

APOLLO INVESTMENT CORP
Form 10-Q
February 06, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarter Ended December 31, 2012

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)

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

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

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 February 5, 2013 was 202,891,351.

Table of Contents

APOLLO INVESTMENT CORPORATION

FORM 10-Q FOR THE QUARTER ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1.	<u>FINANCIAL STATEMENTS</u>
	3
	<u>Statements of Assets and Liabilities as of December 31, 2012 and March 31, 2012</u>
	3
	<u>Statements of Operations for the three and nine months ended December 31, 2012 and December 31, 2011</u>
	4
	<u>Statements of Changes in Net Assets for the nine months ended December 31, 2012 and the year ended March 31, 2012</u>
	5
	<u>Statements of Cash Flows for the nine months ended December 31, 2012 and December 31, 2011</u>
	6
	<u>Schedule of Investments as of December 31, 2012</u>
	7
	<u>Schedule of Investments as of March 31, 2012</u>
	15
	<u>Notes to Financial Statements</u>
	22
	<u>Report of Independent Registered Public Accounting Firm</u>
	42
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	43
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	57
Item 4.	<u>Controls and Procedures</u>
	57
PART II. OTHER INFORMATION	
Item 1.	<u>Legal Proceedings</u>
	58
Item 1A.	<u>Risk Factors</u>
	58
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	58
Item 3.	<u>Defaults Upon Senior Securities</u>
	58
Item 4.	<u>Mine Safety Disclosures</u>
	58
Item 5.	<u>Other Information</u>
	58
Item 6.	<u>Exhibits</u>
	59
	<u>Signatures</u>
	60

Table of Contents**PART I. FINANCIAL INFORMATION**

In this Quarterly Report, Apollo Investment, the Company, AIC, 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)

	December 31, 2012 (unaudited)	March 31, 2012
Assets		
Non-controlled/non-affiliated investments, at fair value (cost \$2,514,108 and \$2,642,702, respectively)	\$ 2,355,739	\$ 2,490,672
Controlled investments, at fair value (cost \$301,791 and \$208,882, respectively)	271,284	186,408
Cash	41,521	1,665
Foreign currency (cost \$2,168 and \$1,013, respectively)	2,169	1,013
Receivable for investments sold	36,128	19,606
Interest receivable	42,949	54,409
Dividends receivable	1	2,898
Deferred financing costs	28,621	17,309
Prepaid expenses and other assets	1,086	1,283
Total assets	\$ 2,779,498	\$ 2,775,263
Liabilities		
Debt (see note 7, 9 & 10)	\$ 1,040,944	\$ 1,009,337
Payable for investments	4,000	
Dividends payable	40,578	39,409
Management and performance-based incentive fees payable (see note 3)	25,213	24,402
Interest payable	12,078	10,102
Accrued administrative expenses	1,385	3,420
Other liabilities and accrued expenses	3,153	3,362
Total liabilities	\$ 1,127,351	\$ 1,090,032
Net Assets		
Common stock, par value \$.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 202,891 and 197,043 issued and outstanding, respectively	\$ 203	\$ 197
Paid-in capital in excess of par (see note 2f)	2,936,321	2,886,327
Over-distributed net investment income (see note 2f)	(31,337)	(34,896)
Accumulated net realized loss (see note 2f)	(1,064,137)	(995,426)
Net unrealized depreciation	(188,903)	(170,971)
Total net assets	\$ 1,652,147	\$ 1,685,231
Total liabilities and net assets	\$ 2,779,498	\$ 2,775,263
Net asset value per share	\$ 8.14	\$ 8.55

See notes to financial statements.

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

(in thousands, except per share amounts)

	Three months ended		Nine months ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
INVESTMENT INCOME:				
From non-controlled/non-affiliated investments:				
Interest	\$ 73,245	\$ 77,220	\$ 216,157	\$ 238,264
Dividends	84	1,125	2,102	5,410
Other income	5,121	3,521	13,620	16,761
From non-controlled/affiliated investments:				
Interest				899
From controlled investments:				
Interest	2,431	1,297	5,025	2,565
Dividends	2,331	652	10,473	8,489
Total investment income	\$ 83,212	\$ 83,815	\$ 247,377	\$ 272,388
EXPENSES:				
Management fees (see note 3)	\$ 13,456	\$ 14,693	\$ 40,346	\$ 46,171
Performance-based incentive fees (see note 3)	10,047	9,634	29,919	29,398
Interest and other debt expenses	14,651	16,926	42,757	50,222
Administrative services expense	1,118	1,500	2,637	3,887
Other general and administrative expenses	1,860	2,524	6,424	10,978
Total expenses	41,132	45,277	122,083	140,656
Net investment income	\$ 42,080	\$ 38,538	\$ 125,294	\$ 131,732
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments and cash equivalents	\$ (10,366)	\$ (276,031)	\$ (69,380)	\$ (340,621)
Foreign currencies	1,061	1,036	669	(507)
Net realized loss	(9,305)	(274,995)	(68,711)	(341,128)
Net change in unrealized depreciation/appreciation:				
Investments and cash equivalents	(51,309)	298,005	(14,426)	(7,464)
Foreign currencies	(4,210)	2,149	(3,506)	13,363
Net change in unrealized depreciation/appreciation	(55,519)	300,154	(17,932)	5,899
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	(64,824)	25,159	(86,643)	(335,229)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ (22,744)	\$ 63,697	\$ 38,651	\$ (203,497)

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

EARNINGS GAIN (LOSS) PER SHARE BASIC (see note 5)	\$ (0.11)	\$ 0.32	\$ 0.19	\$ (1.04)
EARNINGS GAIN (LOSS) PER SHARE DILUTED (see note 5)	\$ (0.11)	\$ 0.31	\$ 0.19	\$ (1.04)

See notes to financial statements.

Table of Contents

APOLLO INVESTMENT CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Nine months ended December 31, 2012 (unaudited)	Year ended March 31, 2012
Increase (decrease) in net assets from operations:		
Net investment income	\$ 125,294	\$ 172,742
Net realized loss	(68,711)	(341,443)
Net change in unrealized depreciation/appreciation	(17,932)	82,437
Net increase (decrease) in net assets resulting from operations	38,651	(86,264)
Dividends and distributions to stockholders:		
From net investment income	(121,735)	(172,742)
From other sources		(31,685)
Net dividends and distributions to stockholders:	(121,735)	(204,427)
Capital share transactions:		
Net proceeds from shares sold	50,000	
Less offering costs		(6)
Reinvestment of dividends		14,897
Net increase in net assets from capital share transactions	50,000	14,891
Total decrease in net assets:		
Net assets at beginning of period	1,685,231	1,961,031
Net assets at end of period	\$ 1,652,147	\$ 1,685,231
Capital share activity:		
Shares sold	5,847,953	
Shares issued from reinvestment of dividends		1,541,849
Net increase in capital share activity	5,847,953	1,541,849

See notes to financial statements.

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

(in thousands)

	Nine months ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase (decrease) in net assets resulting from operations	\$ 38,651	\$ (203,497)
<i>Adjustments to reconcile net increase (decrease) :</i>		
PIK interest and dividends	(15,012)	(11,788)
Net amortization on investments	(18,051)	(14,069)
Amortization of deferred financing costs	7,089	7,530
Increase (decrease) from foreign currency transactions	940	(888)
Net change in unrealized depreciation/(appreciation) on investments, cash equivalents and foreign currencies	17,932	(5,899)
Net realized loss on investments, cash equivalents and foreign currencies	68,711	341,128
<i>Changes in operating assets and liabilities:</i>		
Purchase of investments	(1,109,290)	(1,333,476)
Proceeds from disposition of investments and cash equivalents	1,108,555	1,282,605
Decrease (increase) in interest and dividends receivable	14,357	(9,701)
Decrease in prepaid expenses and other assets	197	66
Increase (decrease) in management and performance-based incentive fees payable	811	(3,226)
Increase in interest payable	1,976	911
(Decrease) increase in accrued expenses and other liabilities	(2,244)	206
Increase (decrease) in payable for investments	4,000	(12,382)
Increase in receivable for investments sold	(16,522)	(68,349)
Net cash provided by (used in) operating activities	\$ 102,100	\$ (30,829)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from the issuance of common stock	\$ 50,000	\$
Offering costs from the issuance of common stock		(6)
Dividends paid in cash	(120,565)	(149,689)
Proceeds from debt	852,939	1,891,011
Payments on debt	(825,063)	(1,717,542)
Due to custodian		2,064
Deferred financing costs paid	(18,400)	(728)
Net cash (used in) provided by financing activities	\$ (61,089)	\$ 25,110
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 41,011	\$ (5,719)
Effect of exchange rates on cash balances	1	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ 2,678	\$ 6,354
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 43,690	\$ 635

Non-cash financing activities consist of the reinvestment of dividends totaling \$0 and \$14,897 for the nine months ended December 31, 2012 and 2011, respectively.

See notes to financial statements.

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

December 31, 2012

(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 142.6%	Industry	Par Amount*	Cost	Fair Value (1)
CORPORATE DEBT 136.4%				
BANK DEBT/SENIOR SECURED LOANS 62.8%				
1st Lien Bank Debt/Senior Secured Loans 18.3%				
Amaya Gaming Group, Inc., L+775 11/05/15	Consumer Products	\$ 15,000	\$ 14,785	\$ 15,075
ATI Acquisition Company, P+1400 (P+1000 Cash / 4.00% PIK), 6/30/12***	Education	4,631	3,895	800
ATI Acquisition Company, P+900 (P+500 Cash / 4.00% PIK), 12/30/14***	Education	15,343	12,596	
Aventine Renewable Energy Holdings, Inc., 12.00%, 9/23/16	Chemicals	3,966	3,850	3,827
Aventine Renewable Energy Holdings, Inc., 10.50% Cash or 15.00% PIK, 9/22/17	Chemicals	11,679	15,773	8,993
Aveta, Inc., L+825, 10/09/17	Healthcare	69,594	67,523	69,594
Dark Castle Holdings, LLC, L+225, 3/25/13	Media	36,920	13,163	11,814
Delta Educational Systems, Inc., 16.00% (8.00% Cash/8.00% PIK), 12/10/2016	Education	5,000	5,000	5,000
Evergreen Tank Solutions, Inc., L+800, 10/26/18	Manufacturing	32,000	31,377	32,000
Garden Fresh Restaurant Corp., L+525 (L+475 Cash/0.5% PIK), 6/11/2013	Retail	2,500	2,500	2,500
Garden Fresh Restaurant Corp., L+625 (L+575 Cash/0.5% PIK), 6/11/2013	Retail	2,500	2,450	2,500
Miller Energy Resources, Inc., 18.00% (15.00% Cash / 3.00% PIK Option), 6/29/17	Energy	40,000	40,000	40,000
Osage Exploration & Development, Inc., L+1500, 4/27/2015	Energy	3,000	2,943	3,000
Panda Sherman Power, LLC, L+750, 9/14/18	Power	15,000	14,783	15,300
Panda Temple Power, LLC, L+1000, 7/17/18	Power	25,500	25,016	25,946
Pelican Energy, LLC, 10.00% or 11.00% PIK, 12/31/2018	Energy	5,647	5,647	5,704
Penton Media, Inc., L+400 (L+300 Cash / 1.00% PIK), 8/1/14	Printing & Publishing	34,908	31,449	31,134
RBS Holding Company, LLC, L+500, 3/23/17	Business Services	15,720	15,600	5,816
Spotted Hawk Development LLC, 14.00% (13.00% Cash/ 1.00% PIK), 6/30/16	Energy	24,003	23,153	22,626
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 331,503	\$ 301,629
2nd Lien Bank Debt/Senior Secured Loans 44.5%				
Advantage Sales & Marketing, Inc., L+775, 6/18/18	Grocery	\$ 38,000	\$ 37,849	\$ 38,190
Allied Security Holdings, LLC, L+825, 2/2/18	Business Services	31,000	30,754	31,155
Brock Holdings III, Inc., L+825, 3/16/18	Environmental & Facilities Services	39,000	38,369	39,341
Cengage Learning Acquisitions Inc., 12.00%, 6/30/19	Education	69,597	59,691	32,015
Clean Earth, Inc., 13.00%, 8/1/14	Environmental & Facilities Services	25,000	25,000	24,750
Confie Seguros II, L+900 11/8/19	Consumer Products	15,000	14,704	15,075

See notes to financial statements.

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

December 31, 2012

(in thousands)

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 142.6%	Industry	Par Amount*	Cost	Fair Value (1)
2nd Lien Bank Debt/Senior Secured Loans (continued)				
Garden Fresh Restaurant Corp., L+1175 (L+975 Cash/2.00% PIK), 12/11/13	Retail	\$ 46,836	\$ 47,474	\$ 44,494
GCA Services Group, Inc., L+800, 10/11/20	Environmental & Facilities Services	19,547	19,354	19,400
Grocery Outlet Inc., L+925 06/17/19	Grocery	10,500	10,291	10,382
Insight Pharmaceuticals, LLC, L+1175, 8/25/17	Consumer Products	15,448	15,189	15,757
IPC Systems, Inc., L+525, 6/1/15	Telecommunications	44,250	42,601	35,179
Kronos, Inc., L+850, 04/25/20	Electronics	56,358	55,243	56,640
Ozburn-Hessey Holding Company LLC, L+950, 10/8/16	Transportation	25,333	25,308	23,307
PH Holdings LLC, 9.75%, 12/31/17	Homebuilding	20,000	19,616	20,600
Ranpak Corp., L+750, 10/20/17	Packaging	85,000	85,000	84,150
Ranpak Corp., E+775, 10/20/17	Packaging	40,000	58,042	52,736
Sedgwick Holdings, Inc., L+750, 5/26/17	Business Services	\$ 15,225	15,064	15,453
Smart & Final Stores LLC, L+925 11/08/20	Grocery	17,260	16,745	17,174
TransFirst Holdings, Inc., L+600 Cash or L+675 PIK, 6/15/15	Financial Services	61,250	59,415	60,638
U.S. Renal Care, Inc., L+900, 01/03/20	Healthcare	4,910	4,816	4,993
Valerus Compression Services, LP, 11.50%, 3/26/18	Manufacturing	40,000	40,000	41,200
Venoco, Inc., L+700, 6/30/2017	Energy	4,000	3,923	4,110
Vertafore, Inc., L+825, 10/29/17	Business Services	49,260	48,886	49,506
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 773,334	\$ 736,245
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 1,104,837	\$ 1,037,874
Subordinated Debt/Corporate Notes 73.6%				
Advantage Sales & Marketing, Inc., 13.00%, 12/31/18	Grocery	\$ 25,000	\$ 25,000	\$ 24,625
Altegrity Inc., 0.00%, 8/2/16 "	Diversified Service	3,545	2,287	1,524
Altegrity Inc., 11.75%, 5/1/16 "	Diversified Service	14,639	11,688	11,052
Altegrity Inc., 12.00%, 11/1/15 "	Diversified Service	100,000	100,000	89,000
American Tire Distributors, Inc., 11.50%, 6/1/18 "	Distribution	25,000	25,000	26,280
Angelica Corporation, 15.00% (12.00% Cash / 3.00% PIK), 10/15/16	Healthcare	46,284	46,284	47,210
ATI Acquisition Company, P+1400 (P+1000 Cash / 4.00% PIK), 12/30/15***	Education	46,690	37,867	
Avaya Inc., 10.125% Cash or 10.875% PIK, 11/1/15	Telecommunications	18,577	16,664	16,719
BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17	Transportation	£ 25,609	40,603	37,590

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2012****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 142.6%	Industry	Par Amount*	Cost	Fair Value (1)
Subordinated Debt/Corporate Notes (continued)				
BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17	Transportation	15,528	\$ 21,487	\$ 18,486
Ceridian Corp., 12.25% Cash or 13.00% PIK, 11/15/15	Diversified Service	\$ 80,950	80,870	81,355
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	35,800	35,816	36,068
Delta Educational Systems, Inc., 16.00% (10.00% Cash/ 6% PIK), 05/12/17	Education	20,171	19,748	18,860
Denver Parent (Venoco), 18.00% 10/03/15	Energy	20,000	20,000	21,200
Exova Limited, 10.50%, 10/15/18 "	Business Services	£ 18,000	28,823	31,124
Exova Limited, 10.50%, 10/15/18	Business Services	12,655	17,031	21,882
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	\$ 44,000	45,131	46,722
Intelsat Bermuda Ltd., 11.50% Cash or 12.50% PIK, 2/4/17	Broadcasting & Entertainment	20,000	19,895	21,212
inVentiv Health, Inc., 11.00%, 8/15/18	Healthcare	160,000	160,000	138,800
Laureate Education, Inc., 12.75%, 8/15/17 "	Education	53,540	54,620	57,020
Lonestar Intermediate Super Holdings (Asurion), LLC, L+950, 9/2/19	Insurance	41,922	41,773	44,542
Nara Cable Funding Limited, 8.875%, 12/01/18 "	Broadcasting & Entertainment	9,284	7,975	9,354
SeaCube Container Leasing Ltd., 11.00%, 4/28/16	Transportation	50,000	50,000	51,500
SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17	Finance	51,079	49,342	48,525
Texas Competitive Electric Holdings Company LLC, 11.50%, 10/1/20 "	Utilities	50,000	49,686	39,125
Travelport LLC, 9.875%, 9/1/14	Business Services	19,779	18,934	17,406
Travelport LLC, L+462.5, 9/1/14	Business Services	13,000	11,538	10,660
Univar Inc., 12.00%, 6/30/18	Distribution	78,750	80,251	80,246
U.S. Security Associates Holdings, Inc., 11.00%, 7/28/18	Business Services	135,000	135,000	138,105
Varietal Distribution, 10.75%, 6/30/17	Distribution	5,187	6,379	6,975
Varietal Distribution, 10.75%, 6/30/17	Distribution	\$ 22,204	21,820	22,648
Total Subordinated Debt/Corporate Notes			\$ 1,281,512	\$ 1,215,815
TOTAL CORPORATE DEBT			\$ 2,386,349	\$ 2,253,689
COLLATERALIZED LOAN OBLIGATIONS 1.7%				
Jamestown CLO I LTD, L+550, 11/05/24	Finance	\$ 3,800	\$ 3,367	\$ 3,385
Jamestown CLO I LTD, L+400, 11/05/24	Finance	1,120	1,022	1,034
Jamestown CLO I LTD, Subordinated Notes 11/05/24	Finance		14,032	14,020
Westbrook CLO Ltd., Series 2006-1A, Class E L+370, 12/20/20 "	Finance	11,000	7,299	9,020
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 25,720	\$ 27,459

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2012****(in thousands, except shares)**

INVESTMENTS IN NON-CONTROLLED/NON-AFFILIATED INVESTMENTS 142.6%	Industry	Shares	Cost	Fair Value (1)
<u>PREFERRED EQUITY 0.7%</u>				
AHC Mezzanine LLC (Advanstar) **	Media		\$ 1,063	\$ 215
CA Holding, Inc. (Collect America, Ltd.) Series A **	Finance	7,961	788	1,592
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50% PIK, 5/12/14 ***	Education	12,360	27,685	6,929
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% PIK (Convertible) ***	Education	332,500	6,863	
Varietal Distribution Holdings, LLC, 8.00% PIK	Distribution	3,097	4,790	2,668
TOTAL PREFERRED EQUITY			\$ 41,189	\$ 11,404
<u>EQUITY 3.8%</u>				
<u>Common Equity/Interests 3.3%</u>				
Accelerate Parent Corp. (American Tire) **	Distribution	3,125,000	\$ 3,125	\$ 3,720
Altegrity Holding Corp. **	Diversified Service	353,399	13,797	2,609
Aventine Renewable Energy Holdings, Inc.**	Chemicals	262,036	4,684	3,182
CA Holding, Inc. (Collect America, Ltd.) Series A **	Finance	25,000	2,500	2,498
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica Corporation) **	Healthcare	6,000	6,000	2,879
Explorer Coinvest LLC (Booz Allen) **	Consulting Services	430	3,322	5,567
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	702
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)**	Education	17,500	175	
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (2,3) **	Manufacturing			164
JV Note Holdco LLC (DSI Renal Inc.) **	Healthcare	9,303	85	89
Penton Business Media Holdings, LLC **	Printing & Publishing	124	4,950	11,521
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	8,151
Sorenson Communications Holdings, LLC Class A **	Consumer Products	454,828	45	1,530
Univar Inc. **	Distribution	900,000	9,000	11,310
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
Total Common Equity/Interests			\$ 58,140	\$ 54,781

See notes to financial statements.

Table of Contents

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

December 31, 2012

(in thousands, except shares and warrants)

INVESTMENTS IN NON-CONTROLLED/ NON-AFFILIATED INVESTMENTS 142.6%	Industry	Warrants	Cost	Fair Value (1)
Warrants 0.5%				
CA Holding, Inc. (Collect America, Ltd.), Common **	Finance	7,961	\$ 8	\$
Fidji Luxco (BC) S.C.A., Common (FCI) (2) **	Electronics	24,862	250	5,942
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	
Osage Exploration & Development, Inc. **	Energy	1,496,843		1,087
Spotted Hawk Development LLC, Common **	Energy	54,545	852	1,377
Total Warrants			\$ 2,710	\$ 8,406
TOTAL EQUITY			\$ 60,850	\$ 63,187
Total Investments in Non-Controlled/ Non-Affiliated Investments			\$ 2,514,108	\$ 2,355,739

See notes to financial statements.

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

December 31, 2012

(in thousands, except shares)

	Industry	Par Amount*	Cost	Fair Value (1)
INVESTMENTS IN CONTROLLED INVESTMENTS 16.4% (4)				
<u>CORPORATE DEBT 3.2%</u>				
<u>2nd Lien Bank Debt/Senior Secured Loans 0.6%</u>				
LVI Services, Inc., 12.50%, 03/06/2018	Environmental & Facilities Services	\$ 10,000	\$ 9,808	\$ 9,900
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 9,808	\$ 9,900
<u>Subordinated Debt/Corporate Notes 2.6%</u>				
Playpower Holdings Inc., 14.00% PIK, 12/15/15	Leisure Equipment	18,427	\$ 24,468	\$ 23,991
Playpower, Inc., 12.50% PIK, 12/31/15	Leisure Equipment	£ 11,942	18,222	19,169
Total Subordinated Debt/Corporate Notes			\$ 42,690	\$ 43,160
TOTAL CORPORATE DEBT			\$ 52,498	\$ 53,060
Shares				
<u>COLLATERALIZED LOAN OBLIGATIONS 5.6%</u>				
Kirkwood Fund I LLC, Common Interest	Finance		\$ 40,385	\$ 43,176
Kirkwood Fund II LLC, Common Interest	Finance		41,067	42,545
Slater Mill Loan Fund LP 2012-1X LP Certificates	Finance	8,375,000	7,370	7,538
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 88,822	\$ 93,259
Shares				
<u>EQUITY 7.6%</u>				
<u>Common Equity/Interests 7.6%</u>				
AIC Credit Opportunity Fund LLC (5)	Finance		\$ 52,214	\$ 51,342
Generation Brands Holdings, Inc. (Quality Home Brands) **	Consumer Products	750		39
Generation Brands Holdings, Inc. Series H (Quality Home Brands) **	Consumer Products	7,500	2,297	390
Generation Brands Holdings, Inc. Series 2L (Quality Home Brands) **	Consumer Products	44,957	11,242	2,337
LVI Parent Corp. (LVI Services, Inc.) **	Environmental & Facilities Services	14,981	16,096	25,946
Merx Aviation Finance Holdings, LLC **	Financial Services		900	900
Playpower Holdings Inc. **	Leisure Equipment	1,000	77,722	44,011
Total Common Equity/Interests			\$ 160,471	\$ 124,965

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

TOTAL EQUITY	\$ 160,471	\$ 124,965
Total Investments in Controlled Investments	\$ 301,791	\$ 271,284
Total Investments 159.0% (6,7)	\$ 2,815,899	\$ 2,627,023
Liabilities in Excess of Other Assets (59.0%)		(974,876)
Net Assets 100.0%		\$ 1,652,147

- (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) Denominated in Euro ().
- (3) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (unaudited) (continued)****December 31, 2012****(in thousands)**

- (4) 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 nine months ended December 31, 2012 in these Controlled investments are as follows:

Name of Issuer	Fair Value at March 31, 2012	Gross Additions	Gross Reductions	Interest/Dividend/ Other Income	Fair Value at December 31, 2012
LVI Services, Inc., 12.50%, 03/06/2018	N/A	\$ 9,800	\$	\$ 317	\$ 9,900
Playpower Holdings, Inc., 14.00% PIK	\$ 21,576	2,339		2,314	23,991
Playpower, Inc., 12.50% PIK	16,960	1,691		1,840	19,169
Kirkwood Fund I LLC CLO Common Interest CLO	N/A	40,385		3,488	43,176
Kirkwood Fund II LLC CLO Common Interest CLO	N/A	41,067			42,545
Slater Mill Loan Fund LP 2012 -1X LP CLO Equity Interest	N/A	7,370		659	7,538
AIC Credit Opportunity Fund LLC Common Equity	56,034	575	(13,729)	4,407	51,342
Generation Brands Holdings, Inc. (Quality Home Brands) Common Equity	130				39
Generation Brands Holdings, Inc. (Quality Home Brands) Series H Common Equity	1,300				390
Generation Brands Holdings, Inc. (Quality Home Brands) Series 2L Common Equity	7,793				2,337
LVI Parent Corp. Common Equity	21,504				25,946
Merx Aviation Finance Holdings, LLC Equity Interest	N/A	900			900
Playpower Holdings Inc. Common Equity	61,111				44,011
	\$ 186,408	\$ 104,127	\$ (13,729)	\$ 13,025	\$ 271,284

As of December 31, 2012, the Company has a 100%, 32%, 98%, 98%, 32%, 100%, 100% and 26% equity ownership interest in AIC Credit Opportunity Fund LLC, Generation Brands Holdings, Inc., Kirkwood Fund I LLC, Kirkwood Fund II LLC, LVI Parent Corp., Playpower Holdings Inc., Merx Aviation Financing Holdings, LLC and Slater Mill Loan Fund LP, respectively.

- (5) See Note 6.
- (6) Aggregate gross unrealized appreciation for federal income tax purposes is \$89,484; aggregate gross unrealized depreciation for federal income tax purposes is \$382,123. Net unrealized depreciation is \$292,639 based on a tax cost of \$2,919,662.
- (7) Substantially all securities are pledged as collateral to our multicurrency revolving credit facility (the Facility). As such these securities are not available as collateral to our general creditors.
- .. 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 2d)
- Denotes debt 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, and differing interest rate characteristics, among other factors. Such factors are usually considered in the determination of fair values.

Edgar Filing: APOLLO INVESTMENT CORP - Form 10-Q

Investments that the Company has determined are not qualifying assets under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. The status of these assets under the 1940 Act are subject to change. The Company monitors the status of these assets on an ongoing basis.

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 December 31, 2012
Business Services	12.2%
Healthcare	10.0%
Finance	8.6%
Diversified Service	8.4%
Distribution	6.0%
Packaging	5.5%
Transportation	5.0%
Education	4.6%
Environmental & Facilities Services	4.5%
Energy	3.8%
Grocery	3.4%
Leisure Equipment	3.3%
Broadcasting & Entertainment	2.9%
Manufacturing	2.8%
Electronics	2.4%
Financial Services	2.3%
Telecommunications	2.0%
Consumer Products	1.9%
Retail	1.9%
Insurance	1.7%
Printing & Publishing	1.6%
Power	1.6%
Utilities	1.5%
Homebuilding	0.8%
Chemicals	0.6%
Media	0.5%
Consulting Services	0.2%
Total Investments	100.0%

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS****March 31, 2012****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED INVESTMENTS 147.8%	Industry	Par Amount*	Cost	Fair Value (1)
CORPORATE DEBT 139.2%				
BANK DEBT/SENIOR SECURED LOANS 47.0%				
1st Lien Bank Debt/Senior Secured Loans 5.6%				
Advantage Sales & Marketing, Inc., P+300, 12/17/15 (Revolving loan)	Grocery	\$ 5,500	\$ 2,200	\$ 2,035
ATI Acquisition Company, P+1400 (P+1000 Cash / 4.00% PIK), 6/30/12***	Education	4,494	4,015	3,600
ATI Acquisition Company, P+900 (P+500 Cash / 4.00% PIK), 12/30/14***	Education	14,889	12,596	
Aventine Renewable Energy Holdings, Inc., L+850, 12/22/15	Chemicals	24,937	20,009	19,825
Eastman Kodak Company, DIP L+750, 7/20/13	Technology	11,231	11,016	11,427
Grocery Outlet Inc., L+900, 12/15/17	Grocery	18,408	18,408	18,812
Penton Media, Inc., L+400 (L+300 Cash / 1.00% PIK), 8/1/14	Printing & Publishing	34,906	29,986	27,794
RBS Holding Company, LLC, L+500, 3/23/17	Business Services	15,840	15,703	9,900
Total 1st Lien Bank Debt/Senior Secured Loans			\$ 113,933	\$ 93,393
2nd Lien Bank Debt/Senior Secured Loans 41.4%				
Advantage Sales & Marketing, Inc., L+775, 6/18/18	Grocery	\$ 58,000	\$ 57,571	\$ 57,855
Allied Security Holdings, LLC, L+750, 2/2/18	Business Services	31,000	30,728	31,233
Asurion Corporation, L+750, 5/24/19	Insurance	78,111	77,959	79,234
Brock Holdings III, Inc., L+825, 3/16/18	Environmental & Facilities Services	39,000	38,302	38,561
Clean Earth, Inc., 13.00%, 8/1/14	Environmental & Facilities Services	25,000	25,000	24,875
Garden Fresh Restaurant Corp., L+975, 12/11/13	Retail	46,600	47,027	47,532
Insight Pharmaceuticals, LLC, L+1175, 8/25/17	Consumer Products	20,000	19,627	19,900
IPC Systems, Inc., L+525, 6/1/15	Telecommunications	44,250	42,170	38,497
Kronos, Inc., L+1000, 6/11/18	Electronics	35,000	35,000	35,700
Ozburn-Hessey Holding Company LLC, L+950, 10/8/16	Transportation	38,000	37,971	30,780
Ranpak Corp., L+750, 10/20/17	Packaging	85,000	85,000	82,025
Ranpak Corp., E+775, 10/20/17	Packaging	40,000	58,042	52,602
Sedgwick Holdings, Inc., L+750, 5/26/17	Business Services	\$ 15,225	15,043	15,149
Sheridan Holdings, Inc., L+575 Cash or L+650 PIK, 6/15/15	Healthcare	24,047	23,446	23,518
TransFirst Holdings, Inc., L+600 Cash or L+675 PIK, 6/15/15	Financial Services	19,012	18,372	17,795
Valerus Compression Services, LP, 11.50%, 3/26/18	Manufacturing	40,000	40,000	40,680
Vertafore, Inc., L+825, 10/29/17	Business Services	49,260	48,842	49,383
Wall Street Systems Holdings, Inc., L+750, 6/20/18	Software	13,000	12,881	13,098
Total 2nd Lien Bank Debt/Senior Secured Loans			\$ 712,981	\$ 698,417
TOTAL BANK DEBT/SENIOR SECURED LOANS			\$ 826,914	\$ 791,810

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2012****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED INVESTMENTS 147.8%	Industry	Par Amount*	Cost	Fair Value (1)
Subordinated Debt/Corporate Notes 92.2%				
AB Acquisitions UK Topco 2 Limited (Alliance Boots), GBP L+650 (GBP L+300 Cash / 3.50% PIK), 7/9/17	Retail	£ 22,580	\$ 44,368	\$ 33,612
Advantage Sales & Marketing, Inc., 13.00%, 12/31/18	Grocery	\$ 25,000	25,000	24,625
Altegrity Inc., 0.00%, 8/2/16 "	Diversified Service	3,545	2,087	1,965
Altegrity Inc., 11.75%, 5/1/16 "	Diversified Service	14,639	11,112	13,907
Altegrity Inc., 12.00%, 11/1/15 "	Diversified Service	100,000	100,000	100,600
Altegrity Inc., 10.50%, 11/1/15 "	Diversified Service	13,475	12,387	12,869
American Tire Distributors, Inc., 11.50%, 6/1/18 "	Distribution	25,000	25,000	26,450
Angelica Corporation, 15.00% (12.00% Cash / 3.00% PIK), 10/15/16	Healthcare	53,343	53,343	52,756
ATI Acquisition Company, P+1400 (P+1000 Cash / 4.00% PIK), 12/30/15***	Education	43,296	37,867	
Avaya Inc., 10.125% Cash or 10.875% PIK, 11/1/15	Telecommunications	43,577	40,713	43,468
BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17	Transportation	£ 22,750	35,957	32,078
BCA Osprey II Limited (British Car Auctions), 12.50% PIK, 8/17/17	Transportation	13,773	19,138	16,186
Catalina Marketing Corporation, 11.625%, 10/1/17 "	Grocery	\$ 27,175	27,157	25,001
Ceridian Corp., 12.25% Cash or 13.00% PIK, 11/15/15	Diversified Service	55,950	55,845	51,334
Ceridian Corp., 11.25%, 11/15/15	Diversified Service	34,300	34,035	31,642
Clearwire Communications, 12.00%, 12/1/15 "	Telecommunications	24,843	24,289	24,595
Clearwire Communications, 14.75%, 12/1/16 "	Telecommunications	1,000	1,000	1,098
Delta Educational Systems, Inc., 14.20% (13.00% Cash / 1.20% PIK), 5/12/13	Education	19,991	19,828	20,221
Exova Limited, 10.50%, 10/15/18 "	Business Services	£ 18,000	28,823	25,524
Exova Limited, 10.50%, 10/15/18	Business Services	17,655	24,942	25,035
FoxCo Acquisition Sub LLC, 13.375%, 7/15/16 "	Broadcasting & Entertainment	\$ 26,125	26,620	28,607
Hub International Holdings, 10.25%, 6/15/15 "	Insurance	36,232	35,228	37,410
Intelsat Bermuda Ltd., 11.25%, 2/4/17	Broadcasting & Entertainment	84,000	86,285	87,570
Intelsat Bermuda Ltd., 11.50% Cash or 12.50% PIK, 2/4/17	Broadcasting & Entertainment	20,000	19,500	20,850
inVentiv Health, Inc., 11.00%, 8/15/18	Healthcare	160,000	160,000	144,000
Laureate Education, Inc., 12.75%, 8/15/17 "	Education	53,540	53,512	57,422
Lonestar Intermediate Super Holdings (Asurion), LLC, L+950, 9/2/19	Insurance	26,922	26,116	27,376
SeaCube Container Leasing Ltd., 11.00%, 4/28/16	Transportation	50,000	50,000	51,250
Sorenson Communications, Inc., 10.50%, 2/1/15 "	Consumer Services	16,500	16,303	13,695
SquareTwo Financial Corp. (Collect America, Ltd.), 11.625%, 4/1/17 "	Finance	40,000	39,450	39,800

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2012****(in thousands)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED INVESTMENTS 147.8%	Industry	Par Amount*	Cost	Fair Value (1)
Subordinated Debt/Corporate Notes (continued)				
SRA International, Inc., 11.00%, 10/1/19	Consulting Services	\$ 25,000	\$ 25,000	\$ 26,500
Texas Competitive Electric Holdings Company LLC, 11.50%, 10/1/20 "	Utilities	50,000	49,668	32,875
The ServiceMaster Company, 10.75% Cash or 11.50% PIK, 7/15/15 "	Diversified Service	15,731	15,967	16,596
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15 "	Education	120,500	101,356	94,291
Travelport LLC, 9.875%, 9/1/14	Business Services	19,779	18,606	12,733
Travelport LLC, L+462.5, 9/1/14	Business Services	13,000	10,970	7,150
Univar Inc., 12.00%, 6/30/18	Distribution	78,750	79,652	78,830
U.S. Renal Care, Inc., 13.25% (11.25% Cash / 2.00% PIK), 6/2/17	Healthcare	50,824	50,824	52,603
U.S. Security Associates Holdings, Inc., 11.00%, 7/28/18	Business Services	135,000	135,000	138,110
Varietal Distribution, 10.75%, 6/30/17	Distribution	1,127	1,408	1,497
Varietal Distribution, 10.75%, 6/30/17	Distribution	\$ 22,204	21,773	22,160
Total Subordinated Debt/Corporate Notes			\$ 1,646,129	\$ 1,554,291
TOTAL CORPORATE DEBT			\$ 2,473,043	\$ 2,346,101
COLLATERALIZED LOAN OBLIGATIONS 0.5%				
Westbrook CLO Ltd., Series 2006-1A, L+370, 12/20/20 "	Finance	\$ 11,000	\$ 7,109	\$ 7,691
TOTAL COLLATERALIZED LOAN OBLIGATIONS			\$ 7,109	\$ 7,691
PREFERRED EQUITY 2.1%				
			Shares	
AHC Mezzanine LLC (Advanstar) **	Media		\$ 1,063	\$ 279
CA Holding, Inc. (Collect America, Ltd.) Series A **	Finance	7,961	788	1,592
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50% PIK, 5/12/14	Education	12,360	25,789	26,207
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% PIK (Convertible)	Education	332,500	6,863	3,708
Varietal Distribution Holdings, LLC, 8.00% PIK	Distribution	3,097	4,514	3,141
TOTAL PREFERRED EQUITY			\$ 39,017	\$ 34,927

See notes to financial statements.

Table of Contents**APOLLO INVESTMENT CORPORATION****SCHEDULE OF INVESTMENTS (continued)****March 31, 2012****(in thousands, except shares and warrants)**

INVESTMENTS IN NON-CONTROLLED/NON AFFILIATED INVESTMENTS 147.8%	Industry	Shares	Cost	Fair Value (1)
<u>EQUITY 6.0%</u>				
<u>Common Equity/Interests 5.4%</u>				
AB Capital Holdings LLC (Allied Security)	Business Services	2,000,000	\$ 2,000	\$ 3,040
Accelerate Parent Corp. (American Tire) **	Distribution	3,125,000	3,125	4,750
Altegrity Holding Corp.**	Diversified Service	353,399	13,797	9,063
CA Holding, Inc. (Collect America, Ltd.) Series A **	Finance	25,000	2,500	1,058
CA Holding, Inc. (Collect America, Ltd.) Series AA **	Finance	4,294	429	859
Clothesline Holdings, Inc. (Angelica) **	Healthcare	6,000	6,000	1,729
Explorer Coinvest LLC (Booz Allen) **	Consulting Services	430	4,300	6,810
Garden Fresh Restaurant Holding, LLC **	Retail	50,000	5,000	7,600
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)**	Education	17,500	175	
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (2,3) **	Manufacturing			208
JV Note Holdco LLC (DSI Renal Inc.)	Healthcare	9,303	85	84
New Omaha Holdings Co-Invest LP (First Data) **	Financial Services	13,000,000	65,000	24,960
Penton Business Media Holdings, LLC **	Printing & Publishing	124	4,950	8,308
RC Coinvestment, LLC (Ranpak Corp.) **	Packaging	50,000	5,000	8,535
Sorenson Communications Holdings, LLC Class A **	Consumer Products	454,828	45	1,380
Univar Inc. **	Distribution	900,000	9,000	13,840
Varietal Distribution Holdings, LLC Class A **	Distribution	28,028	28	
Total Common Equity/Interests			\$ 121,434	\$ 92,224
Warrants				
<u>Warrants 0.6%</u>				
CA Holding, Inc. (Collect America, Ltd.), Common **	Finance	7,961	\$ 8	\$
Fidji Luxco (BC) S.C.A., Common (FCI) (2) **	Electronics	48,769	491	7,619
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common **	Education	9,820	98	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred **	Education	45,947	459	947
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred **	Education	104,314	1,043	1,163
Total Warrants			\$ 2,099	\$ 9,729
TOTAL EQUITY			\$ 123,533	\$ 101,953

Total Investments in Non-Controlled/ Non-Affiliated Investments	\$ 2,642,702
--	---------------------