U.S. Treasury Bill, 0.14%, 9/30/10	Government	\$ 200,000	\$ 199,929	\$ 199,923
Total Investments and Cash Equivalents 165.4%			\$ 3,575,269	\$ 3,048,219
Liabilities in Excess of Other Assets (65.4%)				(1,205,317)
Net Assets 100.0%				\$ 1,842,902

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****June 30, 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 June 30, 2010, the range of interest rates on floating rate bank debt was 4.66% to 12.00%.
- (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 three months ended June 30, 2010 in these Affiliated investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at June 30, 2010
Gray Wireline Service, Inc. 1 st Out	\$ 1,000	\$	\$	\$ 20	\$ 1,000
Gray Wireline Service, Inc. 2 nd Out	59,251	242		2,715	68,383
DSI Renal, Inc., 17.00%	10,057	271		419	10,516
CDSI I Holding Company, Inc. Common Equity	10,206				13,269
Gray Energy Services, LLC Class H Common Equity					
CDSI I Holding Company, Inc. Series A Warrant	854				1,186
CDSI I Holding Company, Inc. Series B Warrant	693				987
CDSI I Holding Company, Inc. Contingent Payment Agreement	1,075				1,423
Gray Holdco, Inc. Warrant					
	\$ 83,136	\$ 513	\$	\$ 3,154	\$ 96,764

- (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 three months ended June 30, 2010 in these Controlled investments are as follows:

Name of Issuer	Fair Value at March 31, 2010	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at June 30, 2010
Grand Prix Holdings, LLC Series A Preferred	\$ 5,268	\$	\$	\$	\$
AIC Credit Opportunity Fund LLC					
Common Equity (10)	73,514	1,700			60,038
Generation Brands Holdings, Inc. Common Equity	230				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					
	\$ 92,551	\$ 1,700	\$	\$	\$ 73,807

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 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 \$138,475; aggregate gross unrealized depreciation for federal income tax purposes is \$635,974. Net unrealized depreciation is \$497,499 based on a tax cost of \$3,545,718.

.. 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.

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

Industry Classification	Percentage of Total Investments (at fair value) as of June 30, 2010
Education	9.9%
Healthcare	7.5%
Business Services	6.8%
Insurance	6.2%
Retail	5.7%
Oil & Gas	5.7%
Diversified Service	5.7%
Packaging	5.1%
Financial Services	4.2%
Broadcasting & Entertainment	4.2%
Grocery	3.5%
Manufacturing	3.2%
Leisure Equipment	3.1%
Asset Management	3.0%
Telecommunications	2.9%
Transportation	2.9%
Beverage, Food & Tobacco	2.8%
Consumer Finance	2.6%
Consumer Services	2.2%
Distribution	2.2%
Electronics	2.1%
Industrial	2.1%
Market Research	2.0%
Logistics	1.3%
Consulting Services	1.2%
Environmental	1.0%
Consumer Products	0.5%
Media	0.2%
Machinery	0.2%
Hotels, Motels, Inns & Gaming	0.0%
Publishing	0.0%
Total Investments	100.0%

See notes to financial statements.

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

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
CORPORATE DEBT 137.2%				
BANK DEBT/SENIOR SECURED LOANS(2) 44.2%				
1st Lien Bank Debt/Senior Secured Loans 1.2%				
ATI Acquisition Company, 12/30/14	Education	\$ 18,454	\$ 17,743	\$ 18,038
FoxCo Acquisition Sub LLC, 7/14/15	Broadcasting & Entertainment	3,905	3,493	3,788
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 21,236	\$ 21,826
2nd Lien Bank Debt/Senior Secured Loans 43.0%				
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)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
2nd Lien Bank Debt/Senior Secured Loans (continued)				
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
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 770,983	\$ 761,021
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 792,219	\$ 782,847
Subordinated Debt/Corporate Notes 93.0%				
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)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
Subordinated Debt/Corporate Notes (continued)				
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
Total Subordinated Debt/Corporate Notes			\$ 1,762,540	\$ 1,649,447
TOTAL CORPORATE DEBT			\$ 2,554,759	\$ 2,432,294

See notes to financial statements.

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

March 31, 2010

(in thousands, except shares)

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED PORTFOLIO COMPANIES 151.1%	Industry	Par Amount*	Cost	Fair Value(1)
COLLATERALIZED LOAN OBLIGATIONS 1.5%				
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
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 24,457	\$ 25,866

	Shares			
PREFERRED EQUITY 1.6%				
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
TOTAL PREFERRED EQUITY			\$ 30,353	\$ 28,600

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.

Table of Contents**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)
Common Equity/Interests (continued)				
New Omaha Holdings Co-Invest LP (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	
Total Common Equity/Interests			\$ 171,211	\$ 183,520
Warrants				
Warrants 0.4%				
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.), Common **	Education	9,820	98	2,252
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	460	741
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,681
Total Warrants			\$ 2,100	\$ 7,613
TOTAL EQUITY			\$ 173,311	\$ 191,133
Total Investments in Non-Controlled/ Non-Affiliated Portfolio Companies			\$ 2,782,880	\$ 2,677,893

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 PORTFOLIO COMPANIES 4.7%(8)	Industry	Par Amount*	Cost	Fair Value(1)
CORPORATE DEBT 4.0%				
BANK DEBT/SENIOR SECURED LOANS (2) 3.4%				
1st Lien Bank Debt/Senior Secured Loans 0.1%				
Gray Wireline Service, Inc., 10/22/12	Oil & Gas	\$ 1,000	\$ 1,000	\$ 1,000
2nd Lien Bank Debt/Senior Secured Loans 3.3%				
Gray Wireline Service, Inc., 14.00%, 10/22/12	Oil & Gas	\$ 77,554	\$ 77,554	\$ 59,251
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 78,554	\$ 60,251
Subordinated Debt/Corporate Notes 0.6%				
DSI Renal Inc., 17.00%, 4/7/14	Healthcare	\$ 9,860	\$ 9,860	\$ 10,057
TOTAL CORPORATE DEBT			\$ 88,414	\$ 70,308
Shares				
EQUITY 0.7%				
Common Equity/Interests 0.6%				
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	
Total Common Equity/Interests			\$ 11,300	\$ 10,206
Warrants				
Warrants 0.1%				
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		
Total Warrants			\$ 2,421	\$ 2,622
TOTAL EQUITY			\$ 13,721	\$ 12,828
Total Investments in Non-Controlled/Affiliated Portfolio Companies			\$ 102,135	\$ 83,136

See notes to financial statements.

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

INVESTMENTS IN CONTROLLED PORTFOLIO COMPANIES 5.2%(9)	Industry	Shares	Cost	Fair Value(1)
Preferred Equity 0.3%				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA) ***	Hotels, Motels, Inns & Gaming	2,989,431	\$ 101,346	\$ 5,268
EQUITY				
Common Equity/Interests 4.9%				
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	
Total Common Equity/Interests			\$ 256,244	\$ 87,283
TOTAL EQUITY			\$ 256,244	\$ 87,283
Total Investments in Controlled Portfolio Companies			\$ 357,590	\$ 92,551
Total Investments 161.0%(11)			\$ 3,242,605	\$ 2,853,580
			Par Amount*	
CASH EQUIVALENTS 25.3%				
U.S. Treasury Bill, 0.13%, 7/1/10	Government	\$ 450,000	\$ 449,852	\$ 449,828
Total Investments and Cash Equivalents 186.3%			\$ 3,692,457	\$ 3,303,408
Liabilities in Excess of Other Assets (86.3%)				(1,530,602)
Net Assets 100.0%				\$ 1,772,806

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 March 31, 2009	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at March 31, 2010
Gray Wireline Service, Inc. 1 st Out	\$	\$ 1,000	\$	\$ 5	\$ 1,000
Gray Wireline Service, Inc. 2 nd 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 March 31, 2009	Gross Additions	Gross Reductions	Interest/Dividend Income	Fair Value at March 31, 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)

Industry Classification	Percentage of Total Investments (at fair value) as of March 31, 2010
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%
Total Investments	100.0%

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited)

(in thousands except share and per share amounts)

Note 1. Organization

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

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

Note 2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported periods. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ materially.

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

The significant accounting policies consistently followed by Apollo Investment are:

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

(b) Under procedures established by our board of directors, we value investments, including certain 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.

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

(1) our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals of our investment adviser responsible for the portfolio investment;

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

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

Investments 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 quarter ended June 30, 2010, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

On October 10, 2008, revised guidance was issued which provides examples of how to determine fair value in a market that is not active. It did not change the fair value measurement principles set forth in ASC 820.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

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.

(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 June 30, 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.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

(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.

(n) 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 that 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

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

pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies accrued during the calendar quarter, minus Apollo Investment's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Apollo Investment's net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment's pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of Apollo Investment's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds 1.75% but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, the Investment Adviser will receive a fee of 20% of Apollo Investment's pre-incentive fee net investment income for the quarter. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as of the termination date) and will equal 20% of Apollo Investment's cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the Investment Adviser.

For the three months ended June 30, 2010 and June 30, 2009, the Investment Adviser accrued \$14,554 and \$12,722, respectively, in base investment advisory and management fees and \$10,207 and \$12,332, 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.

For the three months ended June 30, 2010 and June 30, 2009, the Administrator was reimbursed \$0 and \$0, respectively, from Apollo Investment on the \$1,396 and \$1,309, 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

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

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 June 30, 2010, the Company's total net assets and net asset value per share were \$1,842,902 and \$9.51, respectively. This compares to total net assets and net asset value per share at March 31, 2010 of \$1,772,806 and \$10.06, respectively.

Note 5. Earnings (Loss) Per Share

The following information sets forth the computation of basic and diluted earnings (loss) per share for the three months ended June 30, 2010 and June 30, 2009, respectively:

	Three months ended June 30,	
	2010	2009
Numerator for net increase (decrease) in net assets per share:	\$ (84,310)	\$ 84,475
Denominator for basic and diluted weighted average shares:	187,774,509	142,221,335
Basic and diluted earnings (loss) per share:	\$ (0.45)	\$ 0.59

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.

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

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 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. During the three months ended June 30, 2010, \$1,700 of net capital was provided to AIC Holdco.

Investments consisted of the following as of June 30, 2010 and March 31, 2010.

	June 30, 2010		March 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Bank Debt/Senior Secured Loans	\$ 956,386	\$ 917,505	\$ 870,773	\$ 843,098
Subordinated Debt/Corporate Notes	1,813,787	1,604,384	1,772,400	1,659,504
Collateralized Loan Obligations	24,400	24,847	24,457	25,866
Preferred Equity	132,667	30,420	131,699	33,868
Common Equity/Interests	443,580	260,191	438,755	281,009
Warrants	4,520	10,949	4,521	10,235
Cash Equivalents	199,929	199,923	449,852	449,828
Totals	\$ 3,575,269	\$ 3,048,219	\$ 3,692,457	\$ 3,303,408

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

(in thousands except share and per share amounts)

At June 30, 2010, our investments and cash equivalents were categorized as follows in the fair value hierarchy for ASC 820 purposes:

Description	June 30, 2010	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank Debt/Senior Secured Loans	\$ 917,505	\$	\$	\$ 917,505
Subordinated Debt/Corporate Notes	1,604,384			1,604,384
Collateralized Loan Obligations	24,847			24,847
Preferred Equity	30,420			30,420
Common Equity/Interests	260,191			260,191
Warrants	10,949			10,949
Total Investments	\$ 2,848,296	\$	\$	\$ 2,848,296
Cash Equivalents	199,923	199,923		
Total Investments and Cash Equivalents	\$ 3,048,219	\$ 199,923	\$	\$ 2,848,296

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, 2010	Fair Value Measurement at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bank Debt/Senior Secured Loans	\$ 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
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

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

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3, for the three months ended June 30, 2010.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)*							Total
	Bank Debt / Senior Secured Loans	Subordinated Debt/Corporate Notes	Collateralized Loan Obligations	Preferred Equity	Common Equity/ Interests	Warrants		
Beginning Balance, March 31, 2010	\$ 843,098	\$ 1,659,504	\$ 25,866	\$ 33,868	\$ 281,009	\$ 10,235	\$ 2,853,580	
Total realized gains or losses included in earnings	760	10	56				826	
Total unrealized gains or losses included in earnings	(11,205)	(96,463)	(964)	(4,415)	(25,643)	714	(137,976)	
Purchases, including capitalized PIK(1)	145,450	93,202	105	967	4,825		244,549	
Sales	(60,598)	(51,869)	(216)				(112,683)	
Transfer in and/or out of Level 3(2)								
Ending Balance, June 30, 2010	\$ 917,505	\$ 1,604,384	\$ 24,847	\$ 30,420	\$ 260,191	\$ 10,949	\$ 2,848,296	

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.

	\$ (10,943)	\$ (95,323)	\$ (949)	\$ (4,415)	\$ (25,643)	\$ 714	\$ (136,559)
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(1) Includes amortization of approximately \$980, \$6,233, \$105, \$47, \$0, \$0, and \$7,365, 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.

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

(in thousands except share and per share amounts)

The following chart shows the components of change in our investments categorized as Level 3, for the three months ended June 30, 2009.

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

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

	\$ 25,925	\$ 46,135	\$ (14,137)	\$ 3,802	\$ 61,725
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- (1) Includes amortization of discount on debt securities of approximately \$6,513, \$0, \$71, \$94, and \$6,678, 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 categorizes investments by class as shown above. With the adoption of fair value measurement and disclosure guidance, the Company has reclassified the beginning balance, March 31, 2009, to conform to the current period's presentation.

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

(in thousands except share and per share amounts)

Note 7. Foreign Currency Transactions and Translations

At June 30, 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:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
British Pound	£ 2,000	\$ 3,565	\$ 2,992	07/14/2010	\$ 573
Canadian Dollar	C\$ 11,113	10,505	10,458	07/21/2010	47
British Pound	£ 37,500	59,395	56,104	07/28/2010	3,291
Euro	45,000	58,921	55,121	07/28/2010	3,800
Canadian Dollar	C\$ 29,700	25,161	27,949	08/25/2010	(2,788)
Canadian Dollar	C\$ 23,000	19,615	21,644	09/08/2010	(2,029)
Euro	11,500	15,058	14,086	09/28/2010	972
British Pound	£ 13,000	21,471	19,449	09/28/2010	2,022
Canadian Dollar	C\$ 27,000	23,464	25,408	09/29/2010	(1,944)
Canadian Dollar	C\$ 3,000	2,317	2,823	09/30/2010	(506)
		\$ 239,472	\$ 236,034		\$ 3,438

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:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
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)

Note 8. Expense Offset Arrangement

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The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. (custodian bank) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the three months ended June 30, 2010 and June 30, 2009 were \$0 and \$0, respectively.

Table of Contents**APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)****(in thousands except share and per share amounts)****Note 9. Cash Equivalents**

There were \$199,923 and \$449,828 of cash equivalents held, at value, as of June 30, 2010 and March 31, 2010, 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 June 30, 2010 or March 31, 2010.

Note 11. Financial Highlights

The following is a schedule of financial highlights for the three months ended June 30, 2010 and the year ended March 31, 2010:

	Three months ended June 30, 2010 (unaudited)	Year ended March 31, 2010
Per Share Data:		
Net asset value, beginning of period	\$ 10.06	\$ 9.82
Net investment income	0.22	1.26
Net realized and unrealized gain (loss)	(0.63)	0.45
Net increase (decrease) in net assets resulting from operations	(0.41)	1.71
Dividends to stockholders(1)	(0.29)	(1.14)
Effect of anti-dilution (dilution)	0.15	(0.33)
Offering costs*		
Net asset value at end of period	\$ 9.51	\$ 10.06
Per share market price at end of period	\$ 9.33	\$ 12.73
Total return(2)	(24.5%)	313.0%
Shares outstanding at end of period	193,844,627	176,213,918
Ratio/Supplemental Data:		
Net assets at end of period (in millions)	\$ 1,842.9	\$ 1,772.8
Ratio of net investment income to average net assets	2.14%	12.36%

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Ratio of operating expenses to average net assets	1.45%	7.21%
Ratio of credit facility related expenses to average net assets	0.52%	1.52%
Ratio of total expenses to average net assets	1.97%	8.73%
Average debt outstanding	\$ 1,004,920	\$ 1,041,084
Average debt per share	\$ 5.35	\$ 6.53
Portfolio turnover ratio	4.0%	17.2%

- (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

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

- in the United States of America. Per share amounts reflect total dividends paid divided by average shares for the respective periods.
- (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.

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 \$1,004,920 and \$1,041,084 for the three months ended June 30, 2010 and for the fiscal year ended March 31, 2010, respectively. The weighted average annual interest cost for the three months ended June 30, 2010 was 2.95%, exclusive of 1.00% for commitment fees and for other prepaid expenses related to establishing the Facility. The weighted average annual interest cost for the three months ended June 30, 2009 was 1.59%, exclusive of 0.25% for commitment fees and for other prepaid expenses related to establishing the Facility. This 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 three months ended June 30, 2010 and the fiscal year ended March 31, 2010 was \$1,135,728 and \$1,163,167, respectively, at value. The remaining capacity under the Facility was \$565,716 at June 30, 2010. At June 30, 2010, the Company was in compliance with all financial covenants required by the Facility.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Note 13. Commitments and Contingencies

The Company has the ability to issue standby letters of credit through its revolving credit facility. At June 30, 2010 and June 30, 2009, the Company had issued standby letters of credit through JPMorgan Chase Bank, N.A. totaling \$3,708 and \$3,508, respectively.

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 State Supreme Court, New York County (the "New York Court"). The Complaint alleges that the Company guaranteed certain property improvement projects which InnKeepers has failed to timely complete. The Complaint asserts a single claim for specific performance of the Company's guaranty. On June 30, 2010, the Company filed a motion to dismiss with the New York Court. As of August 4, 2010, the New York Court had not ruled on the Company's motion to dismiss. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses.

On June 6, 2010, the Company provided commitments to Altegrity Holding Corp. ("Altegrity Holding") and Altegrity, Inc. ("Altegrity") (entities owned and controlled by affiliates of Providence Equity Partners VI L.P.) to purchase \$210,000 of senior notes to be issued by Altegrity (the "Senior Notes") and to make a \$21,000 equity investment (the "Equity Investment") in Altegrity Holdings to fund a portion of the acquisition (the "Acquisition") of Kroll, Inc. ("Kroll") by Altegrity. A portion of the Equity Investment may be in the form of junior subordinated notes to be issued by Altegrity (the "Junior Subordinated Notes"), and together with the Equity Investment, the "Equity").

The transaction closed on August 3, 2010, whereby the Company purchased \$130,000 of the Senior Notes and \$15,500 of the Equity.

Note 14. Subsequent Events

On April 13, 2010, InnKeepers USA Trust ("InnKeepers"), a subsidiary of Grand Prix Holdings, LLC, a portfolio company of the Company, disclosed that it had not made certain scheduled monthly interest payments on certain of its debt obligations, and had retained financial and legal advisors to assist it in an evaluation of financial alternatives, including a potential restructuring of its balance sheet.

On July 19, 2010, Innkeepers disclosed that it had filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 11 of the United States Bankruptcy Code in order to effectuate a pre-arranged plan of reorganization (the "Plan"). In addition, on the same day the Company entered into a letter agreement (the "Letter Agreement") with Lehman ALI, Inc. ("Lehman"), the lender to Innkeepers under a floating rate mortgage loan agreement dated as of June 29, 2007. The Letter Agreement provides that, following confirmation by the Bankruptcy Court of the Plan and prior to the effective date of the Plan, Lehman and AIC will enter into a purchase agreement pursuant to which Lehman will sell to AIC the right to receive 50% of the equity in the reorganized Innkeepers received by Lehman in connection with the consummation of the Plan (representing approximately 48.5% of the reorganized Innkeepers) in exchange for cash in an amount equal to \$107,500. The Letter Agreement is terminable in a number of circumstances including at the election of either party for any reason on or before September 1, 2010, unless extended.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Apollo Investment Corporation

We have reviewed the accompanying statements of assets and liabilities of Apollo Investment Corporation (the Company), including the schedule of investments, as of June 30, 2010 and the related statements of operations for the three month periods ended June 30, 2010 and June 30, 2009, and the statement of cash flows for the three month periods ended June 30, 2010 and June 30, 2009, and the statement of changes in net assets for the three month period ended June 30, 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities, including the schedule of investments, as of March 31, 2010, and the related statement of operations, of cash flows, and statement of changes in net assets for the year then ended, and in our report dated May 26, 2010, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying statement of assets and liabilities as of March 31, 2010 and in the statement of changes in net assets for the year then ended, is fairly stated in all material respects in relation to the statement of assets and liabilities from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

New York, New York

August 4, 2010

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Item 2. 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 June 30, 2010, we have raised approximately \$1.9 billion in net proceeds from additional offerings of common stock.

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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 payment-in-kind (PIK) interest or dividends. Such amounts of accrued 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;

registration and listing fees;

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

transfer agent and custodial fees;

taxes;

independent directors' fees and expenses;

marketing and distribution-related expenses;

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

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 the three months ended June 30, 2010, we invested \$221 million across 3 new and 8 existing portfolio companies, through a mix of primary and opportunistic secondary market purchases. This compares to investing \$61 million in 4 existing portfolio companies for the three months ended June 30, 2009. Investments sold or prepaid during the three months ended June 30, 2010 totaled \$114 million versus \$70 million for the three months ended June 30, 2009.

At June 30, 2010, our net portfolio consisted of 68 portfolio companies and was invested 32% in senior secured loans, 57% 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, 3% in preferred equity and 13% in common equity and warrants at June 30, 2009.

The weighted average yields on our senior secured loan portfolio, subordinated debt portfolio and total debt portfolio as of June 30, 2010 at our current cost basis were 8.8%, 13.3%, and 11.7%, respectively. At June 30, 2009, the yields were 7.9%, 13.4%, and 11.8%, respectively.

Since the initial public offering of Apollo Investment in April 2004 and through June 30, 2010, invested capital totaled \$6.5 billion in 131 portfolio companies. Over the same period, Apollo Investment completed transactions with more than 85 different financial sponsors.

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At June 30, 2010, 61% or \$1.6 billion of our income-bearing investment portfolio is fixed rate debt and 39% or \$1.0 billion is floating rate debt, measured at fair value. On a cost basis, 63% or \$1.8 billion of our income-bearing investment portfolio is fixed rate debt and 37% or \$1.1 billion is floating rate debt. At June 30, 2009, 67% or \$1.5 billion of our income-bearing investment portfolio was fixed rate debt and 33% or \$0.7 billion was

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floating rate debt. On a cost basis, 66% or \$1.9 billion of our income-bearing investment portfolio was fixed rate debt and 34% or \$1.0 billion was floating rate debt.

On April 13, 2010, InnKeepers USA Trust (InnKeepers), a subsidiary of Grand Prix Holdings, LLC, a portfolio company of the Company, disclosed that it had not made certain scheduled monthly interest payments on certain of its debt obligations, and had 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 State Supreme Court, New York County (the New York Court). The Complaint alleges that the Company guaranteed certain property improvement projects which InnKeepers has failed to timely complete. The Complaint asserts a single claim for specific performance of the Company's guaranty. On June 30, 2010, the Company filed a motion to dismiss with the New York Court. As of August 4, 2010, the New York Court had not ruled on the Company's motion to dismiss. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses.

On July 19, 2010, Innkeepers disclosed that it had filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) under Chapter 11 of the United States Bankruptcy Code in order to effectuate a pre-arranged plan of reorganization (the Plan). In addition, on the same day the Company entered into a letter agreement (the Letter Agreement) with Lehman ALI, Inc. (Lehman), the lender to Innkeepers under a floating rate mortgage loan agreement dated as of June 29, 2007. The Letter Agreement provides that, following confirmation by the Bankruptcy Court of the Plan and prior to the effective date of the Plan, Lehman and AIC will enter into a purchase agreement pursuant to which Lehman will sell to AIC the right to receive 50% of the equity in the reorganized Innkeepers received by Lehman in connection with the consummation of the Plan (representing approximately 48.5% of the reorganized Innkeepers) in exchange for cash in an amount equal to \$107.5 million. The Letter Agreement is terminable in a number of circumstances including at the election of either party for any reason on or before September 1, 2010, unless extended.

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

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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.

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 quarter ended June 30, 2010, there has been no change to the Company's valuation techniques and related inputs considered in the valuation process.

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.

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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.

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 three months ended June 30, 2010 and June 30, 2009.

Investment Income

For the three months ended June 30, 2010 and June 30, 2009, gross investment income totaled \$78.2 million and \$82.6 million, respectively. The decrease in gross investment income from the June 2009 quarter to the June 2010 quarter was primarily due to the reduction in the size of the income-producing portfolio as compared to the previous June quarter.

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Expenses

Expenses totaled \$37.4 million and \$33.2 million, respectively, for the three months ended June 30, 2010 and June 30, 2009, of which \$24.8 million and \$25.1 million, respectively, were base management fees and performance-based incentive fees and \$9.9 million and \$5.1 million, respectively, were interest and other credit facility expenses. Of these expenses, general and administrative expenses totaled \$2.8 million and \$3.1 million, respectively, for the three months ended June 30, 2010 and 2009. 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 increase in expenses from the June 2009 to the June 2010 quarter was primarily related to the increase in interest and other credit facility expenses due to the December 2009 amendment to our revolving credit facility.

Net Investment Income

The Company's net investment income totaled \$40.8 million and \$49.3 million, or \$0.22, and \$0.35, on a per average share basis, respectively, for the three months ended June 30, 2010 and June 30, 2009.

Net Realized Gains (Losses)

The Company had investment sales and prepayments totaling \$114 million and \$70 million, respectively, for the three months ended June 30, 2010 and June 30, 2009. Net realized gains for the three months ended June 30, 2010 were \$3.9 million. For the June 2009 quarter, net losses totaled \$98.2 million. Net realized gains for the June 2010 quarter were primarily derived from foreign currencies. Net realized losses for the June 2009 quarter were primarily derived from selective exits of underperforming investments.

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

For the three months ended June 30, 2010, net change in unrealized depreciation on the Company's investments, cash equivalents, foreign currencies and other assets and liabilities totaled \$129.0 million. For the three months ended June 30, 2009, net change in unrealized appreciation totaled \$133.4 million. Net unrealized depreciation for the three months ended June 2010 was primarily due to net changes in specific portfolio company fundamentals and slightly weaker capital market conditions. For the three months ended June 2009, an increase in unrealized appreciation was recognized from higher fair value determinations on many of our investments. These higher fair values were driven primarily from improving conditions in the capital markets.

Net Increase (Decrease) in Net Assets From Operations

For the three months ended June 30, 2010, the Company had a net decrease in net assets resulting from operations of \$84.3 million. For the three months ended June 30, 2009, the Company had a net increase in net assets resulting from operations of \$84.5 million. For the three months ended June 30, 2010, loss per average share was \$0.45. For the three months ended June 30, 2009, earnings per average share were \$0.59.

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 June 30, 2010, the Company had \$993 million in borrowings outstanding and \$566 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

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debt outstanding and other general corporate purposes. On May 3, 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.

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(n) 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 \$199.9 million of cash equivalents held, at value, as of June 30, 2010.

	Payments due by Period as of June 30, 2010 (dollars in millions)				
	Total	Less than	1-3 years	3-5 years	More than
		1 year			5 years
Senior Secured Revolving Credit Facility (1)	\$ 993	\$	\$ 242	\$ 751	\$

(1) At June 30, 2010, \$566 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)
Revolving Credit Facility				
Fiscal 2011 (through June 30, 2010)	\$ 993,034	\$ 2,856	\$	N/A
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				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.

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We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which AIM has agreed to serve as our investment adviser, and the administration agreement, pursuant to which the Administrator has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our average gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount 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 June 30, 2010 and June 30, 2009, the Company had issued through JPMorgan Chase Bank, N.A. standby letters of credit totaling \$3,708 and \$3,508, respectively.

On June 6, 2010, the Company provided commitments to Altegrity Holding Corp. (Altegrity Holding) and Altegrity, Inc. (Altegrity) (entities owned and controlled by affiliates of Providence Equity Partners VI L.P.) to purchase \$210,000 of senior notes to be issued by Altegrity (the Senior Notes) and to make a \$21,000 equity investment (the Equity Investment) in Altegrity Holdings to fund a portion of the acquisition (the Acquisition) of Kroll, Inc. (Kroll) by Altegrity. A portion of the Equity Investment may be in the form of junior subordinated notes to be issued by Altegrity (the Junior Subordinated Notes), and together with the Equity Investment, the Equity).

The transaction closed on August 3, 2010, whereby the Company purchased \$130,000 of the Senior Notes and \$15,500 of the Equity.

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

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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 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. During the three months ended June 30, 2010, \$1,700 of net capital was provided to AIC Holdco.

Dividends

Dividends paid to stockholders for the three months ended June 30, 2010 and June 30, 2009 totaled \$54.3 million or \$0.28 per share, and \$37.0 million or \$0.26 per share, respectively. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year. Our quarterly dividends, if any, will be determined by our Board of Directors.

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

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

With respect to the dividends 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 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the three months ended June 30, 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 June 30, 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 three months ended June 30, 2010, we did not engage in interest rate hedging activities.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of June 30, 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 SECs 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) Changes in Internal Controls Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the first quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 13, 2010, InnKeepers USA Trust (InnKeepers), a subsidiary of Grand Prix Holdings, LLC, a portfolio company of the Company, disclosed that it had not made certain scheduled monthly interest payments on certain of its debt obligations, and had 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 State Supreme Court, New York County (the New York Court). The Complaint alleges that the Company guaranteed certain property improvement projects which InnKeepers has failed to timely complete. The Complaint asserts a single claim for specific performance of the Company's guaranty. On June 30, 2010, the Company filed a motion to dismiss with the New York Court. As of August 4, 2010, the New York Court had not ruled on the Company's motion to dismiss. The Company intends to vigorously defend the lawsuit, to which it believes it has meritorious defenses.

On July 19, 2010, Innkeepers disclosed that it had filed a voluntary petition in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) under Chapter 11 of the United States Bankruptcy Code in order to effectuate a pre-arranged plan of reorganization (the Plan).

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010, which could materially affect our business, financial condition and/or operating results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 5. Other Information

None.

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Item 6. Exhibits

(a) Exhibits

Listed below are the exhibits that are filed as part of this report (according to the number assigned to them in Item 601 of Regulation S-K):

- 3.1 Articles of Amendment and Restatement, as amended (1)
- 3.2 Third Amended and Restated Bylaws (2)
- 4.1 Form of Stock Certificate (3)
- 10.1 Amended and Restated Investment Advisory Management Agreement between Registrant and Apollo Investment Management, L.P. (4)
- 10.2 Amended and Restated Administration Agreement between Registrant and Apollo Investment Administration, LLC (4)
- 10.3 Dividend Reinvestment Plan (3)
- 10.4 Custodian Agreement (3)
- 10.5 License Agreement between the Registrant and Apollo Management, L.P. (4)
- 10.6 Form of Transfer Agency and Service Agreement (4)
- 10.7 Amended and Restated Senior Secured Revolving Credit Agreement (5)
- 22.1 Proxy Statement (6)
- 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 post-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2, filed on August 14, 2006.
- (2) Incorporated by reference from the Registrant's Form 8-K filed on November 6, 2009.
- (3) 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.
- (4) Incorporated by reference from the Registrant's Form 10-K, filed on May 26, 2010.
- (5) Incorporated by reference from the Registrant's Form 8-K filed on December 23, 2009.
- (6) Incorporated by reference from the Registrant's 14A filed on June 18, 2010.

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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 on August 4, 2010.

APOLLO INVESTMENT CORPORATION

By: /s/ JAMES C. ZELTER

James C. Zelter

Chief Executive Officer

By: /s/ RICHARD L. PETEKA

Richard L. Peteka

Chief Financial Officer and Treasurer