APOLLO INVESTMENT CORP
Form 497
August 13, 2009
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File No. 333-153879

P R O S P E C T U S S U P P L E M E N T

To the Prospectus dated August 6, 2009

18,000,000 shares

Common stock

$8.75 per share

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

We are offering for sale 18,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 2,700,000 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

Our common stock is traded on the Nasdaq Global Select Market under the symbol AINV . The last reported closing price for our common stock on August 12, 2009 was $9.00 per share.

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

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

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

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

	Per share	Total
Public Offering Price	$8.75	$ 157,500,000
Sales Load (Underwriting Discounts and Commissions)	$0.39	$ 7,087,500
Proceeds to Apollo Investment Corporation (before estimated expenses of $300,000)	$8.36	$ 150,412,500

The underwriters expect to deliver the shares to purchasers on or about August 18, 2009.

Citi

BofA Merrill Lynch

J.P. Morgan

Wells Fargo Securities

SunTrust Robinson Humphrey **BMO Capital Markets** **RBC Capital Markets** **Keefe, Bruyette & Woods**

Prospectus Supplement dated August 12, 2009

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

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PROSPECTUS

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.50%[(1)]
Offering expenses (as a percentage of offering price)	0.19%[(2)]
Total stockholder transaction expenses (as a percentage of offering price)	4.69%[(3)]
Estimated annual expenses (as percentage of net assets attributable to common stock)[(4)]:	
Management fees	3.19%[(5)]
Incentive fees payable under investment advisory and management agreement	3.10%[(6)]
Other expenses	0.78%[(7)]
Interest and other credit facility related expenses on borrowed funds	1.27%[(8)]
Total annual expenses as a percentage of net assets[(9)]	8.34%[(5,6,7,8)]

Example

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

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 97	$ 196	$ 295	$ 541

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

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

(1) Represents the estimated underwriting discounts and commissions with respect to the shares to be sold by us in this offering.
(2) Based on the public offering price of $8.75 per share.

(3) The expenses of the dividend reinvestment plan per share are included in Other expenses.

(4) Net assets attributable to common stock equals net assets as of June 30, 2009 plus the anticipated net proceeds from this offering.

(5) The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our financial statements dated March 31, 2009 included in the accompanying base prospectus.

(6) Assumes that annual incentive fees earned by our investment adviser, AIM, remain consistent with the incentive fees accrued by AIM for the current fiscal quarter. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the performance threshold but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, AIM will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee performance threshold and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. Furthermore, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement in the accompanying base prospectus.

(7) Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo Investment Administration in performing its obligations under the administration agreement. See Compensation of Directors and Officers Administration Agreement in the accompanying base prospectus.

(8) Our interest and other credit facility expenses are based on current fiscal year estimates. We currently have $0.63 billion available and $1.07 billion in borrowings outstanding under our credit facility as of June 30, 2009. For more information, see Risk Factors Risks relating to our business and structure We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. In the accompanying base prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

(9) Total annual expenses as a percentage of net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of total assets as of June 30, 2009 plus anticipated net proceeds from this offering, our Total annual expenses would be 4.97% of total assets. For a presentation and calculation of total annual expenses based on total assets see page S-13 of this prospectus supplement.

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BUSINESS

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

Apollo Investment

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

Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, as well as by making equity investments. From time to time, we may also invest in the securities of public companies as well as public companies whose securities are thinly traded.

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

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

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

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

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

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

About Apollo Investment Management

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

About Apollo Investment Administration

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

Our Corporate Information

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

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 18,000,000 shares of our common stock that we are offering, after deducting estimated expenses of this offering payable by us, will be approximately $150.1 million (or $172.7 million, if the over-allotment is exercised in full) based on a public offering price of $8.75 per share. We expect to use the net proceeds from selling shares of our common stock to repay indebtedness owed under our senior credit facility, to make investments in portfolio companies in accordance with our investment objective and for general corporate purposes.

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

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

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PRICE RANGE OF COMMON STOCK

Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV . The following table lists the high and low closing prices for our common stock, the closing price as a percentage of net asset value, or NAV, and quarterly dividends per share since our initial public offering in April 2004. On August 12, 2009, the last reported closing price of our common stock was $9.00 per share.

		Closing Price		High Closing Price as a Percentage of NAV(2)	Low Closing Price as a Percentage of NAV(2)	Declared Dividends
	NAV(1)	High	Low			
Fiscal Year Ending March 31, 2010						
First Fiscal Quarter	$ 10.15	$ 7.02	$ 3.97	69%	39%	$ 0.26
Second Fiscal Quarter (through August 12, 2009)	*	$ 9.35	$ 5.18	*	*	$ 0.28
Fiscal Year Ended March 31, 2009						
First Fiscal Quarter	$ 15.93	$ 18.59	$ 14.33	117%	90%	$ 0.520
Second Fiscal Quarter	$ 13.73	$ 17.99	$ 13.11	131%	95%	$ 0.520
Third Fiscal Quarter	$ 9.87	$ 15.85	$ 6.08	161%	62%	$ 0.520
Fourth Fiscal Quarter	$ 9.82	$ 9.76	$ 2.05	99%	21%	$ 0.260
Fiscal Year Ended March 31, 2008						
First Fiscal Quarter	$ 19.09	$ 24.13	$ 21.37	126%	112%	$ 0.510
Second Fiscal Quarter	$ 18.44	$ 22.90	$ 19.50	124%	106%	$ 0.520
Third Fiscal Quarter	$ 17.71	$ 21.81	$ 16.32	123%	92%	$ 0.520
Fourth Fiscal Quarter	$ 15.83	$ 16.70	$ 14.21	105%	90%	$ 0.520
Fiscal Year Ended March 31, 2007						
First Fiscal Quarter	$ 15.59	$ 19.39	$ 17.74	124%	114%	$ 0.450
Second Fiscal Quarter	$ 16.14	$ 20.81	$ 17.96	129%	111%	$ 0.470
Third Fiscal Quarter	$ 16.36	$ 23.27	$ 20.56	142%	126%	$ 0.500
Fourth Fiscal Quarter	$ 17.87	$ 24.12	$ 20.30	135%	114%	$ 0.510
Fiscal Year Ended March 31, 2006						
First Fiscal Quarter	$ 14.19	$ 18.75	$ 15.66	132%	110%	$ 0.310
Second Fiscal Quarter	$ 14.29	$ 20.40	$ 17.63	143%	123%	$ 0.430
Third Fiscal Quarter	$ 14.41	$ 19.97	$ 17.92	139%	124%	$ 0.440
Fourth Fiscal Quarter	$ 15.15	$ 19.51	$ 17.81	129%	118%	$ 0.450
Fiscal Year Ended March 31, 2005						
First Fiscal Quarter (period from April 8, 2004(3) to June 30, 2004)	$ 14.05	$ 15.25	$ 12.83	109%	91%	
Second Fiscal Quarter	$ 14.10	$ 14.57	$ 13.06	103%	93%	$ 0.045
Third Fiscal Quarter	$ 14.32	$ 15.13	$ 13.43	106%	94%	$ 0.180
Fourth Fiscal Quarter	$ 14.27	$ 17.62	$ 14.93	123%	105%	$ 0.260

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.
(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.
(3) Commencement of operations.
* Net asset value has not yet been calculated for this period.

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

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

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SELECTED FINANCIAL DATA

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

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

All amounts in thousands, except per share data.

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

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

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CAPITALIZATION

The following table sets forth our cash and capitalization as of June 30, 2009 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 18,000,000 shares of our common stock in this offering at an offering price of $8.75 per share. You should read this table together with Use of Proceeds and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying base prospectus.

All amounts in thousands, except share data

	As of June 30, 2009	
	Actual	As Adjusted for August 2009 Offering(1)
Cash and cash equivalents	$ 5,116	$ 155,229
Total assets	$ 2,608,086	$ 2,758,199
Borrowings under senior credit facility	$ 1,071,899	$ 1,071,899
Common stock, par value $0.001 per share; 400,000,000 shares authorized, 142,221,335 shares issued and outstanding, 160,221,335 shares issued and outstanding, as adjusted, respectively	$ 142	$ 160
Capital in excess of par value	$ 2,352,205	$ 2,502,300
Distributable earnings(2)	$ (908,712)	$ (908,712)
Total stockholders equity	$ 1,443,635	$ 1,593,748
Total capitalization	$ 2,515,534	$ 2,665,647

(1) Does not include the underwriters over-allotment option.

(2) Includes cumulative net investment income or loss, cumulative amounts of gains and losses realized from investment and foreign currency transactions and net unrealized appreciation or depreciation of investments and foreign currencies, and distributions paid to stockholders other than tax return of capital distributions. Distributable earnings is not intended to represent amounts we may or will distribute to our stockholders.

(3) As described under Use of Proceeds, we intend to use a part of the net proceeds from this offering initially to repay a portion of the borrowings outstanding under our senior credit facility. We have not yet determined how much of the net proceeds of this offering will be used for this purpose and, as a result, we have not reflected the consequences of such repayment in this table.

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FORWARD-LOOKING STATEMENTS

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

- our future operating results;
- our business prospects and the prospects of our portfolio companies;
- the impact of investments that we expect to make or have made;
- our contractual arrangements and relationships with third parties;
- the dependence of our future success on the general economy and its impact on the industries in which we invest;
- the ability of our portfolio companies to achieve their objectives;
- our expected financings and investments;
- the adequacy of our cash resources and working capital; and
- the timing of cash flows, if any, from the operations of our portfolio companies.

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

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

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INTERIM MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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

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

Investments

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

Revenue

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

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Expenses

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

- investment advisory and management fees;
- expenses incurred by AIM payable to third parties, including agents, consultants or other advisors, in monitoring our financial and legal affairs and in monitoring our investments and performing due diligence on our prospective portfolio companies;
- calculation of our net asset value (including the cost and expenses of any independent valuation firm);
- direct costs and expenses of administration, including independent registered public accounting and legal costs;
- costs of preparing and filing reports or other documents with the SEC;
- interest payable on debt, if any, incurred to finance our investments;
- offerings of our common stock and other securities;
- registration and listing fees;
- fees payable to third parties, including agents, consultants or other advisors, relating to, or associated with, evaluating and making investments;
- transfer agent and custodial fees;
- taxes;
- independent directors fees and expenses;
- marketing and distribution-related expenses;
- the costs of any reports, proxy statements or other notices to stockholders, including printing and postage costs;

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

- organization and offering; and

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

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

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

Annual expenses (as percentage of total assets):	
Management fees	2.00%(1)
Incentive fees payable under investment advisory and management agreement	1.79%(2)
Other expenses	0.45%(3)
Interest and other credit facility related expenses on borrowed funds	0.73%(4)
Total annual expenses as a percentage of total assets	4.97%(1,2,3,4)

(1) The contractual management fee is calculated at an annual rate of 2.00% of our average gross total assets. Annual expenses are based on current fiscal year amounts. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our interim financial statements dated June 30, 2009 included in this prospectus supplement.

(2) Assumes that annual incentive fees earned by our investment adviser, AIM, remain consistent with the incentive fees earned by AIM for the fiscal year ended March 31, 2009. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 1 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed 1.75%, which we commonly refer to as the performance threshold; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the performance threshold but does not exceed 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months. The effect of the fee calculation described above is that if pre-incentive fee net investment income is equal to or exceeds 2.1875%, AIM will receive a fee of 20% of our pre-incentive fee net investment income for the quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee performance threshold and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. Furthermore, since the performance threshold is based on a percentage of our net asset value, decreases in our net asset value make it easier to achieve the performance threshold. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement in this base prospectus.

(3) Other expenses are based on estimated amounts for the current fiscal year and include our overhead expenses, including payments under the administration agreement based on our allocable portion of overhead and other expenses incurred by AIA in performing its obligations under the administration agreement. See Management Administration Agreement in this base prospectus.

(4) Our interest and other credit facility expenses are based on current fiscal year estimates. As of June 30, 2009, we had $0.63 billion available and $1.07 billion in borrowings outstanding under our credit facility. For more information, see Risk Factors Risks relating to our business and structure We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts

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

Portfolio and Investment Activity

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

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

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

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

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

CRITICAL ACCOUNTING POLICIES

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

Valuation of Portfolio Investments

Under procedures established by our board of directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available, at such market quotations (unless they are deemed not to represent fair value). We attempt to obtain market quotations from at least two brokers or dealers (if available, otherwise from a principal market maker or a primary market dealer or other independent pricing service). We utilize mid-market pricing as a practical expedient for fair value unless a different point within the range is more representative. If and when market quotations are deemed not to represent fair value, we typically utilize independent third party valuation firms to assist us in determining fair value. Given the continued market dislocation, the limited trading activity, and the level of forced sellers we noted in the market during the fiscal quarter ended June 30, 2009, our research and diligence concluded that the limited but available market quotations on a number of performing or outperforming credits may not be representative of fair value under generally accepted accounting principles in the U.S. Accordingly, such investments went through our multi-step valuation process as described below. In each case, our independent valuation firms considered observable market inputs together with significant unobservable inputs in arriving at their valuation recommendations for such Level 3 categorized assets. Investments maturing in 60 days or less are valued at cost plus accreted discount, or minus amortized premium, which approximates fair value. Debt and equity securities that are not publicly traded or whose market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates.

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

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

(2) preliminary valuation conclusions are then documented and discussed with senior management of our investment adviser;

(3) independent valuation firms engaged by our board of directors conduct independent appraisals and review our investment adviser s preliminary valuations and make their own independent assessment;

(4) the audit committee of the board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firm and responds to the valuation recommendation of the independent valuation firm to reflect any comments; and

(5) the board of directors discusses valuations and determines the fair value of each investment in our portfolio in good faith based on the input of our investment adviser, the respective independent valuation firm and the audit committee.

Investments are valued utilizing a market approach, an income approach, or both approaches, as appropriate. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business). The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. In following these approaches, the types of factors that we may take into account in fair value pricing our investments include, as relevant: available current market data, including relevant and applicable market trading and transaction comparables, applicable market yields and multiples, security covenants, call protection provisions, information rights, the nature and realizable value of any collateral, the portfolio company s ability to make payments, its earnings and discounted cash flows, the markets in which the portfolio company does business, comparisons of financial ratios of peer companies that are public, M&A comparables, our principal market (as the reporting entity) and enterprise values, among other factors. For the fiscal quarter ended June 30, 2009, there has been no change to our valuation techniques and related inputs considered in the valuation process.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements. This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. We adopted this statement for our first fiscal quarter ended June 30, 2008.

SFAS No. 157 classifies the inputs used to measure these fair values into the following hierarchy:

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

Revenue Recognition

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

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

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

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

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RESULTS OF OPERATIONS

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

Investment Income

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

Expenses

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

Net Investment Income

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

Net Realized Losses

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

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

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

Net Increase in Net Assets From Operations

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

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LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

Contractual Obligations

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

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

Off-Balance Sheet Arrangements

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

AIC Credit Opportunities Fund LLC

We own all of the common member interests in AIC Credit Opportunity Fund LLC (AIC Holdco), which was formed for the purpose of holding various financed investments. Effective in June 2008, we invested $39.50 million in a special purpose entity wholly owned by AIC Holdco, AIC (FDC) Holdings LLC (Apollo FDC), which was used to purchase a Junior Profit-Participating Note due 2013 in principal amount of $39.50 million (the Junior Note) from Apollo I Trust (the Trust). The Trust also issued a Senior Floating Rate Note due 2013 (the Senior Note) to an unaffiliated third party (FDC Counterparty) in principal amount of $39.50 million paying interest at Libor plus 1.50%, increasing over time to Libor plus 2.0%. The Trust used the aggregate $79.00 million proceeds to acquire $100 million face value of a senior subordinated loan of First Data Corporation (the FDC Reference Obligation) due 2016 and paying interest at 11.25% per year. The Junior Note generally entitles Apollo FDC to the net interest and other proceeds due under the FDC Reference Obligation after payment of interest due under the Senior Notes, as described above. In addition, Apollo FDC is entitled to 100% of any realized appreciation in the FDC Reference Obligation and, since the Senior Note is a non-recourse obligation, Apollo FDC is exposed up to the amount of equity used by AIC Holdco to fund the purchase of the Junior Note plus any additional margin Apollo decides to post, if any, during the term of the financing.

Through AIC Holdco, effective in June 2008, we invested $11.37 million in a special purpose entity wholly owned by AIC Holdco, AIC (TXU) Holdings LLC (Apollo TXU), which acquired exposure to $50 million notional amount of a Libor plus 3.5% senior secured delayed draw term loan of Texas Competitive Electric Holdings (TXU) due 2014 through a non-recourse total return swap with an unaffiliated third party expiring on October 10, 2013 and pursuant to which Apollo TXU pays interest at Libor plus 1.5% and generally receives all proceeds due under the delayed draw term loan of TXU (the TXU Reference Obligation). Like Apollo FDC, Apollo TXU is entitled to 100% of any realized appreciation in the TXU Reference Obligation and, since the total return swap is a non-recourse obligation, Apollo TXU is exposed up to the amount of equity used by AIC Holdco to fund the investment in the total return swap, plus any additional margin we decide to post, if any, during the term of the financing.

Through AIC Holdco, effective in September 2008, we invested $10.02 million equivalent, in a special purpose entity wholly owned by AIC Holdco, AIC (Boots) Holdings, LLC (Apollo Boots), which acquired 23.38 million and £12.46 million principal amount of senior term loans of AB Acquisitions Topco 2 Limited, a holding company for the Alliance Boots group of companies (the Boots Reference Obligations), out of the proceeds of our investment and a multicurrency $40.87 million equivalent non-recourse loan to Apollo Boots (the Acquisition Loan) by an unaffiliated third party that matures in September 2013 and pays interest at LIBOR plus 1.25% or, in certain cases, the higher of the Federal Funds Rate plus 0.50% or the lender s prime-rate. The Boots Reference Obligations pay interest at the rate of LIBOR plus 3% per year and mature in June 2015.

Pursuant to applicable investment company accounting, we do not consolidate AIC Holdco or its wholly owned subsidiaries and accordingly only the value of our investment in AIC Holdco is included on our balance sheet. The Senior Note, total return swap and Acquisition Loan are non-recourse to AIC Holdco, its subsidiaries and us and have standard events of default including failure to pay contractual amounts when due and failure by each of the underlying Apollo special purpose entities to provide additional credit support, sell assets or prepay a portion of its obligations if the value of the FDC Reference Obligation, the TXU Reference Obligation or the Boots Reference Obligation, as applicable, declines below specified levels. We may unwind any of these transactions at any time without penalty. From time to time we may provide additional capital to AIC Holdco for purposes of funding margin calls under one or more of the transactions described above. During the fiscal year ended March 31, 2009, we provided $18.48 million in additional capital to AIC Holdco. During the three months ended June 30, 2009, we provided $3.404 million in additional net capital to AIC Holdco.

Dividends

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

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

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

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

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

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QUANTITATIVE AND QUALITATIVE DISCLOSURES

ABOUT MARKET RISK

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

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

Assumed return on portfolio (net of expenses)(1)	**-10.0%**	**-5.0%**	**0%**	**5.0%**	**10.0%**
Corresponding Return to Common Stockholders(2)	-18.10%	-9.45%	-0.80%	7.86%	16.51%

(1) The assumed portfolio return is required by regulation of the SEC and is not a prediction of, and does not represent, our projected or actual performance.

(2) In order to compute the Corresponding Return to Common Stockholders, the Assumed Return on Portfolio is multiplied by the total value of our assets at the beginning of the period to obtain an assumed return to us. From this amount, all interest expense accrued during the period is subtracted to determine the return available to stockholders. The return available to stockholders is then divided by the total value of our net assets as of the beginning of the period to determine the Corresponding Return to Common Stockholders.

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SALES OF COMMON STOCK BELOW NET ASSET VALUE

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

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

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