

ANHEUSER-BUSCH COMPANIES, INC.  
Form DEF 14A  
March 10, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant   
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Check the appropriate box:

- Preliminary Proxy Statement  Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

ANHEUSER-BUSCH COMPANIES, INC.

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(Name of Registrant as Specified In Its Charter)  
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March 10, 2008

Dear Stockholder:

On behalf of the Board of Directors, it is our pleasure to invite you to attend the Annual Meeting of Stockholders of Anheuser-Busch Companies, Inc. on Wednesday, April 23, 2008, in Orlando, Florida. Information about the meeting is presented on the following pages.

In addition to the formal items of business to be brought before the meeting, members of management will report on the company's operations and respond to stockholder questions.

Your vote is very important. We encourage you to read this proxy statement and vote your shares as soon as possible. A return envelope for your proxy card is enclosed for your convenience. Stockholders of record also have the option of voting by using a toll-free telephone number or via the Internet. Instructions for using these services are included on the proxy card.

Thank you for your continued support of Anheuser-Busch. We look forward to seeing you on April 23.

Sincerely,  
PATRICK T. STOKES  
*Chairman of the Board*

AUGUST A. BUSCH IV  
*President and Chief Executive Officer*

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**ANHEUSER-BUSCH COMPANIES, INC.**

**One Busch Place  
St. Louis, Missouri 63118**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**APRIL 23, 2008**

The Annual Meeting of the Stockholders of Anheuser-Busch Companies, Inc. (the "Company") will be held at Ports of Call at SeaWorld of Florida, 7007 SeaWorld Drive, Orlando, Florida, on Wednesday, April 23, 2008, at 10:00 A.M. local time, for the following purposes:

1. To elect nine directors for a term of one year;
2. To approve the 2008 Long-Term Equity Incentive Plan for Non-Employee Directors;
3. To approve the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008; and
4. To act upon such other matters, including three stockholder proposals (pages 21-26), as may properly come before the meeting.

The Board of Directors has fixed the close of business on February 29, 2008, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting.

By Order of the Board of Directors,  
JoBeth G. Brown  
Vice President and Secretary

March 10, 2008

**Important**

**Please note that a ticket is required for admission to the meeting. If you are a stockholder of record and plan to attend the meeting in person, please bring the admission ticket you received in your proxy mailing with you to the meeting. If, however, your shares are held in the name of a broker or other**

nominee, please bring with you a proxy or letter from that firm confirming your ownership of shares.

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**ANHEUSER-BUSCH COMPANIES, INC.  
PROXY STATEMENT  
FOR 2008 ANNUAL MEETING OF STOCKHOLDERS**

**Questions and Answers About the Annual Meeting and Voting**

**Q: Why did I receive this Proxy Statement?**

A: Because you are a stockholder of Anheuser-Busch Companies, Inc. (the "Company" or "Anheuser-Busch") as of the record date and are entitled to vote at the 2008 Annual Meeting of Stockholders (the "Annual Meeting" or the "Meeting"), the Board of Directors of the Company is soliciting your proxy to vote at the Meeting.

This Proxy Statement summarizes the information you need to know to vote at the Annual Meeting. This Proxy Statement and form of proxy were first mailed to stockholders on or about March 10, 2008.

**Q: What am I voting on?**

A: You are voting on six items:

1. Election of nine directors for a term of one year:  
August A. Busch III  
August A. Busch IV  
Carlos Fernandez G.  
James R. Jones  
Joyce M. Roché  
Henry Hugh Shelton  
Patrick T. Stokes  
Andrew C. Taylor  
Douglas A. Warner III
2. Approval of the 2008 Long-Term Equity Incentive Plan for Non-Employee Directors
3. Approval of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008
4. Stockholder proposal concerning a report on charitable contributions
5. Stockholder proposal on special shareholder meetings
6. Stockholder proposal on executive compensation

**Q: What are the voting recommendations of the Board of Directors?**

A: The Board recommends the following votes:

1. FOR each of the director nominees
2. FOR approval of the 2008 Long-Term Equity Incentive Plan for Non-Employee Directors

3. FOR approval of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008
4. AGAINST the stockholder proposal concerning a report on charitable contributions
5. AGAINST the stockholder proposal on special shareholder meetings
6. AGAINST the stockholder proposal on executive compensation

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**Q: Will any other matters be voted on?**

A: We do not know of any other matters that will be brought before the stockholders for a vote at the Annual Meeting. If any other matter is properly brought before the Meeting, your signed proxy card gives authority to August A. Busch IV, Patrick T. Stokes, and JoBeth G. Brown, as the Proxy Committee, to vote on such matters in their discretion.

**Q: Who is entitled to vote?**

A: Stockholders of record as of the close of business on February 29, 2008 (the Record Date) are entitled to vote at the Annual Meeting. Each share of common stock is entitled to one vote.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

A: Many stockholders hold their shares through a stockbroker, bank, or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

***Stockholder of Record***

If your shares are registered directly in your name with the Company's transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by the Company.

***Beneficial Owner***

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in street name, and these proxy materials are being forwarded to you by your broker or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker how to vote and are also invited to attend the Meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the Meeting unless you bring with you a legal proxy from the stockholder of record. Your broker or nominee has enclosed a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

**Q: How do I vote?**

A: If you are a stockholder of record, there are four ways to vote:

- by toll-free telephone at 1-800-690-6903;
- by Internet at [www.proxyvote.com](http://www.proxyvote.com);
- by completing and mailing your proxy card; and
- by written ballot at the Meeting.

If you vote by Internet or telephone, your vote must be received by 11:59 P.M. Eastern Time on April 22nd, the day before the Meeting. Your shares will be voted as you indicate. If you return your proxy card but you do not indicate your voting preferences, the Proxy Committee will vote your shares FOR items 1, 2, and 3, and AGAINST items 4, 5, and 6.

If your shares are held in a brokerage account in your broker's name (this is called street name), you should follow the voting directions provided by your broker or nominee. You may complete and mail a voting instruction card to your broker or nominee or, in most cases, submit voting instructions by

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telephone or the Internet to your broker or nominee. If you provide specific voting instructions by mail, telephone, or the Internet, your shares should be voted by your broker or nominee as you have directed.

We will distribute written ballots to anyone who wants to vote at the Meeting. If you hold your shares in street name, you must request a legal proxy from your broker to vote at the Meeting.

**Q: Is my vote confidential?**

A: Yes. It is the policy of the Company that all proxies, ballots, and vote tabulations that identify the vote of a stockholder will be kept confidential from the Company, its directors, officers, and employees until after the final vote is tabulated and announced, except in limited circumstances including any contested solicitation of proxies, when required to meet a legal requirement, to defend a claim against the Company or to assert a claim by the Company, and when written comments by a stockholder appear on a proxy card or other voting material.

**Q: Who will count the vote?**

A: Representatives of Broadridge Financial Solutions, Inc. (Broadridge) will count the vote and serve as the inspectors of election.

**Q: What is the quorum requirement for the meeting?**

A: A majority of the outstanding shares determined on February 29, 2008, represented in person or by proxy at the Meeting, constitutes a quorum for voting on items at the Annual Meeting. If you vote, your shares will

be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum, but neither will be counted as votes cast. On February 29, 2008, there were 714,312,510 shares outstanding.

**Q: What are broker non-votes?**

A: Broker non-votes occur when nominees, such as banks and brokers holding shares on behalf of beneficial owners, do not receive voting instructions from the beneficial holders at least ten days before the Meeting. If that happens, the nominees may vote those shares only on matters deemed "routine" by the New York Stock Exchange. On non-routine matters, nominees cannot vote without instructions from the beneficial owner, resulting in a so-called "broker non-vote." Broker non-votes will not affect the outcome of any matters being voted on at the Meeting, assuming that a quorum is obtained.

**Q: What vote is required to approve each proposal?**

A: In the election of directors, the nine nominees receiving the highest number of "FOR" votes will be elected. The other proposals require the approving vote of at least a majority of the votes cast.

**Q: Can I access Anheuser-Busch's proxy materials and annual report electronically?**

A: This proxy statement and the 2007 annual report are available on Anheuser-Busch's Internet site at [www.anheuser-busch.com](http://www.anheuser-busch.com) (under "Investors"). Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving hard copies in the mail.

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You can choose this option and save Anheuser-Busch the cost of producing and mailing these documents by:

- Following the instructions provided when you vote over the Internet; or
- Going to [www.icsdelivery.com/bud](http://www.icsdelivery.com/bud) and following the instructions provided.

If you choose to view future proxy statements and annual reports over the Internet, you will receive an e-mail message next year containing the Internet address to use to access Anheuser-Busch's proxy statement and annual report. The e-mail also will include instructions for voting over the Internet. You will have the opportunity to opt out at any time by following the instructions on [www.icsdelivery.com/bud](http://www.icsdelivery.com/bud). You do not have to elect Internet access each year.

**Q: What does it mean if I get more than one proxy card?**

A: It means your shares are in more than one account. You should vote the shares on all of your proxy cards.

**Q: How can I consolidate multiple accounts registered in variations of the same name?**

A: If you have multiple accounts, we encourage you to consolidate your accounts by having all your shares registered in exactly the same name and address. You may do this by contacting our transfer agent by phone (toll-free) at 1-888-213-0964 or by mail to BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252, attention: Shareholder Correspondence.

**Q: I own my shares indirectly through my broker, bank, or other nominee, and I receive multiple copies of the annual report, proxy statement, and other mailings because more than one person in my household is a beneficial owner. How can I change the number of copies of these mailings that are sent to my household?**

A: If you and other members of your household are beneficial owners, you may eliminate this duplication of mailings by contacting your broker, bank, or other nominee. Duplicate mailings in most cases are wasteful for us and inconvenient for you, and we encourage you to eliminate them whenever you can. If you have eliminated duplicate mailings but for any reason would like to resume them, you must contact your broker, bank, or other nominee.

**Q: I own my shares directly as a registered owner of Anheuser-Busch stock, and so do other members of my family living in my household. How can I change the number of copies of the annual report and proxy statement being delivered to my household?**

A: Family members living in the same household generally receive only one copy of the annual report, proxy statement, and most other mailings per household. The only item which is separately mailed for each registered stockholder or account is a proxy card. If you wish to start receiving separate copies in your name, apart from others in your household, you must contact BNY Mellon Shareowner Services by phone (toll-free) at 1-888-213-0964 or by mail to BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252, attention: Shareholder Correspondence and request that action. Within 30 days after your request is received we will start sending you separate mailings. If for any reason you and members of your household are receiving multiple copies and you want to eliminate the duplications, please contact BNY Mellon Shareowner Services by phone (toll-free) at 1-888-213-0964 or by mail to BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252, attention: Shareholder Correspondence and request that action. That request must be made by each person in the household.

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**Q:**



**Multiple shareowners live in my household, and together we received only one copy of this year's annual report and proxy statement. How can I obtain my own separate copy of those documents for the meeting in April?**

A: You may pick up copies in person at the Meeting in April or download them from our website, [www.anheuser-busch.com](http://www.anheuser-busch.com) (click on "Investors"). If you want copies mailed to you and are a beneficial owner, you must request them from your broker, bank, or other nominee. If you want copies mailed and are a stockholder of record, we will mail them promptly if you request them from our transfer agent by phone (toll-free) at 1-888-213-0964 or by mail to BNY Mellon Shareowner Services, P.O. Box 358015, Pittsburgh, PA 15252, attention: Shareholder Correspondence. We cannot guarantee you will receive mailed copies before the meeting.

**Q: Can I change my vote?**

A: Yes. If you are a stockholder of record, you can change your vote or revoke your proxy any time before the Annual Meeting by:

- entering a new vote by Internet or telephone;
- returning a later-dated proxy card;
- sending written notice of revocation to the Company's Vice President and Secretary; or
- completing a written ballot at the Meeting.

**Q: How will my dividend reinvestment shares be voted?**

A: Shares of common stock held by participants in the Company's dividend reinvestment plan have been added to the participants' other holdings on their proxy cards.

**Q: Who can attend the Annual Meeting?**

A: All Anheuser-Busch stockholders as of the close of business on February 29, 2008 may attend.

**Q: What do I need to do to attend the Annual Meeting?**

A: If you are a stockholder of record or a participant in one of the Anheuser-Busch Deferred Income Stock Purchase and Savings Plans, your admission ticket is attached to your proxy card or voting instruction form. You will need to bring the admission ticket with you to the Meeting.

If you own shares in street name, you will need to ask your broker or bank for an admission ticket in the form of a legal proxy. You will need to bring the legal proxy with you to the Meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the Meeting. We can use that to verify your ownership of our common stock and admit you to the Meeting; however, you will not be able to vote your shares at the Meeting without a legal proxy.

**Q: Where can I find the voting results of the Annual Meeting?**

A: We plan to announce preliminary voting results at the Meeting and publish final results in our quarterly report on SEC Form 10-Q for the first quarter of 2008.

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**INFORMATION CONCERNING THE ELECTION OF DIRECTORS  
(Item 1 on Proxy Card)**

In April 2006, the Company's stockholders approved the amendment of the Company's Restated Certificate of Incorporation to provide for the annual election of all directors. As a transition mechanism, the amendment provided that directors already elected to serve three year terms would serve the remainder of their elected terms. Continuing directors who were elected at the 2005 annual meeting to a three year term, as well as those directors elected in 2007 to a one year term, stand for reelection at this meeting to a one year term. All directors will be elected annually starting with the 2009 annual meeting, when the three year term of those directors elected at the 2006 annual meeting expires.

Mr. John E. Jacob and Mr. Charles F. Knight, whose terms expire with this annual meeting, are retiring from the board and will not stand for reelection. The Company is grateful to Mr. Jacob and Mr. Knight for their many valuable contributions and their participation on the Board will be missed.

The following information is submitted respecting the nominees for election and the other directors of the Company:

**Nominees for election at this meeting to a one year term expiring in 2009**

**August A. Busch III**

Mr. Busch, 70, has been a director since 1963. He has been Chairman of the Executive Committee of the Board of Directors of the Company since 1979. He served as Chairman of the Board of the Company from 1977 until his retirement on November 30, 2006. He also served as President of the Company from 1974 to June 2002 and as Chief Executive Officer from 1975 to June 2002. He is also a director of AT&T Inc. and Emerson Electric Co.

**August A. Busch IV**

Mr. Busch, 43, has been a director since September 2006. He has been President and Chief Executive Officer of the Company since December 1, 2006. He was Vice President and Group Executive of the Company from 2000 to November 2006. He has been President of Anheuser-Busch, Incorporated since 2002 and has held the additional title of Chairman of the Board of that company since December 2006. He is also a director of FedEx Corporation.

**Carlos Fernandez G.**

Mr. Fernandez, 41, has been a director since 1996. He is Chairman of the Board of Directors and Chief Executive Officer of Grupo Modelo, S.A.B. de C.V., a Mexican company engaged in brewing and related operations, which positions he has held since 2005 and 1997, respectively. He was Vice Chairman of the Board of Grupo Modelo from 1994 to 2005. He is also a director of Emerson Electric Co. and Grupo Televisa, S.A.B. de C.V.

**James R. Jones**

Ambassador Jones, 68, has been a director since 1998. He has been Co-Chairman and Chief Executive Officer of Manatt Jones Global Strategies, LLC, a global business consulting firm, since 2001. He has been Senior Counsel in the law firm of Manatt, Phelps & Phillips LLP since 1998. He was President of Warnaco International, an apparel company, from 1997 to 1998. He was the U.S. Ambassador to Mexico from 1993 to 1997. He is also a director of Kansas City Southern.

**Joyce M. Roché**

Ms. Roché, 60, has been a director since 1998. She has been President and Chief Executive Officer of Girls Incorporated, a national nonprofit research, education, and advocacy organization, since 2000. She was an independent management consultant from 1999 to 2000 and President and Chief Operating Officer of Carson, Inc., a personal care products company, from 1996 to 1998. She is also a director of AT&T Inc., Macy's Inc., and Tupperware Brands Corporation.

**Henry Hugh Shelton**

General Shelton, 66, has been a director since 2001. He was President, International Operations of M.I.C. Industries, an international manufacturing company, from 2002 to 2005. He served as Chairman of the Joint Chiefs of Staff from October 1997 to 2001. He is also a director of CACI International, Ceramic Protection Corporation, and Red Hat, Inc.

**Patrick T. Stokes**

Mr. Stokes, 65, has been a director since 2000. He has been Chairman of the Board of the Company since December 1, 2006. He served as President and Chief Executive Officer of the Company from 2002 until his retirement on November 30, 2006. He was Senior Executive Vice President of the Company from 2000 to 2002. He is also a director of Ameren Corporation and U.S. Bancorp.

**Andrew C. Taylor**

Mr. Taylor, 60, has been a director since 1995. He is Chairman and Chief Executive Officer of Enterprise Rent-A-Car Company (Enterprise), an international car rental and related services company. He has been Chairman of Enterprise since November 2001 and Chief Executive Officer of Enterprise since 1991. He is Chairman and Chief Executive Officer of Vanguard Car Rental and has held that position since August 2007. He has also been Chairman of Centric Group LLC, a holding company for several manufacturing and distribution businesses, since 2007. He is also a director of Commerce Bancshares, Inc.

**Douglas A. Warner III**

Mr. Warner, 61, has been a director since 1992. He was Chairman of the Board and Co-Chairman of the Executive Committee of J.P. Morgan Chase & Co., an international commercial and investment banking firm, from December 2000 until he retired in November 2001. From 1995 until 2000, he was Chairman of the Board, President and Chief Executive Officer of J.P. Morgan & Co., Incorporated. He is also a director of General Electric Company and Motorola, Inc.

**The Board of Directors recommends a vote FOR these nominees.**

**Incumbent directors whose term continues until 2009**

**James J. Forese**

Mr. Forese, 72, has been a director since 2003. He has been Operating Partner and Chief Operating Officer of Thayer Hidden Creek, a private equity investment firm, since 2003. He was Chairman of the Board of IKON Office Solutions, Inc. (IKON) from 2000 until his retirement in 2003. He was President and Chief Executive Officer of IKON from 1998 to 2002. He is also a director of BFI Canada, and non-executive Chairman and a director of Spherion Corporation.

**Vernon R. Loucks, Jr.**

Mr. Loucks, 73, has been a director since 1988. He has been Chairman of the Board of The Aethena Group, LLC, a health care merchant banking firm, since 2001. He was Chief Executive Officer of Segway L.L.C., a company providing solutions to short distance travel, from January to November 2003. He was Chairman of the Board of Baxter International Inc., a manufacturer of health care products, specialty chemicals, and instruments, from 1980 to 1999 and was Chief Executive Officer of Baxter International from 1980 to 1998. He is also a director of Affymetrix, Inc., Edwards Lifesciences Corporation, Emerson Electric Co., and MedAssets, Inc.

#### **Vilma S. Martinez**

Ms. Martinez, 64, has been a director since 1983. She has been a partner in the law firm of Munger, Tolles & Olson LLP since 1982. She is also a director of Burlington Northern Santa Fe Corporation and Fluor Corporation.

#### **William Porter Payne**

Mr. Payne, 60, has been a director since 1997. He has been Vice Chairman and a partner of Gleacher Partners LLC, an investment banking and asset management firm, since 2007 and 2000, respectively. Mr. Payne is also a director of Cousins Properties, Inc. and Lincoln National Corporation.

#### **Edward E. Whitacre, Jr.**

Mr. Whitacre, 66, has been a director since 1988. He has been Chairman Emeritus of AT&T Inc., a communications holding company, since June 5, 2007. He was Chairman of the Board and Chief Executive Officer of AT&T Inc. from 1990 until his retirement on June 4, 2007. He is also a director of Burlington Northern Santa Fe Corporation.

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### **Stock Ownership by Directors and Executive Officers**

The following table shows the number of shares of the Company's common stock and the share units and share equivalents with a value tied to the common stock that are beneficially owned by the directors and nominees, by each of the executives named in the summary compensation table, and by all directors and executive officers as a group as of January 31, 2008. As of January 31, 2008, there were 717,165,140 shares of common stock issued and outstanding. The number of shares shown for each individual does not exceed 1% of the common stock outstanding, with the exception of Mr. Busch III, whose shares represent 1.3% of the common stock outstanding. The number of shares shown for all directors and executive officers as a group represents 4.5% of the common stock outstanding. Individuals have sole voting and investment power over the stock unless otherwise indicated in the footnotes.

<b>Name</b>	<b>Number of Shares of Common Stock Beneficially Owned</b>	<b>Share Units and Share Equivalents(1)</b>
W. Randolph Baker	2,322,786(2)	41,070
Mark T. Bobak	952,023(3)	14,372
August A. Busch III	9,174,427(4)	2,595
August A. Busch IV	2,780,596(5)	18,891
Carlos Fernandez G.	58,327(6)	0
James J. Forese	26,001(7)	0
John E. Jacob	1,313,557(8)	14,942
James R. Jones	37,912(9)(10)	1,384
Charles F. Knight	66,001(9)	90,750
Vernon R. Loucks, Jr.	38,001(9)	4,647
Vilma S. Martinez	34,621(9)	26,062
Douglas J. Muhleman	1,344,954(11)	16,721

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Michael J. Owens	1,025,422(12)	14,204
William Porter Payne	39,449(9)	2,851
Joyce M. Roché	35,257(9)	8,029
Henry Hugh Shelton	34,715(13)	1,209
Patrick T. Stokes	6,975,872(14)	0
Andrew C. Taylor	77,203(9)	1,828
Douglas A. Warner III	48,001(9)	2,845
Edward E. Whitacre, Jr.	25,001(6)	29,100
All directors and executive officers as a group (33 persons)	33,684,824(15)	

(1) Includes share unit balances in the Company's deferred compensation plan for non-employee directors and share equivalent balances held by executives in the Company's 401(k) Restoration Plan. Although ultimately paid in cash, the value of share units and share equivalents mirrors the value of the Company's common stock. The share units and share equivalents do not have voting rights.

(2) The number of shares includes 2,007,277 shares that are subject to currently exercisable stock options, of which 67,000 are held in a family partnership, and 20,306 shares of unvested restricted stock.

(3) The number of shares includes 911,147 shares that are subject to currently exercisable stock options and 18,585 shares of unvested restricted stock.

(4) The number of shares includes 4,628,462 shares that are subject to currently exercisable stock options, of which 100,000 are held in trusts for the benefit of children of Mr. Busch III, and 7,028 shares of unvested restricted stock. Of the shares shown, Mr. Busch III has shared voting and shared investment power as to 1,059,836 shares and 2,048,064 shares are held in trusts of which Mr. Busch III is income beneficiary and as to which he has certain rights, but as to which he has no voting or investment power. 85,348 shares beneficially owned by members of his immediate family are not included.

(5) The number of shares includes 2,657,779 shares that are subject to currently exercisable stock options. Of those options, 50,000 were granted to Mr. Busch III and presently are held in trust for the benefit of Mr. Busch IV. Also included in the total are 67,847 shares of unvested restricted stock.

(6) The number of shares includes 20,001 shares that are subject to currently exercisable stock options and 833 shares of unvested restricted stock.

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(7) The number of shares includes 15,001 shares that are subject to currently exercisable stock options and 833 shares of unvested restricted stock.

(8) The number of shares includes 1,214,638 shares that are subject to currently exercisable stock options, of which 80,000 are held in a trust for the benefit of the child of Mr. Jacob, and 1,359 shares of unvested restricted stock.

(9) The number of shares includes 33,001 shares that are subject to currently exercisable stock options and 833 shares of unvested restricted stock. 4000 of the shares held by Mr. Loucks have been pledged as security.

(10) Mr. Jones has shared voting and shared investment power with respect to 2,256 of these shares.

(11) The number of shares includes 1,300,701 shares that are subject to currently exercisable stock options and 16,815 shares of unvested restricted stock.

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- The number of shares includes 964,624 shares that are subject to currently exercisable stock options and 14,628 shares of unvested restricted stock.
- (13) The number of shares includes 25,001 shares that are subject to currently exercisable stock options and 833 shares of unvested restricted stock.
- (14) The number of shares includes 6,569,247 shares that are subject to currently exercisable stock options (of which 1,366,621 are held in a family partnership), 351,252 shares that are held in a family partnership for which Mr. Stokes's wife has shared voting and shared investment power, and 15,645 shares that are held in a trust in which Mr. Stokes and his wife have an economic interest, but as to which they have no voting or investment power. Also included are 13,613 shares of unvested restricted stock.
- (15) The number of shares stated includes 27,374,005 shares that are subject to currently exercisable stock options, 258,731 shares of unvested restricted stock, 2,048,064 of the shares that are referred to in Note 4, as to which Mr. Busch III has no voting or investment power, and 366,897 of the shares that are referred to in Note 14 for which Mr. Stokes has no voting or investment power. 4,000 of the shares are pledged as security. The directors and executive officers as a group have sole voting and sole investment power as to 2,833,765 shares and shared voting and shared investment power as to 1,062,092 shares. 98,259 shares held by immediate family members or family trusts are not included and beneficial ownership of such shares is disclaimed.

**Principal Holders of Stock**

The following table sets forth information regarding beneficial owners of more than 5 percent of the outstanding shares of the Company's common stock.

<u>Name and Address</u>	<u>Number of Shares</u>	
	<u>Beneficially Owned</u>	<u>Percent of Class</u>
Barclays Global Investors, NA and Affiliates 45 Fremont Street San Francisco, CA 94105	41,597,470 <sup>(a)</sup>	5.67% <sup>(a)</sup>

(a) This information is based on the Schedule 13G dated January 10, 2008 filed by Barclays Global Investors, NA and affiliates with the Securities and Exchange Commission reporting on beneficial ownership as of December 31, 2007. In addition to Barclays Global Investors, NA, affiliates on the filing are Barclays Global Fund Advisors, Barclays Global Investors, LTD, Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited, and Barclays Global Investors (Deutschland) AG. According to the filing, the reporting persons have sole voting power with respect to 36,285,922 shares and sole investment power with respect to 41,597,470 shares.

**ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS OF THE COMPANY**

During 2007 the Board of Directors held eleven meetings. Director attendance at board and committee meetings averaged over 95%. No director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and of committees of the Board of which he or she was a member. It is the Company's policy that directors are expected to attend the Annual Meeting of Stockholders and in 2007 all directors were in attendance with the exception of one director who had a schedule conflict. In addition to regularly scheduled meetings, a number of directors were involved in numerous informal meetings with management, offering valuable advice and suggestions on a broad range of corporate matters.

A director is considered to be an independent director only if the director does not have a material relationship with the Company, as determined by the Board of Directors. In addition to the independence criteria established by the New York Stock Exchange, the Board of Directors has established categorical standards to assist it in making independence determinations. These standards, set forth in the Company's Corporate Governance Guidelines, are set out below.

The following are not considered to impair a director's independence:

- a. The director or any member of the director's immediate family is employed by, an officer of or affiliated with any for profit organization that has made or received non-significant payments to or from the Company. For the purposes of this categorical standard, a payment is considered to be non-significant if it represents less than (i) 1% of the gross revenues of the for profit organization for its last full fiscal year, and (ii) 1% of the Company's gross revenues for its last full fiscal year;
- b. The director is an officer, director, trustee or employee of a foundation, university or other non-profit organization to which the Company gives directly, or indirectly through its foundations, no more than \$500,000 per annum or 2% of the organization's gross revenues for its last full fiscal year (whichever is greater)(for this purpose, donations made as a result of any of the Company's matching gift programs will not be included);
- c. The director receives fees for service as the Company's representative or the representative of the Board of Directors on the board of directors of subsidiary or affiliated companies paid by the Company or such subsidiary or affiliated companies; or
- d. The director is an executive officer of another corporation or organization of which an executive officer of the Company serves on the board of directors (but is not on the compensation committee of the corporation or organization) or the director serves on the board of another corporation or organization together with other directors or officers of the Company.

An individual is considered to be affiliated with a corporation or other entity if that individual controls, is controlled by or is under common control with the corporation or other entity. If a director has a relationship which is not covered by the above categorical standards, the Board of Directors must specifically consider that relationship and determine whether the director may nevertheless be considered independent.

The Board of Directors has determined that Messrs. Forese, Jones, Loucks, Payne, Shelton, Taylor, Warner, and Whitacre and Ms. Martinez and Roché are independent directors, representing a majority of the Board members. Each of the Company's independent directors meets the standards of independence established by the New York Stock Exchange and the categorical standards of the Company set forth above.

As described in the Company's Corporate Governance Guidelines, which are set forth in full in Appendix A attached to this proxy statement, the non-management directors meet in regularly scheduled executive sessions without members of the Company's management. These executive sessions are led by the lead director, Mr. Warner. A description of the duties of the lead director is contained in the Corporate Governance Guidelines.

## DIRECTOR COMPENSATION

The following table sets forth information regarding the compensation earned by or awarded to each non-employee director who served on the Company's Board of Directors for the fiscal year ended December 31, 2007.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
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A. Busch III <sup>(4)</sup>	85,750	25,765	51,400	416,734	579,649
C. Fernandez <sup>(5)</sup>	99,750	25,765	51,400	51	176,966
J. Forese <sup>(6)</sup>	116,750	25,765	51,400	493	194,408
J. Jacob <sup>(7)</sup>	89,750	25,765	51,400	7,041	173,956
J. Jones <sup>(8)</sup>	158,355	25,765	51,400	852	236,372
C. Knight <sup>(8)</sup>	95,750	25,765	51,400	10,455	183,370
V. Loucks, Jr. <sup>(8)</sup>	121,750	25,765	51,400	3,032	201,947
V. Martinez <sup>(8)</sup>	121,750	25,765	51,400	3,251	202,166
W. Payne <sup>(8)</sup>	101,750	25,765	51,400	181	179,096
J. Roché <sup>(8)</sup>	95,750	25,765	51,400	181	173,096
H. Shelton <sup>(9)</sup>	101,750	25,765	51,400	5,466	184,381
P. Stokes <sup>(10)</sup>	89,750	25,765	51,400	760,103	927,018
A. Taylor <sup>(8)</sup>	95,750	25,765	51,400	181	173,096
D. Warner III <sup>(8)</sup>	95,750	25,765	51,400	10,196	183,111
E. Whitacre, Jr. <sup>(5)</sup>	103,750	25,765	51,400	10,296	191,211

- (1) This column also includes amounts the directors elected to receive in stock or to defer.
- (2) This amount represents the Company's 2007 FAS 123R expense. The fair value of each share of stock granted in 2007 for each director was \$51.53 and the fair value of each option granted in 2007 for each director was \$10.28.
- (3) Amounts in this column include life insurance premiums, tax gross-ups, gifts to educational institutions pursuant to the Company's matching gift plan, non-cash gifts, and consulting agreement payments for Mr. Busch III and Mr. Stokes as explained in notes (4) and (10) below.
- (4) At 12/31/07, Mr. Busch III had 500 shares of restricted stock and 5,000 options outstanding pursuant to the director stock plans. The "All Other Compensation" total includes \$392,168 for personal security and \$16,992 for other payments during 2007 pursuant to the post-retirement consulting arrangement between Mr. Busch III and the Company. See page 55 for a description of this arrangement.
- (5) At 12/31/07, this director had 833 shares of restricted stock and 30,000 options outstanding pursuant to the director stock plans.
- (6) At 12/31/07, Mr. Forese had 833 shares of restricted stock and 25,000 options outstanding pursuant to the director stock plans.
- (7) At 12/31/07, Mr. Jacob had 500 shares of restricted stock and 5,000 options outstanding pursuant to the director stock plans.
- (8) At 12/31/07, this director had 833 shares of restricted stock and 43,000 options outstanding pursuant to the director stock plans.
- (9) At 12/31/07, General Shelton had 833 shares of restricted stock and 35,000 options outstanding pursuant to the director stock plans.
- (10) At 12/31/07, Mr. Stokes had 500 shares of restricted stock and 5,000 options outstanding pursuant to the director stock plans. The "All Other Compensation" total includes \$750,000 paid pursuant to the



post-retirement consulting arrangement between Mr. Stokes and the Company. See pages 54-55 for a description of his post-retirement consulting arrangement with the Company.

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Each director who is not an employee of the Company is paid an annual retainer of \$75,000, which each director may elect to receive in stock, cash, or a combination of stock and cash. Each non-employee director also receives a fee of \$2,000 for each Board of Directors meeting attended and a fee of \$2,000 for attendance at a meeting of a committee of the Board on which the director serves or to which the director is invited to attend, and for any other scheduled meeting of directors at which less than a quorum of the Board is present. Annual fees of \$10,000 each are paid to the Chairs of the Compensation, Conflict of Interest, Corporate Governance, Finance, and Pension Committees. An annual fee of \$15,000 is paid to the Chair of the Audit Committee. The Company pays the travel and accommodation expenses of directors and (when requested by the Company) their spouses to attend meetings and other corporate functions, along with any taxes related to such payments. Such travel is generally by Company aircraft if available. As part of their continuing education, directors are encouraged to visit Company facilities and the Company pays their expenses related to such visits. The Company reimburses directors for their expenses in connection with attending director education courses. The Company also provides each non-employee director who has never been an employee of the Company group term life insurance coverage of \$50,000, which coverage remains in effect following the director's retirement from the Board, and directors are eligible to participate in the Anheuser-Busch Foundation Matching Gift Program on the same terms as all employees of the Company. The Matching Gift Program provides a dollar for dollar match of employee or director gifts to eligible educational institutions, up to a maximum of \$10,000 per participant per year.

The Company owns corporate aircraft and corporate residences. Directors using the corporate aircraft and corporate residences for board purposes may be permitted to invite family members or other guests to accompany them on the aircraft or to join them in the use of the corporate residences for the limited period the director is on board business. The Company does not incur any additional incremental costs as a result of such accompaniment or use and the above table does not include any amount for these arrangements. These arrangements are included in the compensation of the directors as required by tax law.

Directors who are not employees of the Company who serve as representatives of the Company's Board of Directors on the Board of an affiliated company receive an additional annual fee of \$75,000 less any board service fees paid to the director during the year by that affiliated company. The Board of Directors has appointed Mr. Jones as its representative on the Board of Directors of the Company's affiliate Grupo Modelo, S.A.B. de C.V. Mr. Jones received director fees of \$48,605 from the Company for this service in 2007, which is included in the table on page 13, in the Fees Earned or Paid in Cash Column.

Under a deferred compensation plan, non-employee directors may elect to defer payment of part or all of their directors' fees. At the election of the director, deferred amounts are credited to a market based fixed income account or a share equivalent account. The amounts deferred under the plan are paid in cash commencing on the date specified by the director. At the director's election, such payments may be made either in a lump sum or over a period not to exceed ten years.

Currently non-employee directors receive an annual grant of options to purchase 5,000 shares of the Company's common stock. If a director is unable to own the Company's common stock due to possible conflicts with state alcoholic beverage control laws, such director receives 5,000 stock appreciation rights ("SARs") payable in cash in lieu of stock options. The exercise price of these options and SARs is equal to the fair market value of the Company's common stock on the date of grant. The options and SARs become exercisable over three years and expire ten years after grant. Options and SARs normally vest in three equal installments on each of the first three anniversaries of their grant date.

Currently, each non-employee director also receives an annual award of 500 shares of restricted stock. If any director is unable to own the Company's common stock due to possible conflicts with state alcoholic beverage control laws, such director receives 500 restricted stock units payable in cash in lieu of shares of restricted stock. The restricted stock and the restricted stock units vest ratably over three years.

If Item 2 is approved by the stockholders, the current annual awards of 5,000 options and 500 shares of restricted stock will be replaced with an annual award of restricted stock or deferred stock units with a value of \$120,000. See pages 17-19 for additional information about this proposed new plan.

### COMMITTEES OF THE BOARD

The Company's Corporate Governance Guidelines and the charters of the standing committees of the Board of Directors are available on the Corporate Governance section of the Company's website (under "Investors") at [www.anheuser-busch.com](http://www.anheuser-busch.com). These documents are also available in print to stockholders upon written request to: Vice President and Secretary, Anheuser-Busch Companies, Inc., Mail Code 202-6, One Busch Place, St. Louis, MO 63118. The Company's standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Conflict of Interest Committee, the Corporate Governance Committee, the Finance Committee, the Pension Committee, and the Executive Committee. Information concerning these standing committees is set out below.

	Audit	Compensation	Conflict of Interest	Corporate Governance	Finance	Pension	Executive Chair
A. Busch III							Chair
A. Busch IV							X
C. Fernandez					X		
J. Forese	Chair	X					
J. Jacob*					X		X
J. Jones			Chair	X			
C. Knight*					Chair		X
V. Loucks	X	Chair		X			
V. Martinez	X	X		Chair			
W. Payne		X			X	X	X
J. Roché			X			X	
H. Shelton			X	X		X	
P. Stokes					X		X
A. Taylor	X		X			X	X
D. Warner III	X				X	X	
E. Whitacre, Jr.					X	Chair	X
2007 Meetings	5	4	3	4	2	2	0

\* Mr. Jacob and Mr. Knight are retiring from the Board in April 2008.

#### Corporate Governance Committee

The Corporate Governance Committee recommends to the Board of Directors a slate of nominees for directors to be presented on behalf of the Board for election by stockholders at each Annual Meeting of the Company and recommends to the Board persons to fill vacancies on the Board of Directors. The Committee will consider nominees recommended by stockholders upon submission in writing to the Vice President and Secretary of the Company the names of such nominees, together with their qualifications for service as a director of the Company. If a stockholder wishes to submit a director nomination at an annual meeting of stockholders, the stockholder must comply with the notice provisions of our bylaws. (See page 58 below.) The Committee seeks board members from diverse business and professional backgrounds with outstanding integrity, achievement and judgment. Director nominees should be committed to representing the interests of all stockholders and not to advancing the interests of special interest groups or constituencies of stockholders. The Corporate Governance Committee evaluates director nominees in the context of the entire Board with the objective of assembling a board of directors that can best perpetuate the success of the Company and promote the interests of the stockholders. The Committee identifies potential nominees from various sources, including soliciting recommendations from directors and officers of the Company. Individuals recommended by stockholders are evaluated in the same manner as other potential nominees. Additionally, during 2007 the Corporate Governance Committee contracted

with Ridgeway Partners to assist the Committee with identification of director candidates. Annually, the Committee reviews the Company's Corporate Governance Guidelines and oversees an evaluation of the Board of Directors and its committees. Periodically the Committee reviews the compensation paid to the non-employee directors and makes recommendations to the Board of Directors on the types and amounts of compensation to be paid to the non-employee directors.

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To assist the Corporate Governance Committee in this review, management retains an independent compensation consultant to prepare a study comparing the Company's director compensation with that of the Company's peer group companies. In 2007, the consulting firm that prepared this study was CCA Strategies. The Corporate Governance Committee may not delegate to any other person the authority to set director compensation. All members of the Committee are independent, non-employee directors.

### **Compensation Committee**

The Compensation Committee carries out the Board's responsibilities related to compensation of the executive officers and other senior executives of the Company, reviews the Company's executive succession plans, and administers the Officer Bonus Plan and the Company's long-term incentives program. To assist the Compensation Committee in discharging its responsibilities, the Committee has retained an independent consultant, Frederic W. Cook & Co., Inc. (F.W. Cook). F.W. Cook is engaged by and reports directly to the Compensation Committee. Specifically, F.W. Cook's role is to work with the Committee in conjunction with management to develop recommendations related to all aspects of executive compensation. F.W. Cook has been asked to review and provide observations on management-developed compensation market data, the composition of the peer group companies, total compensation levels for executive officers, and the mix and design of incentive compensation. F.W. Cook has also been directed to provide the Compensation Committee with information on an ongoing basis on compensation trends and the implications for the Company. Another independent compensation consulting firm, Hewitt Associates, is engaged by Company management to assist with the development of competitive compensation benchmarks. In its deliberations, the Compensation Committee meets with the Chief Executive Officer and other members of senior management, as appropriate, to discuss the application of the competitive benchmarking (pay and performance) relative to the structure and needs of the Company. The roles of the Compensation Committee, the compensation consultants, and Company management are described in greater detail in the "Compensation Discussion and Analysis" on pages 28-35. The Compensation Committee may not delegate to any other person the authority to set compensation for the Company's executive officers. All members of the Committee are independent, non-employee directors.

### **Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee is or has been an officer or employee of the Company or any of its subsidiaries. In addition, no member of the Compensation Committee had any relationship with the Company or any other entity that requires disclosure under the proxy rules and regulations promulgated by the U.S. Securities and Exchange Commission (SEC).

### **Audit Committee**

The functions of the Audit Committee are described under "Report of the Audit Committee" on page 27. All of the members of the Audit Committee meet the independence and experience requirements of the New York Stock Exchange and the SEC. The Board of Directors has determined that one of the Committee's members, Mr. Forese, qualifies as an "audit committee financial expert" as defined by the SEC.

### **Conflict of Interest Committee**

The Conflict of Interest Committee assists the Board in fulfilling its oversight responsibilities for the Company's business ethics policies. The Committee also reviews on behalf of the Board any proposed business transaction between the Company and its executive officers or directors or related persons. All members of the Committee are independent, non-employee directors.

### **Finance Committee**

The Finance Committee reviews and makes recommendations to the Board on matters related to the major financial affairs and policies of the Company.

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***Pension Committee***

The Pension Committee assists the Board in fulfilling its oversight responsibilities for the pension plans that are sponsored and administered by the Company or its subsidiaries.

***Executive Committee***

The Executive Committee is empowered to act for the full board in intervals between Board meetings, with the exception of certain matters that by law may not be delegated. The Committee meets as necessary and all actions by the Committee are reported to the full board at the next Board of Directors meeting. The Committee rarely meets and did not meet in 2007.

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**APPROVAL OF THE 2008 LONG-TERM EQUITY INCENTIVE PLAN FOR  
NON-EMPLOYEE DIRECTORS  
(Item 2 on Proxy Card)**

The Board of Directors has directed that there be submitted to the stockholders a proposal to approve the Anheuser-Busch Companies, Inc. 2008 Long-Term Equity Incentive Plan for Non-Employee Directors (the "2008 Plan") under which up to an aggregate of 200,000 shares of the Company's common stock may be issued pursuant to awards. If approved, the 2008 Plan would replace the Company's existing Stock Plan for Non-Employee Directors (the "1999 Plan") and 2006 Restricted Stock Plan for Non-Employee Directors (the "2006 Plan").

A summary of the principal features of the 2008 Plan is provided below, but is qualified in its entirety by reference to the full text of the 2008 Plan, which is printed as Appendix B to this proxy statement.

***Reasons for Approving the 2008 Plan***

The Board of Directors believes that the Company's long-term success is dependent upon its ability to attract and retain highly qualified non-employee directors and to encourage them to acquire a proprietary interest in the long-term success of the Company, thereby aligning their financial interests with those of the Company's stockholders. To that end, the Company has previously provided for the award of stock options under the 1999 Plan and restricted stock under the 2006 Plan. The Board of Directors, upon recommendation of its Corporate Governance Committee, has determined that a more flexible program offering restricted stock and/or deferred stock units to be settled in stock is more appropriate in the current competitive environment. Approval of the 2008 Plan will allow the Company to achieve this objective.

***Summary Description of the 2008 Plan***

***Awards***

The 2008 Plan would authorize the automatic grant of an annual award to each non-employee director who is elected or re-elected at, or continues to serve after, each annual meeting of the stockholders of the Company beginning with the 2008 annual meeting. In addition, any person elected or appointed as a non-employee director between annual meetings would receive a prorated award. Annual awards under the 2008 Plan generally will be granted in each year on the first business day of the first calendar month following the annual meeting of the stockholders of the Company. However, the prorated award to any person elected or appointed as a non-employee director between annual meetings will instead be granted on the date of his or her election or appointment.

The annual award is equal to \$120,000, which each non-employee director may elect to take in the form of either (i) restricted stock or (ii) deferred stock units to be settled in stock. A non-employee director who, due to various legal restrictions, cannot own Company stock while serving on the Board of Directors will receive only an award of deferred stock units. Restricted stock is common stock which the Company grants subject to transfer restrictions and vesting criteria. A deferred stock unit is a right to receive unrestricted Company stock at the end of a specified deferral period (generally when the recipient ceases to serve as a

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director) which the Company grants subject to vesting criteria. If a non-employee director is to receive an award of deferred stock units, the director may also elect to receive the settlement of the award in either (i) a single complete distribution or (ii) quarterly installments over a period of up to five years.

Each award under the 2008 Plan will vest one year following the grant date of the award. However, all unvested awards will vest immediately upon the recipient's death, disability or retirement from the Board of Directors, or upon a change in ownership or control of the Company as determined in accordance with the general rules of Section 409A of the Internal Revenue Code of 1986, as amended. Except to the extent provided in the award agreement, restrictions and forfeiture risks, if any, imposed on an award will terminate upon vesting. If a recipient ceases to serve as a director prior to vesting (other than by reason of the recipient's death, disability or retirement from the Board of Directors), all of the recipient's unvested awards will be forfeited. Prior to the issuance or delivery of any shares of Company stock under the 2008 Plan, the Company intends to register such shares with the Securities and Exchange Commission on a Form S-8 Registration Statement.

With respect to awards of restricted stock, a recipient will be a stockholder of record of the Company for all purposes with respect to the restricted stock and will have all rights of a holder of Company stock, including the right to vote such restricted stock at any meeting of the stockholders of the Company and the right to receive all dividends declared and paid with respect to such restricted stock. However, with respect to an award of deferred stock units, a recipient will not be entitled to any voting or other stockholder rights, although dividend equivalent amounts will be credited with respect to the deferred stock units. Unless otherwise determined by the Corporate Governance Committee of the Board of Directors, awards are not transferable except by will or the laws of descent and distribution, provided, however, under no circumstances will outstanding awards be transferable in exchange for consideration.

### **Administration**

The 2008 Plan will be administered by the Corporate Governance Committee of the Board of Directors, or another committee appointed by the Board from time to time, consisting solely of three or more members of the Board of Directors, each of whom at all times must be an independent director in accordance with the Company's Corporate Governance Guidelines and none of whom may be an officer or employee of the Company or any of its subsidiaries (the "Plan Committee"). Within the limits of the 2008 Plan, the Plan Committee will determine the terms, conditions, and restrictions relating to any award which the Plan Committee deems appropriate. The Plan Committee may prescribe, amend and rescind rules and regulations relating to the 2008 Plan. All decisions, determinations and interpretations by the Plan Committee will be final and binding upon all parties.

In the Plan Committee's discretion, award agreements may provide that awards are forfeited if the recipient takes any action prohibited by the award agreement (e.g., engaging in competition with the Company or in conduct contrary to the best interests of the Company), or if certain events occur or fail to occur. The Plan Committee may accelerate vesting of awards or waive or terminate any condition, restriction, or forfeiture provision of any award at any time in its discretion. The Plan Committee also has authority to permit withholding taxes related to vesting or settlement of awards, if required to be withheld by the Company, to be paid by withholding from the award that number of shares of stock that is sufficient to pay such withholding taxes.

### **Award Limits**

Upon approval of the 2008 Plan by the stockholders, the 1999 Plan and the 2006 Plan will both be terminated (except as to outstanding awards thereunder) and no further awards will be made under either of those plans. As of February 29, 2008, there were 24,000 shares available for grants under the 1999 Plan and 86,500 shares available for grants under the 2006 Plan, all of which will become available for grant under the 2008 Plan. Additionally, another 89,500 shares of the Company's common stock will be reserved for issuance pursuant to

awards under the 2008 Plan. Therefore, the approval of the 2008 Plan will authorize the Company to grant awards covering up to an aggregate of 200,000 shares of the Company's common stock (the "Total Share Authorization"). Shares of the Company's stock to be issued under the 2008 Plan may be either from authorized but unissued shares or shares held in the Company's treasury. Appropriate adjustments in these share limits and in the terms of outstanding awards are required for stock splits and similar events. To the extent that any award involving the issuance of shares of the Company's stock is forfeited or cancelled, or otherwise terminates without an issuance of shares of the Company's stock being made, the shares of

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the Company's stock so forfeited, cancelled or terminated will no longer be counted against the Total Share Authorization and may again be made subject to awards under the 2008 Plan pursuant to such limitation. The authority to make new award grants under the 2008 Plan will expire on December 19, 2017.

### **Plan Amendments**

The 2008 Plan may be amended by the Board of Directors at any time. Under applicable New York Stock Exchange rules, certain amendments which increase the number of authorized shares (other than as a result of an increase solely to reflect stock splits or similar events affecting Company stock), expand the types of awards available, change the class of eligible recipients, or otherwise cause a material revision to the terms of the 2008 Plan must be approved by the Company's stockholders.

### **Federal Income Tax Considerations**

#### **Restricted Stock and Deferred Stock Units**

A recipient of restricted stock or deferred stock units generally does not recognize income and the Company generally is not entitled to a deduction at the time of grant. Instead, the recipient recognizes compensation income and the Company is entitled to a deduction on the date on which vesting occurs in the case of restricted stock, or on the date on which stock is issued (and cash representing dividend equivalents, if any, is paid) in the case of deferred stock units. The amount of income recognized and the amount of the Company's deduction will equal (i) in the case of restricted stock, the fair market value of the vested stock on the vesting date, or (ii) in the case of deferred stock units, the fair market value of stock on the date on which stock is issued plus the amount of cash paid, if any, representing dividend equivalents. However, the recipient may elect to include in income the fair market value of restricted stock at the time of grant. If such election is made, the Company's deduction will equal the fair market value of the restricted stock at the time of grant. Any dividends on restricted stock paid to the recipient prior to the vesting date will be includible in the recipient's income as compensation and deductible as such by the Company.

#### **Deferred Compensation**

Any deferrals made under the 2008 Plan, including awards granted under the 2008 Plan that are considered to be deferred compensation, must satisfy the requirements of Internal Revenue Code Section 409A to avoid adverse tax consequences to recipients, which include the current inclusion of deferred amounts in income and interest and an additional tax thereon. The Company intends to structure any awards under the 2008 Plan such that the requirements under Internal Revenue Code Section 409A are either satisfied or are not applicable to such awards.

#### **New Plan Benefits**

No awards have been granted under the 2008 Plan, and none will be granted unless and until the 2008 Plan is approved by the Company's stockholders. Only non-employee directors are eligible to receive awards under the 2008 Plan. If the 2008 Plan is approved, and the number of non-employee directors is thirteen, the annual amount that will be received by the non-employee directors as a group under the 2008 Plan will be as follows:

**NEW PLAN BENEFITS**  
**2008 Long-Term Equity Incentive Plan for Non-Employee Directors**

Position	Dollar Value (\$)	Number of Units
Non-Executive Director Group	\$ 1,559,809 <sup>(1)</sup>	33,124 <sup>(2)</sup>

- (1) Annual amount based upon \$120,000 value of annual award for each of the Company's thirteen non-employee directors and assuming a stock price of \$47.09 per share (rounded down to the nearest whole number of shares/units).
- (2) Number of shares of restricted stock and/or deferred stock units based upon closing price of \$47.09 per share of Company stock on February 29, 2008, as reported on the New York Stock Exchange.

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**The Board of Directors recommends a vote FOR item 2, which approves the 2008 Long-Term Equity Incentive Plan for Non-Employee Directors.**

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**APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
(Item 3 on Proxy Card)**

Action will be taken with respect to the approval of the independent registered public accounting firm for the Company for the year 2008. The Audit Committee has selected PricewaterhouseCoopers LLP, subject to the approval of the stockholders. If the stockholders do not approve this selection, the Audit Committee will consider other independent registered public accounting firms.

A representative of PricewaterhouseCoopers LLP is expected to be present at the meeting. Such representative will have an opportunity to make a statement, if he or she so desires, and will be available to respond to appropriate questions by stockholders. For additional information regarding the Company's relationship with PricewaterhouseCoopers LLP, please refer to the "Report of the Audit Committee" on page 27.

**The Board of Directors recommends a vote FOR Item 3, which approves the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008.**

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**STOCKHOLDER PROPOSALS  
(Items 4 through 6 on Proxy Card)**

Certain stockholders have advised the Company that they intend to introduce at the 2008 Annual Meeting the proposals set forth below. The names and addresses of, and the number of shares owned by, each such stockholder will be provided to any stockholder upon request to the Vice President and Secretary of Anheuser-Busch Companies, Inc.

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**STOCKHOLDER PROPOSAL CONCERNING A REPORT ON  
CHARITABLE CONTRIBUTIONS  
(Item 4 on Proxy Card)**

A stockholder has submitted the following proposal:

Charitable Contributions Report

Resolved: The shareholders request that the Company provide a report updated semi-annually, omitting proprietary information and at reasonable cost, disclosing the Company's:

1. Policies and procedures for charitable contributions (both direct and indirect) made with corporate assets;
2. Monetary and non-monetary contributions made to non-profit organizations operating under Section 501(c)(3) and 501(c)(4) of the Internal Revenue Code, and any other public or private charitable organizations;
3. Rationale for each of the charitable contributions.

To the extent reasonable and permissible, the report may include the type of information requested above for charities and foundations controlled or managed by the Company.

This report may be posted on the company's website to reduce costs to shareholders.

Supporting Statement:

Company assets belong to its shareholders. The expenditure or distribution of corporate assets, including charitable contributions, should be consistent with shareholder interests. Accordingly, the Company's rationale for charitable contributions should be disclosed to shareholders.

In apparent response to a similar shareholder proposal last year, the Company increased its disclosure of charitable giving on its website, including a "Contributions Summary," which lists gifts within certain ranges. This is a step in the right direction, but the Company still does not provide a rationale for its gifts, especially those to controversial grantees.

A Company contribution in 2006 to the Rainbow/PUSH Coalition in the amount of \$100,000 to \$499,000 is disclosed on the Company website. A 2007 Rainbow/PUSH conference program purports that the Company is a "Platinum Sponsor," a distinction reportedly costing \$150,000.

A Company contribution in 2006 to the Mexican American Legal Defense and Educational Fund (MALDEF) in the amount of \$100,000 to \$499,000 is disclosed on the Company website. According to MALDEF annual reports, the Company has been the group's largest corporate supporter in recent years.

MALDEF favors the issuance of driver's licenses to illegal immigrants, and sued the state of Virginia to allow illegal immigrants to attend state universities at the in-state tuition rate. MALDEF opposed the nominations of Judge John Roberts and Judge Sam Alito, two of the most pro-business Supreme Court nominees in history.

**Your Company's Response to the Proposal**

Anheuser-Busch believes that being a responsible corporate citizen enhances stockholder value and is important to the Company's reputation and its continued success. Both the Company and its charitable foundation have a long history of providing financial assistance to charitable organizations throughout the country, including those that support education, health care, the arts, cultural enrichment, social services, minority leadership and economic development, and environmental conservation. The Company also takes pride in its tradition of providing disaster relief. Since 1988 Anheuser-Busch has donated 63 million cans of fresh drinking water following natural disasters, including two million in 2007. In response to the Southern California wildfires, we provided more than 400,000 cans of drinking water and nearly 15,000 cans of 180 energy drinks, along with a \$500,000 donation to The American Red Cross to aid relief efforts for victims. The Company also has a long-standing commitment to supporting our friends in the military. In 2007 alone, Busch



Entertainment Corporation provided free admission to more than 750,000 members of the U.S. military and their families under its Here's to the Heroes program. To date, the program has provided admission to more than four million military personnel and their families.

Inclusively supporting all sectors of the community is important to our business. Anheuser-Busch supports a variety of organizations that serve racial and ethnic communities and have a proven history of improving economic, educational, and leadership opportunities across the United States.

The Company agrees that stockholders should be provided information on charitable contributions made by the Company and its charitable foundation and believes that sufficient information about these contributions is already available to stockholders and the public on the Company's website. (Visit [www.anheuser-busch.com](http://www.anheuser-busch.com), select "Community" and then click on "Charitable Giving".) The website provides information about support by the Company and its charitable foundation including the overall rationale for supporting each program area, the corporate guidelines for charitable giving, grant procedures, and information on related Company programs. A summary of contributions made during the last completed calendar year is also included and the Company's support of several organizations is highlighted through case studies.

The information on the website is updated with information on significant new grants on an ongoing basis, and the summary of contributions made in each calendar year is annually updated as soon as practical after the close of that year.

The Company believes that the disclosure currently provided on its website provides a thorough review of the Company's charitable contributions, is the most effective and efficient use of the Company's resources, and that no additional reporting is needed.

**For these reasons, the Board of Directors recommends that stockholders vote AGAINST Item 4.**

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**STOCKHOLDER PROPOSAL CONCERNING SPECIAL SHAREHOLDER MEETINGS  
(Item 5 on Proxy Card)**

A stockholder has submitted the following proposal:

**5-Special Shareholder Meetings**

RESOLVED, shareholders ask our board to amend our bylaws and any other appropriate governing documents to give holders of 10% (or the lowest possible percentage above 10%) of our outstanding common stock the power to call a special shareholder meeting.

Supporting Statement:

Special meetings allow investors to vote on important matters, such as a takeover offer, that can arise between annual meetings. If shareholders cannot call special meetings, management may become insulated and investor returns may suffer.

Shareholders should have the ability to call a special meeting when they think a matter is sufficiently important to merit expeditious consideration. Shareholder control over timing is especially important in the context of a major acquisition or restructuring, when events unfold quickly and issues may become moot by the next annual meeting.

Prominent institutional investors and organizations support a shareholder right to call a special meeting. Fidelity and Vanguard are among the mutual funds supporting a shareholder right to call a special meeting. The proxy voting guidelines of many public employee pension funds, including the New York City Employees

Retirement System, also favor preserving this right. Governance ratings services, such as The Corporate Library and Governance Metrics International, take special meeting rights into account when assigning company ratings.

Eighteen (18) proposals on this topic averaged 56%-support in 2007  including 74%-support at Honeywell (HON).

William Steiner, Piermont, NY said the advantage of adopting this proposal should be considered in the context of our company's overall corporate governance. For instance in 2007 the following governance status was reported (and certain concerns are noted):

- The Corporate Library (TCL) <http://www.thecorporatelibrary.com> an independent investment research firm rated our company:

F overall.

Very High Concern regarding our Board.

Very High Concern regarding executive pay.

- Cumulative voting was not allowed.
- Six directors had 15 to 44 years tenure - Lack of independence concern.
- There were 4 potentially conflicted directors on our board.
- We had 16 directors  Unwieldy board concern.
- Our directors can still remain on our Board if they fail to get 51%-vote  even when they run unopposed.
- Our current CEO has a tenure of less than 2years, while our former CEO remains on the board as Chairman, which can undermine and weaken the CEO's leadership.

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- Our following key directors served on boards rated D by the Corporate Library:

1) Mr. Busch IV	FedEx (FDX)	D-rated
2) Mr. Busch III	Emerson Electric (EMR)	D-rated
	AT&T (T)	D-rated
3) Mr. Loucks, Chairman of our Compensation Committee	Emerson Electric (EMR)	D-rated
	Affymetrix (AFFX)	D-rated
4) Mr. Stokes, Chairman of the Board	US Bancorp (USB)	D-rated

The above status shows there is room for improvement and reinforces the reason to take one step forward now and vote yes:

Special Shareholder Meetings   
Yes on 5

### **Your Company's Response to the Proposal**

Anheuser-Busch's bylaws require a special meeting of stockholders to be called by the Board of Directors at the request of the holders of at least 25% of the outstanding common stock of the Company. This proposal calls for amending the bylaws to lower the threshold to permit holders of 10% of the Company's outstanding common stock to call special stockholder meetings.

Anheuser-Busch is incorporated in Delaware. Delaware law requires that major corporate actions such as a merger or sale of substantially all of our assets be approved by stockholders. Furthermore, all stockholders have the opportunity to bring matters before stockholders meetings on an annual basis.

The Company believes that its 25% threshold for the right of stockholders to call a special meeting is reasonable. This 25% threshold prevents a small group of stockholders from calling a special meeting on topics in which the majority of stockholders have little or no interest or attempting to use a special meeting for their own narrow purposes rather than those of the Company and the majority of its stockholders.

A special meeting of stockholders is an expensive and time consuming event because of the costs in preparing and distributing the required disclosure documents and the time commitment required of the Board and management to prepare for and conduct the meeting. The Company's 25% threshold provides that a significant number of stockholders consider a matter important enough to merit a special meeting.

**For these reasons, the Board of Directors recommends that stockholders vote AGAINST Item 5.**

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### **STOCKHOLDER PROPOSAL CONCERNING EXECUTIVE COMPENSATION (Item 6 on Proxy Card)**

A stockholder has submitted the following proposal:

#### **6-Shareholder Say on Executive Pay**

RESOLVED, that shareholders of our company request our board to adopt a policy that provides shareholders the opportunity at each annual shareholder meeting to vote on an advisory management resolution to ratify the compensation of the named executive officers (NEOs) set forth in the proxy statement's Summary Compensation Table (the SCT) and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

#### **Supporting Statement:**

Investors are increasingly concerned about mushrooming executive pay which sometimes appears to be insufficiently aligned with the creation of shareholder value. As a result, shareholders filed more than 60 say on pay resolutions in 2007 with companies, averaging a 42% vote where voted upon. In fact, seven resolutions received majority votes.

In addition, the advisory vote was endorsed by the Council of Institutional Investors and a survey by the Chartered Financial Analyst Institute found that 76% of its members favored giving shareholders an advisory vote. A bill to provide for annual advisory votes on compensation passed in the House of Representatives by a 2-to-1 margin.

Aflac (AFL) decided to present such a resolution to shareholder vote and TI-CREF, the largest pension fund in the world, held its first Advisory Vote in 2007. As a result of discussions between investors and companies, a Working Group on the Advisory Vote was established to further study how such a practice would be implemented

in the U.S. markets to provide advice to investors and companies alike.

I believe this proposal has particular application to our company. According to The Corporate Library <http://www.thecorporatelibrary.com>, an independent investment research firm, our former CEO Mr. Stokes departed with a overly generous payment, considering his CEO tenure was only 3-years and during that time, total shareholder return was slightly below zero. Mr. Stokes received more than \$32 million in pension payments.

I believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listing standards, do not provide shareholders with sufficient mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practices, in the United Kingdom, public companies allow shareholders to cast an advisory vote on the [directors] remuneration report, which discloses executive compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation.

If investors wish to register opposition to a pay package(s) in the previous year, withholding votes from compensation committee members who are standing for reelection is a blunt and insufficient instrument for registering dissatisfaction.

Accordingly, we urge our board to allow shareholders to express their opinion about senior executive compensation by establishing an annual referendum process. The results of such a vote could provide our board with useful information about shareholder views on our company's senior executive compensation, as reported each year.

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### **Your Company's Response to the Proposal**

We recognize that ensuring that executive compensation is appropriate is an important issue for all stockholders. We believe, however, that this proposal is unnecessary, ineffective, and not in the best interests of Anheuser-Busch stockholders.

Our Compensation Committee has a thoughtful, disciplined, and transparent process for establishing executive compensation that rewards executives for results that are consistent with stockholder interests and that achieves the purposes of attracting, motivating, and retaining executives to accomplish our business strategies. In determining executive compensation, the Compensation Committee considers confidential or proprietary information which would not be available to stockholders when voting on the program. Furthermore, the bonus and long term incentives are all pursuant to plans that have received specific approval from stockholders.

The proposal is unnecessary because, as discussed on page 58 under the heading [Communications with the Board,] we have established an efficient method for stockholders to communicate directly with the board, members of the Compensation Committee, or individual directors. Using this method, stockholders are able to provide specific feedback on the Company's compensation philosophy and practices.

The proposal is not an effective way for stockholders to communicate their concerns about compensation. A negative vote might be attributed to incomplete information and would not provide clear guidance on the specific elements of our executive compensation program or on the specific compensation decisions that were made. The Compensation Committee would be forced to speculate on the stockholders' intent.

**For these reasons, the Board of Directors recommends that stockholders vote AGAINST Item 6.**

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### **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee's responsibilities are set forth in the Audit Committee Charter. The Audit Committee assists the full Board of Directors in fulfilling its oversight responsibilities. Management of the Company prepares financial statements, makes estimates and judgments in the preparation of the financial statements, establishes the system of internal controls, and assesses the effectiveness of the Company's internal control over financial reporting.

In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements with management and the Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, including a discussion of the acceptability as well as the appropriateness of significant accounting principles. The Audit Committee also reviewed with management and PricewaterhouseCoopers the reasonableness of significant estimates and judgments made in preparing the financial statements as well as the clarity of the disclosures in the financial statements.

The Audit Committee reviewed with the independent registered public accounting firm its judgments as to the acceptability as well as the appropriateness of the Company's application of accounting principles. PricewaterhouseCoopers has the responsibility for expressing an opinion on the conformity of the Company's annual financial statements with U.S. generally accepted accounting principles. The Audit Committee also discussed with PricewaterhouseCoopers such other matters as are required to be discussed under the standards of the Public Company Accounting Oversight Board.

In addition, the Audit Committee has received written disclosures and a letter from PricewaterhouseCoopers required by Independence Standards Board Standard No. 1, and has discussed with PricewaterhouseCoopers its independence from management and the Company, including the impact of non-audit-related services provided to the Company and the matters included in such written disclosures and letter. The Audit Committee concluded that the non-audit services provided by PricewaterhouseCoopers do not impact PricewaterhouseCoopers' independence.

The Audit Committee discussed with the Vice President of Internal Audit and PricewaterhouseCoopers the overall scope and plans for their respective audits. The Audit Committee meets with the Vice President of Internal Audit and PricewaterhouseCoopers, with and without management present, to discuss the results of their audits, management's assessment of the effectiveness of the Company's internal control over financial reporting, PricewaterhouseCoopers' opinions regarding the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting.

The Audit Committee held five meetings in 2007.

In reliance on the reviews and discussions noted above, the Audit Committee recommended to the full Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the U.S. Securities and Exchange Commission. The Audit Committee also selected, subject to shareholder approval, PricewaterhouseCoopers as the Company's independent registered public accounting firm for 2008.

**The Audit Committee:**

James J. Forese (Chair)  
Vernon R. Loucks, Jr.  
Vilma S. Martinez  
Andrew C. Taylor  
Douglas A. Warner III

The following fees were billed by PricewaterhouseCoopers, the Company's independent registered public accounting firm, for services rendered for the year (\$ in millions):

	<b>2007</b>	<b>2006</b>
Audit Fees	\$ 5.7	\$ 5.6
Audit Related Fees	1.0	.7
Tax Fees	.9	1.0
All Other Fees	0.0	0.0
Total PricewaterhouseCoopers Fees	\$ 7.6	\$ 7.3

Audit Fees represent services rendered for the audit of the Company's consolidated annual financial statements and reviews of the Company's consolidated quarterly financial statements, including statutory audit work for foreign operations and the audit of internal controls over financial reporting.

Audit Related Fees are for assurance and other activities not directly related to the audit of the Company's financial statements, and include audits of benefit plans, financial due diligence, internal controls reviews, and special projects.

Tax Fees represent work performed for domestic and international income tax compliance and tax audits, and corporate-wide tax planning.

The Audit Committee is directly responsible for determining the compensation of the independent registered public accounting firm. Pre-approval by the Audit Committee is required for any engagement of PricewaterhouseCoopers, and the Audit Committee has established the following pre-approval policies and procedures. Annually, the Audit Committee pre-approves services to be provided by PricewaterhouseCoopers. The Audit Committee also considers engagement of PricewaterhouseCoopers to provide other services during the year. Requests for approval are submitted to the Audit Committee by the office of the Company's Vice President of Internal Audit. The Chairman of the Audit Committee is authorized to pre-approve engagements of PricewaterhouseCoopers on behalf of the Audit Committee between the meetings of the Audit Committee. The Audit Committee is informed of these engagements at its next scheduled meeting. Requests are required to include an adequate explanation of the services in sufficient detail for the Audit Committee to determine whether the request is consistent with the SEC's rules on auditor independence. In determining whether to approve the engagement of PricewaterhouseCoopers, the Audit Committee considers whether such service is consistent with the independence of the registered public accounting firm. The Audit Committee also considers the amount of audit and audit related fees in comparison to all other fees paid to the registered public accounting firm and reviews such comparison each year. The Audit Committee pre-approved all services performed by PricewaterhouseCoopers for 2006 and 2007.

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## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

Anheuser-Busch believes that the performance and contribution of its executive officers are critical to the overall success of Anheuser-Busch and to the individual operating units of the Company. To attract, retain, and motivate its executives to accomplish our business strategy, Anheuser-Busch has implemented executive compensation programs providing executives with the opportunity to earn compensation comparable to that paid by companies with which the Company competes for top talent and that reward strong performance and creation of stockholder value. The Compensation Committee of the Board of Directors (the "Compensation Committee" or the "Committee") is responsible for establishing executive compensation policies and overseeing executive compensation practices at Anheuser-Busch. The Committee has engaged Frederic W. Cook & Co., Inc. ("F.W. Cook") to act as its compensation consultant. F.W. Cook's sole engagement for the Company is as compensation consultant to the Committee.

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**Philosophy**

Anheuser-Busch's executive compensation program has two primary objectives:

- Deliver competitive total compensation, weighted heavily toward pay at risk

Provide competitive total compensation that will attract, motivate and retain a highly capable and performance-focused executive team, with the great majority of compensation awarded only if strong performance is achieved

- Reward strong performance by tightly linking compensation to creation of stockholder value

Programs should provide incentive opportunities that are understood by executives and will motivate behavior enhancing stockholder value. Incentive opportunities should align corporate objectives and performance with individual achievements. An executive's compensation should vary directly with Anheuser-Busch's financial results and its return to stockholders

**Elements of Compensation; Procedures Used to Establish Compensation**

Each year the Committee reviews and considers market data (base salary, target bonus, total cash, long-term stock incentives and total direct compensation) of the Company's peer group along with the individual responsibilities of each executive when setting annual targeted pay opportunities. Annually, the Committee reviews all elements of total rewards, including projected pension benefits, deferred compensation, outstanding equity awards and projected payments upon termination.

In determining the design and the level of each element of compensation Anheuser-Busch thoroughly reviews competitive market information. Anheuser-Busch establishes direct compensation by reference to a competitive peer group of 24 large national companies in businesses similar to Anheuser-Busch. After consulting with F.W. Cook, the Compensation Committee chooses the companies in the sample as representative of the types of companies with which Anheuser-Busch competes for executive talent. The competitive data from the peer group is regressed (size adjusted) for comparable revenues to Anheuser-Busch. The 2007 peer group was comprised of the following companies: 3M, Altria Group, Bristol-Myers Squibb, Campbell Soup, Coca-Cola, Colgate-Palmolive, Dell, Emerson, FedEx, Gap, General Mills, HJ Heinz, Hershey Foods, Johnson & Johnson, Kellogg, Kraft Foods, McDonalds, Molson Coors Brewing Company, Nike, Pepsi-Co, Procter & Gamble, Sara Lee, Walt Disney, and Wrigley. The compensation data is purchased from Hewitt Associates. Compensation data is also collected by F.W. Cook.

The Committee discusses with F.W. Cook current market data and trends relative to chief executive compensation and the CEO's pay package. The CEO's pay is established by the Committee during executive session based on the Committee's assessment of the CEO's individual performance, the financial and operating performance of Anheuser-Busch, and advice of F.W. Cook. The Chief Executive Officer makes recommendations to the Compensation Committee concerning the compensation of the other executive officers. The Committee considers the CEO's recommendation based on each executive's individual responsibility, individual performance, experience and internal equity and business performance.

The primary elements of the Company's 2007 compensation are:

- Base Salary
- Annual Incentive (or bonus)
- Long-Term Stock Incentives
- Retirement, Savings, and Insurance Benefits
- Perquisites

The Committee generally determines each element of compensation for executives independently of its determination of each other element. Annually, the Committee reviews the compensation and performance of executives for the preceding year and determines whether an adjustment to compensation is appropriate.

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### **Base Salary**

The base salary of an executive takes into account the executive's performance, responsibilities, experience and internal equity. Base salaries are the foundation for executive compensation, since other elements such as annual incentives, long-term stock incentives and retirement benefits are determined as a percent of base salary. The base salary for an executive officer is initially benchmarked at the median (50<sup>th</sup> percentile) of comparable positions at the peer group. Whenever the Compensation Committee determines that use of the peer group benchmark is not the appropriate method to determine the base salary for an executive officer (for example, because the executive officer may have greater or lesser responsibilities than is normally the case for the peer group), the target base salary is determined by extrapolating and interpolating from base salaries of other executive officers at the Company. The Committee believes that use of alternatives to peer group benchmarking in these circumstances is common among its peer group and American industry. Among the officers named in the Summary Compensation Table on page 37 (["Named Executive Officers"]), the base salaries of the Chief Executive Officer and the Chief Financial Officer were determined by peer group benchmarking.

In administering executive salaries, the Compensation Committee does not consider a base salary within 20% of the target amount as deviating materially from the target salary and regards any salary within that range as being competitive with the peer group.

### **2007 Annual Incentive**

Annual incentives (bonuses) are provided to reward executives both for Company achievement of annual corporate objectives and performance of their individual objectives. The annual incentive is targeted at the median of the peer group. Depending on Company and individual performance, actual awards paid to Company executives can vary widely.

For 2007, the Committee determined that bonuses would be payable only if the Company's pre-tax income met or exceeded a minimum threshold performance. Threshold performance was defined as 85% of prior year pre-tax income after making predetermined accounting adjustments to normalize year-to-year comparisons. Pre-tax income was selected as the primary measure for the plan because it is significantly influenced by the performance of Company executives, and aligns the executive's annual incentive opportunity with corporate growth objectives.

Since threshold performance was met in 2007, a bonus pool was created by multiplying pre-tax income (after making the predetermined accounting adjustments) by 1% and bonuses were awarded accordingly to the participants in the bonus program (approximately 50 individuals).

An executive's actual bonus award is determined by the Committee based on:

- The Company's financial and operational performance
- The individual's performance, responsibilities and experience. Specific items considered include, but are not limited to, the individual's contribution toward achievement of the Company or operating unit objectives for operating profit, return on capital employed and earnings per share, as well as the ability to establish strategic direction and uphold the Company's image and reputation
- The CEO's recommendation (with the exception of his own award)
- The target bonus for the individual

The Committee considers these items as a whole in the context of the Company's business challenges and opportunities and does not attribute a particular weight to any one item.



An executive's actual award cannot exceed the lesser of the maximum individual award for the executive or \$6,000,000, regardless of the Company's pre-tax earnings.

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### **2008 Annual Incentive**

To further enhance the alignment between executive compensation and corporate performance, the Company has modified its 2008 annual incentive program so that a substantial portion of the annual incentive will be determined solely on the basis of the Company's operating profit.

If the 2008 earnings threshold is met, a portion of the annual incentive paid to each executive officer will be determined on a formula basis, reflecting the Company's actual operating profit compared to the 2008 budgeted operating profit as approved by the Board of Directors. The remaining portion of the annual incentive will be determined by the Committee on the basis of its overall assessment of the performance and responsibilities of the executive, including considering the recommendation of the Chief Executive Officer for executive officers other than himself. The Committee anticipates that approximately one-half of the annual incentive will be determined on the basis of the formula and the remaining half will be determined on the same basis used by the Committee in determining the annual incentives for 2007.

The annual incentive will be payable only if the Company's pre-tax income for 2008 is at least 75% of the 2007 pre-tax income (after making predetermined accounting adjustments to normalize year to year comparisons) and the bonus pool will be 1.5% of the Company's pre-tax income (after making the predetermined accounting adjustments). Because a substantial portion of the annual incentive will now be determined solely on the basis of the Company's operating performance, the Committee determined to reduce the earnings threshold to 75% of the prior year's pre-tax income. The Committee will continue to consider the Company's financial and operating performance in determining the discretionary portion of the bonus.

Annual incentives will continue to be limited to the lesser of the maximum individual award for the executive or \$6,000,000, regardless of the Company's pre-tax earnings.

### **Long-Term Stock Incentives**

The Committee believes executive compensation should be strongly linked to long-term stockholder value creation in order to provide a strong incentive for future growth, and that executives should have a significant portion of compensation at risk. The Committee has concluded that stock incentives are the most effective form of compensation in aligning the interests of executive officers with the long-term interests of stockholders. Accordingly, all long-term incentives are in the form of stock incentives. Anheuser-Busch targets long-term stock incentives at the 75th percentile of the peer group.

The value of the long-term stock incentives provided to an executive may vary above or below the targeted grant level depending upon the executive's performance, responsibilities, experience and internal equity. The Committee determines the value of the long-term incentive to be awarded to each executive in dollars, and the quantity of stock options issued to the executive is determined by dividing the established dollar amount by the fair value of the stock options. Fair value is determined using the same method used by the Company in preparing its financial statements. See footnote 6 of the annual report for an additional discussion of fair value related to stock options.

On January 2, 2007, the Company issued performance based restricted stock to its executive officers. The awards were determined in 2006 and were a component of the Company's 2006 executive compensation program. The Committee determined that all long-term stock incentives included in the 2007 executive compensation program would be stock options. The Committee believes that stock options are inherently performance based because the exercise price is equal to the market value of the common stock of the Company on the date the option is granted, and therefore the option has value to the executive only if the market value of the Company's common stock appreciates over time. Stock options provide equity compensation to executives only if value for stockholders is created.

### **Long-Term Incentive Grant Practices**

Anheuser-Busch does not have any program, plan, or practice to time stock grants to its executives to take advantage of the release of material, non-public information.

All stock option grants are approved by the Committee. All routine annual stock option grants occur in November on the date of the Compensation Committee meeting, which is well-removed from the quarterly earnings announcements. The exercise price of each option is the closing price of Anheuser-Busch stock on the date of grant.

In the case of newly hired executives, equity-based awards are normally made in conjunction with the next annual performance cycle under the same terms as awards made to other eligible executive employees.

### **Retirement, Savings and Insurance Benefits**

In order to provide competitive total compensation, the Company generally offers to its salaried employees a qualified defined benefit pension plan and a qualified 401(k) defined contribution plan. Executive officers participate in these plans on the same terms as other salaried employees. The ability of executive officers to participate fully in these plans is limited under IRS and ERISA requirements. As is commonly the case among its peer group, the Company offers to executive officers nonqualified counterparts to these plans, which are not subject to these limitations. Additionally, in order to provide competitive compensation to its executive officers and to motivate executives to continue employment with the Company until their retirement, the Company offers enhanced pension benefits, a nonqualified deferred compensation plan and supplemental life insurance and disability insurance coverage as described below.

#### **1. Defined Benefit Plans**

The Company continues to provide a traditional qualified defined benefit pension plan for all salaried employees. The qualified plan provides for the orderly transition and succession among the salaried workforce and rewards long-serving employees by contributing toward their retirement security. The only component of compensation that is reflected under the benefit formula of the qualified plan is base salary.

The Supplemental Executive Retirement Plan is a nonqualified, unfunded defined benefit pension plan that replaces benefits that would otherwise be available under the qualified plan if Internal Revenue Code limitations did not apply and also provides additional benefits to improve the competitiveness of overall retirement benefits for executive officers. Among the companies in the peer group that have broad-based defined benefit pension plans, all provide nonqualified plans that restore benefits that are limited by IRS restrictions and almost half provide additional nonqualified supplemental benefits.

The Supplemental Executive Retirement Plan benefit is based on a formula (described on page 43 below) that reflects both base salary and annual bonus (for executive officers, the bonus amount reflected in the formula cannot exceed two times the executive's target bonus). Bonus compensation for executive officers can be a substantial portion of their annual compensation, and a substantial majority of the peer group companies providing defined benefit plans include bonus in the pension benefit calculation for their executive officers.

The qualified and nonqualified pension plans provide for benefit payments in various forms, including a lump sum. A majority of the companies in the peer group provide a lump sum payment of all or a portion of their pension benefits.

#### **2. Defined Contribution Plans**

The qualified 401(k) savings plan encourages employees to become stockholders of the Company and offers them an opportunity to save for retirement by investing on a regular basis through payroll deductions. Retirement programs that serve these purposes are common among the peer group and American industry.

The 401(k) Restoration Plan is a nonqualified, unfunded plan that restores benefits that cannot be provided under the qualified 401(k) plan due to Internal Revenue Code qualified plan compensation limits. This type of

plan is common among large employers and is provided by a substantial majority of the companies in the peer group.

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### **3. Deferred Compensation Plan**

The Executive Deferred Compensation Plan is a nonqualified, unfunded plan which provides executive officers with the opportunity to defer salary and bonus compensation for a period of years or until termination of employment. Executive officers who defer salary or bonus under this plan are credited with market-based returns depending upon the investment choices made by the executive. The investment choices under the plan include indexed equity funds as well as fixed interest rate funds with interest rates determined based on the Company's borrowing rates. The plan provides executives with the opportunity to save for retirement at little cost to the Company. This type of plan is common among large employers and is provided by a substantial majority of the companies in the peer group.

### **4. Supplemental Insurance Coverage**

The Company provides executive officers with supplemental life insurance, supplemental travel/accident insurance and the opportunity to purchase supplemental long-term disability insurance coverage. The benefits provided under these programs are modest and are provided by a majority of the companies in the peer group.

### **Perquisites**

As part of its program to provide competitive compensation to its executive officers, Anheuser-Busch offers a minimal amount of perquisites. The primary perquisites provided to executives are a company car, financial and tax planning assistance, and country club memberships. The Company continues to provide financial and tax planning assistance to its executive officers for five years after retirement. Executive officers are also eligible to participate in the Anheuser-Busch Foundation Matching Gift Program on the same terms as other salaried employees.

### **2007 Compensation**

Each year, the Compensation Committee determines the goals and objectives of the Chief Executive Officer. In 2007, they included:

- Achieving key Company financial objectives including gross profit, operating profit, return on capital employed, earnings per share, operating cash flow per share and cash flow to total debt
- Performance against industry trends
- Establishing strategic direction
- Maintaining the Company's image and reputation
- Developing a succession planning strategy for the Company's executives
- Maintaining a high performing, diverse workforce

The Compensation Committee undertook an overall evaluation of the performance of the Chief Executive Officer and the other Named Executive Officers. The evaluation considered both quantitative and qualitative factors, including achieving Company objectives and other relevant factors and did not rely on any formula or other numeric weighting of the various factors. Based on its evaluation, the Committee determined the base salary increase, annual incentive and long-term stock incentive compensation to be paid to the Chief Executive Officer and the other Named Executive Officers. The Committee considered the strong performance of the Company, including:

- Consolidated earnings per share growth of 10.3%, exceeding Company long-term targets
- Operating cash flow (before changes in working capital) increase of 19%
- Sales and profit growth for each of the Company's principal operating units.
- Significant progress in adapting and broadening its U.S. brand portfolio, favorably positioning the Company for achieving sustainable long-term growth.

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**Base Pay:** The Committee increased the base salary of Mr. Busch IV for 2008 by 12.7%, reflecting the Company's strong financial and strategic performance. Mr. Busch IV's base salary is now at the median of the peer group. The base salaries of the other Named Executive Officers for 2008 were increased by between 2.5% and 5%, and are generally competitive with the comparative peer group.

**Annual Incentive:** The Company's 2007 pre-tax income as adjusted pursuant to the annual incentive program was \$2,671,533,000, and the bonus pool was \$26,715,000. The annual incentive paid to Mr. Busch IV was above the target, at the 60th percentile, reflecting the Company's strong financial and strategic performance and his increased responsibilities resulting from his service as President of the Company's U.S. beer subsidiary in addition to his primary role as Chief Executive Officer. Annual incentives paid to other Named Executive Officers were generally at the peer group median. The annual incentives paid to the other Named Executive Officers reflect their individual performance and the Company's strong financial and strategic achievements.

**Long-Term Stock Incentive:** The long-term stock incentive award made to Mr. Busch IV was 86% of the targeted amount in order to maintain his total direct compensation at an appropriate amount, based on Mr. Busch IV's performance, experience and comparison to peer group companies. The long-term stock incentive awards provided to the other Named Executive Officers were generally at the target level to continue to provide strong incentives to increase future growth for the Company.

As described above, one of the Company's primary objectives in designing the executive compensation program is to attract and retain a highly capable executive workforce. In order to provide competitive compensation, the Company surveys executive officer compensation at the peer group, and the compensation paid by the peer group is a significant factor in determining the compensation paid to Anheuser-Busch executives. The peer group comparisons, the Committee's recognition of Mr. Busch IV's importance to the organization and the absence of any separate individual serving as the president of the Company's U.S. beer subsidiary all contributed to Mr. Busch IV's compensation significantly exceeding that of any other of the Company's executive officers.

## **OTHER MATTERS**

### **Executive Stock Ownership**

In order to help assure that the long term interests of Anheuser-Busch executives are aligned with those of stockholders, Anheuser-Busch requires that the CEO and all other executive officers own significant amounts of the Company's common stock. The Company considers these guidelines to be an important part of its corporate governance practices, and they are administered by the Corporate Governance Committee. For a further description of the guidelines, please refer to the Corporate Governance Guidelines of the Company, which are attached as Appendix A to this proxy statement.

### **Tax and Accounting Considerations**

The Committee reviews projections of the estimated accounting (pro forma expense) and tax impact of all material elements of the executive compensation program. Generally, the Company realizes a tax deduction upon the executive's receipt/realization of the compensation.

Section 162(m) of the Internal Revenue Code generally provides that publicly held corporations may not deduct in any one taxable year certain compensation paid to the Chief Executive Officer and the next four most

highly compensated executive officers in excess of \$1 million. The Committee uses, where practical, compensation policies and programs that preserve the tax deductibility of executive compensation; however, the Committee at its sole discretion may approve payment of nondeductible compensation from time to time if the Committee determines that doing so would advance the long term interests of stockholders. The annual incentives and the long-term stock incentive awards are designed to qualify as deductible executive compensation.

The Company does not regard as likely that any misconduct or error by the Company or its employees will result in a restatement of its financial statements and has accordingly not found it necessary to develop a policy on the consequences of such a restatement on past compensation payments or awards. If such

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a restatement should ever occur, the Company would develop an appropriate response relating to past compensation payments or awards. The Company believes that all 2007 annual incentives and long-term stock incentive awards qualified as deductible compensation.

#### **Severance Benefits/Consulting Agreements with Executive Officers**

Anheuser-Busch does not have executive employment agreements or executive severance agreements with any of its executive officers. If an executive officer is terminated or resigns from the Company, the Company has no contractual obligation to pay salary or annual incentive to the executive.

The Company will often enter into consulting agreements with retiring or resigning executive officers. These arrangements are reviewed and approved by the Compensation Committee. The Committee believes that these arrangements benefit the Company by assisting the Company in an orderly succession of the executive's responsibilities, by providing assurances that the executive will not work for the Company's competitors and by maintaining the Company's ability to continue to access the services of the executive after the executive's departure from the Company.

In 2007, Mark T. Bobak, Group Vice President and Chief Legal Officer of the Company, resigned from the Company to start his own law firm. The Company entered into a consulting agreement with Mr. Bobak, the terms of which are described on page 55.

#### **Change in Control Benefits**

Potential changes in control can create great uncertainty for executives in circumstances when the Company most needs effective leadership. The change in control benefits provided by Anheuser-Busch are designed to provide adequate protection for executives so that the possibility of significant compensation loss will not distract them from their leadership of the Company. The Company's change in control benefits do not provide executives with a multiple of salary or annual incentive but instead protect granted, unvested long-term stock incentive awards and in-process, earned annual incentive payments and provide pension and tax protection (refer to pages 47-53 for more details).

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### **REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee has recommended to the full Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the U.S. Securities and Exchange Commission.

**The Compensation Committee**  
Vernon R. Loucks, Jr. (Chair)  
James J. Forese  
Vilma S. Martinez

William Porter Payne

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**Summary Compensation Table**

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Stock Awards\$(1)	Option Awards\$(2)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation
						Earnings\$(3)	\$(4)
A. A. Busch IV President and Chief Executive Officer of the Company and Chairman and President of Anheuser-Busch, Incorporated(5)	2007	1,225,000	2,500,000	869,228	8,299,998	1,023,100	206,013
	2006	972,917	1,200,000	269,198	7,199,996	158,900	136,494
W. R. Baker Vice President and Chief Financial Officer	2007	645,750	650,000	256,270	2,274,996	0	104,780
	2006	615,000	600,000	112,765	1,721,996	366,100	106,177
M. T. Bobak Group Vice President and Chief Legal Officer(6)	2007	634,608	600,000	613,867	5,291,139	420,500	2,501,873
	2006	577,600	600,000	93,350	1,655,126	67,000	92,925
D. J. Muhleman Group Vice President- Brewing, Operations and Technology, Anheuser-Busch, Incorporated	2007	603,488	545,000	210,764	2,112,201	895,700	81,854
	2006	574,750	525,000	105,388	1,264,443	319,600	73,928
M. J. Owens Vice President- Business Operations, Anheuser-Busch, Incorporated	2007	540,000	475,000	183,352	1,889,993	794,900	85,717
	2006	500,000	500,000	91,678	1,099,996	254,100	81,363

(1)

The performance based restricted stock issued on January 1, 2007 is considered by the Company to be a component of the 2006 executive compensation program.

The compensation cost associated with performance-based restricted stock is based on the fair value on the effective date of the grant recognized over the three-year performance period of the awards. The fair value of performance-based restricted stock is the market price on the effective date of the grant less an actuarially-determined discount that reflects the risk of forfeiture due to the performance vesting criteria. Development of the discount involves a Monte Carlo simulation of anticipated total shareholder returns for Anheuser-Busch and the S&P 500 companies that comprise the performance comparison group, based on historical volatilities and correlation among these volatilities.

Please see Note 6 on pages 56-59 of the Company's 2007 annual report to shareholders for a discussion of the value of the restricted stock awards.

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- (2) In accordance with FAS 123R, stock option expense is based on the grant date fair value of the options awarded, with the fair value determined using a binomial (lattice method) option-pricing model. For 2007 valuation, the binomial model assumed an expected option term of 6.3 years, an expected volatility of Anheuser-Busch common shares of 22%, an expected dividend yield for Anheuser-Busch common shares of 2.5% and a risk free interest rate of 3.6%.
- Mr. Busch IV, Mr. Baker, Mr. Muhleman and Mr. Owens meet age or years of service criteria under the Company's stock option plans such that all outstanding options granted to them would vest upon their retirement. Accordingly, the normal three year vesting period of the options is considered "nonsubstantive" under FAS 123R and options granted to these individuals were expensed in full on the grant date.
- Please see Note 6 on pages 56-59 of the Company's 2007 annual report to shareholders for a discussion of the value of the stock option awards.
- (3) Amounts shown are increases in pension value. Mr. Busch's 2007 change in pension value includes a \$100 decrease in the value of his brewery workers pension plan benefit. Mr. Baker's 2007 pension value decreased \$484,900. The Company does not pay above-market interest on nonqualified deferred compensation.
- (4) All Other Compensation in the Summary Compensation Table above includes the following components:

Name	Year	401(k) and					Other(a)	Total
		Restoration Plan Matching Contributions	Supplemental Insurance Premiums	Subsidiary Board Fees	Tax Gross-ups			
A. A. Busch IV	2007	65,518	0	11,700	82,524	46,271	206,013	
W. R. Baker	2007	34,537	17,718	0	10,563	41,962	104,780	
M. T. Bobak	2007	33,942	7,931	8,550	9,311	2,442,139	2,501,873	
D. J. Muhleman	2007	32,277	11,863	0	435	37,279	81,854	
M. J. Owens	2007	28,881	10,567	1,000	4,822	40,447	85,717	

(a)

Includes costs for personal use of Company car, financial and tax planning services, club memberships, the use of the Company barber shop, courier and car services, travel and accident insurance premiums, promotional awards, and beer for personal use and entertaining. The figure for Mr. Bobak in this column includes \$2,400,000 which will be paid to him on January 2, 2013 pursuant to his consulting agreement. See page 55 for additional information on this agreement.

As previously described on page 14, the Company owns corporate aircraft and corporate residences. Subject to strict compliance with written Company policies, Company personnel, including executive officers, using the corporate aircraft and corporate residences for business purposes may be permitted to invite family members or other guests to accompany them on the aircraft or to join them in the use of the corporate residences. The Company provides unlimited complimentary admission to its theme parks to executive officers and their guests and similarly annually provides to all full-time U.S.-based salaried employees twelve admission tickets. The Company does not incur any additional incremental costs as a result of such accompaniment, use, or admission and the table above does not include any amount for these arrangements. These arrangements are included in the compensation of the Company personnel as required by tax law.

(5) Mr. Busch IV became President and Chief Executive Officer on December 1, 2006. Prior to that appointment, he was President of the Company's subsidiary, Anheuser-Busch, Incorporated (which position he continues to hold) and Vice President and Group Executive of the Company.

(6) Mr. Bobak did not meet the age or years of service criteria under the Company's stock option plans such that all outstanding options granted to him would have vested pursuant to their terms upon his resignation. Accordingly, the options granted to Mr. Bobak were expensed ratably over the three-year vesting period commencing immediately following the date of grant.

Mr. Bobak resigned his position with the Company on December 31, 2007. The Company entered into a consulting agreement with Mr. Bobak. Pursuant to the consulting agreement, the Company agreed that his performance based restricted stock would not be forfeited. The expense resulting from this agreement, as calculated pursuant to FAS 123R, was \$378,000, and this amount is included in the Stock Awards column for 2007. The remaining amounts in the Stock Awards column for 2007 reflect the amortizing of the performance based restricted stock awards in 2007.

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The Company also agreed that his unvested stock options, including the 2007 option grant, would not be forfeited. The expense resulting from this agreement, as calculated pursuant to FAS 123R, was \$3,787,000, and this amount is included in the Option Awards column for 2007. The remaining amounts in the Option Awards column for 2007 reflect the amortizing of the option awards that were vested at the time of his resignation.

For more information concerning the consulting agreement with Mr. Bobak, please see page 55.

**Grants Of Plan-Based Awards**

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Option Awards: Number of Securities Underlying Options (#)(1)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (#)	Maximum (#)			
A. A. Busch IV	11/28/07	□	□	773,532	51.8900	8,299,998
W. R. Baker	11/28/07	□	□	212,022	51.8900	2,274,996



M. T. Bobak	11/28/07	□	□	212,022	51.8900	2,274,996
D. J. Muhleman	11/28/07	□	□	196,850	51.8900	2,112,201
M. J. Owens	11/28/07	□	□	176,141	51.8900	1,889,993

(1) The options listed under "All Other Option Awards : Number of Securities Underlying Options" in the Grants of Plan-Based Awards table vest (i.e., become exercisable) in three equal parts on November 28, 2008, November 28, 2009, and November 28, 2010. The Compensation Committee is authorized to accelerate exercisability of options in connection with a termination of employment. In connection with certain equity restructuring transactions, the Committee will make an equitable adjustment (e.g., by adjustment of the number of options or the exercise price) as necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the outstanding award of options. The one-third of the 2007 grant which normally would become exercisable on November 28, 2008 was made eligible for earlier vesting if transferred in gifts to certain family members, trusts, or partnerships. Transfers to family members, trusts, or partnerships will not reduce or defer (i) the compensation income that an optionee would otherwise recognize from an exercise of the options or (ii) the Company's tax deduction that would otherwise result from the option exercise. A tax payment feature allows the use of option stock to pay the minimum withholding taxes related to an option exercise. The number of options granted with the tax payment feature in 2007 to the named officers were: Mr. Busch IV, 771,605; Mr. Baker, 210,095; Mr. Bobak, 210,095; Mr. Muhleman, 194,923; and Mr. Owens, 174,214.

For a discussion of the vesting and forfeiture consequences on restricted stock and options as a result of a change in control of the Company or the death, disability, retirement or termination of the recipient, please see "Potential Payments Upon Termination or Change in Control" beginning on page 47.

**Outstanding Equity Awards At Fiscal Year-end**

Name	Grant Date or Performance Period (1)	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
A. A. Busch IV	11/25/98	50,000	□	29.9688	11/24/08		
	11/24/99	100,000	□	37.8907	11/23/09		

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	11/22/00	150,000	□	48.8750	11/21/10		
	11/28/01	216,700	□	42.9450	11/27/11		
	11/27/02	500,000	□	49.9100	11/26/12		
	11/26/03	600,000	□	52.2600	11/25/13		
	11/24/04	500,000		50.2850	11/23/14		
	11/23/05	244,419	122,209	43.8000	11/22/15		
	11/21/06	246,660	493,319	46.3700	11/20/16		
	11/28/07	□	773,532	51.8900	11/27/17		
	1/1/06-1/2/09					18,158	950,390
	1/1/07-1/4/10					36,119	1,890,468
<b>W. R. Baker</b>	11/25/98	200,000	□	29.9688	11/24/08		
	11/24/99	200,000	□	37.8907	11/23/09		
	11/22/00	250,000(3)	□	48.8750	11/21/10		
	11/28/01	270,900	□	42.9450	11/27/11		
	11/27/02	300,000	□	49.9100	11/26/12		
	11/26/03	325,000	□	52.2600	11/25/13		
	11/24/04	300,000	□	50.2850	11/23/14		
	11/23/05	102,384	51,191	43.8000	11/22/15		
	11/21/06	58,993	117,985	46.3700	11/20/16		
	11/28/07	□	212,022	51.8900	11/27/17		
	1/1/06-1/2/09					7,606	398,098
	1/1/07-1/4/10					8,638	452,113
<b>M. T. Bobak</b>	11/24/99	67,362	□	37.8907	11/23/09		
	11/22/00	100,000	□	48.8750	11/21/10		
	11/28/01	135,500	□	42.9450	11/27/11		
	11/27/02	140,000	□	49.9100	11/26/12		
	11/26/03	150,000	□	52.2600	11/25/13		
	11/24/04	175,000	□	50.2850	11/23/14		
	11/23/05	84,752	42,376	43.8000	11/22/15		
	11/21/06	58,533	117,064	46.3700	11/20/16		
	11/28/07	□	212,022	51.8900	11/27/17		
	1/1/06-1/2/09					6,296	329,533
	1/1/07-1/4/10					8,571	448,606
<b>D. J. Muhleman</b>	11/25/98	80,000	□	29.9688	11/24/08		
	11/24/99	80,000	□	37.8907	11/23/09		
	11/22/00	100,000	□	48.8750	11/21/10		
	11/28/01	216,700	□	42.9450	11/27/11		
	11/27/02	225,000	□	49.9100	11/26/12		
	11/26/03	230,000	□	52.2600	11/25/13		
	11/24/04	230,000	□	50.2850	11/23/14		
	11/23/05	95,683	47,841	43.8000	11/22/15		
	11/21/06	43,318	86,635	46.3700	11/20/16		
	11/28/07	□	196,850	51.8900	11/27/17		
	1/1/06-1/2/09					7,108	372,033
	1/1/07-1/4/10					6,343	331,993

Name	Grant Date or Performance Period (1)	Option Awards			Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(2)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
M. J. Owens	8/12/98	12,000	□	25.2657	8/11/08		
	11/25/98	60,000	□	29.9688	11/24/08		
	11/24/99	60,000	□	37.8907	11/23/09		
	11/22/00	70,000	□	48.8750	11/21/10		
	11/28/01	86,700	□	42.9450	11/27/11		
	11/27/02	150,000	□	49.9100	11/26/2012		
	11/26/03	175,000	□	52.2600	11/25/2013		
	11/24/04	230,000	□	50.2850	11/23/2014		
	11/23/05	83,239	41,619	43.8000	11/22/2015		
	11/21/06	37,685	75,367	46.3700	11/20/2016		
	11/28/07	□	176,141	51.8900	11/27/2017		
	1/1/06-1/2/09					6,184	323,671
	1/1/07-1/4/10					5,518	288,812

(1) For options granted on November 23, 2005, vesting is in three equal installments on November 23, 2006, November 23, 2007, and November 23, 2008.

For options granted on November 21, 2006, vesting is in three equal installments on November 21, 2007, November 21, 2008, and November 21, 2009.

For options granted on November 28, 2007, vesting is in three equal installments on November 28, 2008, November 28, 2009 and November 28, 2010.

(2) These figures represent shares of restricted stock that are subject to performance targets for an approximately 36-month performance period. Vesting of the shares will be 0%, 80%, or 100%, depending on whether the Company's total shareholder return at the end of each performance period is in the lowest 25%, the middle 50%, or the top 25%, respectively, compared to the total shareholder return of all of the companies comprising the Standard & Poor's 500 Stock Index® on the first day of such performance period, with any remainder being forfeited. The figures reported are based upon an assumption that 80% vesting will occur. The value is based on the closing price of the shares on December 31, 2007.

(3) 67,000 of these have been transferred to a family partnership.

**Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
A. A. Busch IV	0	0	0	0
W. R. Baker	195,000	5,943,096	0	0
M. T. Bobak	45,000	953,226	0	0
D. J. Muhleman	40,000	1,168,045	0	0
M. J. Owens	0	0	0	0

**EXECUTIVE RETIREMENT PLANS**

Executive officers are eligible for participation in a tax-qualified defined benefit plan and a tax-qualified defined contribution plan. The ability of executive officers to participate fully in these plans is limited under IRS and ERISA requirements and, as a result, the Company provides nonqualified plans that restore the normal benefits that cannot be paid from the qualified plans. In addition, in order to provide competitive overall retirement benefits and retention incentives to its executive officers, the Company offers additional benefits under these nonqualified supplemental pension benefits and nonqualified deferred compensation plans. These plans are described below.

**Pension Benefits**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)(1)	Payments During Last Fiscal Year (\$)
A. A. Busch IV	Salaried Employees Pension Plan	21	381,500	0
	Brewery Workers Plan	1	600	0
	Supplemental Executive Retirement Plan	21	3,798,600	0
W. R. Baker	Salaried Employees Pension Plan	37	1,498,900	0
	Supplemental Executive Retirement Plan	37	6,655,400	0
M. T. Bobak	Salaried Employees Pension Plan	15	262,900	0
	Supplemental Executive Retirement Plan	15	1,184,300	0
D. J. Muhleman	Salaried Employees Pension Plan	29	989,900	0
	Supplemental Executive Retirement Plan	29	3,957,100	0
M. J. Owens	Salaried Employees Pension Plan	26	864,500	0

Supplemental Executive Retirement Plan	26	3,100,800	0
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(1) As of September 30, 2007. See pages 44-45 for an explanation of the valuation methods and assumptions.

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### **Anheuser-Busch Salaried Employees' Pension Plan (SEPP)**

The SEPP is a tax qualified defined benefit pension plan that provides retirement benefits for all salaried employees of Anheuser-Busch Companies, Inc. and certain of its subsidiaries.

The plan's benefit formula takes into account a participant's credited service and average annual salary. Average annual salary is the highest five consecutive year average of the participant's annual base pay rate in effect on January 1 of each year. Base pay is the only element of compensation that is reflected in the benefit formula.

Benefits under the plan are calculated on the basis of the following formula:

1.375 % of average annual salary up to an amount equal to one-fourth of the social security wage base (social security wage base for 2007 was \$97,500)

Plus

1.75 % of average annual salary in excess of one-fourth of the social security wage base

Times

years of credited service (up to a maximum of thirty years)

The amount determined under the formula is the participant's annual benefit payable at age 65 under the life with ten years certain method of payment. That amount is used as the basis for determining early retirement benefits and the other payment method options available under the plan.

The SEPP permits payment of benefits as early as age 55. Benefits paid before age 65 may be reduced depending on the participant's age and service at the time of termination of employment. Early retirement benefits are calculated as follows:

- Participants age 58 or older with 30 years of service receive their full accrued benefit without reduction.
- Participants age 55 to 58 with 30 years of service have their benefit reduced by one-fourth of one percent for each month that initial payment precedes age 58.
- Participants age 55 or older with between 10 and 30 years of service have their benefit reduced by one-fourth of one percent for each month that initial payment precedes age 65.
- Other vested participants have their early retirement benefits determined on an actuarial (non-subsidized) basis.

Participants may elect to receive benefit payments under any of the following actuarially equivalent forms of payment:

- Life with ten years certain (basic method under plan formula)

- Life with five years certain
- Life only
- Life, upon death two-thirds of the benefit to be paid to designated survivor for life
- Life, upon death three-fourths of the benefit to be paid to designated survivor for life
- Life, upon death payments to be made to designated survivor until total payments equal the actuarial equivalent value of the benefit
- Installment payments (five, ten, or fifteen years certain)
- Lump sum

Actuarial value and actuarial equivalence are determined on the basis of mortality and interest rate assumptions, which vary based on the date payments begin and the form of payment elected. For example, lump sum payments made during 2007 were calculated based on a mortality table specified by the Internal Revenue Service and an interest rate of 4.925%.

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If the employment of a participant in the SEPP is involuntarily terminated within three years after a change in control, the participant's benefit will be determined by taking into account five additional years of age and credited service or by increasing the benefit by 15%, whichever provides the larger benefit. The plan does not otherwise provide years of credited service other than for covered salaried employment.

Mr. Baker is the only Named Executive Officer currently eligible for early retirement benefits under the SEPP.

#### **St. Louis Teamster Brewery Workers Pension Plan (Brewery Workers Plan)**

The Brewery Workers Plan is a tax qualified defined benefit pension plan that provides retirement benefits for hourly employees who are covered by certain collective bargaining agreements. Mr. Busch IV participated in the plan briefly at the beginning of his career.

#### **Anheuser-Busch Companies, Inc. Supplemental Executive Retirement Plan (SERP)**

The SERP is a nonqualified, unfunded defined benefit plan. The plan provides supplemental retirement benefits to improve the competitiveness of overall retirement benefits for executive officers and to provide benefits that cannot be provided under the SEPP due to Internal Revenue Code qualified plan compensation limits. Executive officers and certain other key executive employees are eligible to participate in the plan.

The plan's benefit formula takes into account a participant's credited service and eligible earnings. Eligible earnings are generally the single highest combination of a participant's current year annual base pay rate as of January 1 and prior year bonus during the last five years of employment. For executive officers, the bonus amount reflected in the formula cannot exceed two times the executive's target bonus.

An executive officer's annual benefit payable at age 65 under the life with ten years certain method is calculated on the basis of the following benefit formula:

- 1.67% of eligible earnings times credited service (up to a maximum of thirty years) minus the annual benefit under the SEPP and the participant's annual primary social security benefit.

The plan also provides a minimum benefit that restores the benefits that cannot be provided under the SEPP due to the limitations on the amount of compensation that can be taken into account under ERISA qualified plans (the compensation limitation for 2007 was \$225,000).

The SERP permits payment of benefits as early as age 55. Early retirement benefits under the SERP are determined in the same manner as described for the SEPP. No benefit is payable under the SERP to any participant who ceases employment prior to age 55, other than upon disability or a Change in Control as described in [ ]Payments Upon Disability[ ] on page 50 and [ ]Payments Upon a Change in Control[ ] on pages 50-51, to the extent permitted under Section 409A of the Internal Revenue Code.

Participants may elect to receive benefit payments under any of the following actuarially equivalent forms of payment:

- Life with ten years certain (basic method under plan formula)
- Life, upon death two-thirds of the benefit to be paid to designated survivor for life
- Installment payments (five or ten years certain)
- Lump sum

Mr. Baker is the only Named Executive Officer currently eligible for early retirement benefits under the SERP. The Company does not grant years of credited service other than for covered salaried employment.

#### **Valuation Method and Assumptions For Pension Benefits Table**

The actuarial present value of accumulated benefits for the SEPP and SERP shown in the Pension Benefits table is based on benefits accrued as of September 30, 2007, the Company's measurement date for financial reporting purposes. The amounts reflect the method and assumptions used in calculating the Company's pension liability under generally accepted accounting principles as of that date, except that each

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executive is assumed to remain actively employed until retirement on September 30, 2007, or the next earliest age at which he is eligible for unreduced retirement benefits under the terms of the plans. The material assumptions used in the calculations were:

- Discount rate: 6.4%
- Lump sum interest rate: For Mr. Baker, who was eligible for unreduced retirement benefits prior to September 30, 2007, the rate was 4.925% for benefits under the SERP and under the SEPP. For Mr. Busch IV, Mr. Muhleman and Mr. Owens, who will not become eligible for unreduced retirement benefits until sometime after 2007, the rate was 6% for benefits under the SEPP and SERP. The amounts indicated in the Pension Benefits table for Mr. Bobak's accumulated benefits were determined as of September 30, 2007 and were based on a lump sum interest rate of 6%. Mr. Bobak resigned on December 31, 2007, and on that date his accumulated benefit under the SERP was approximately \$1,304,000 (based on the lump sum interest rate applicable to 2008 retirements, 4.86%). Pursuant to the consulting agreement between Mr. Bobak and the Company, the Company will pay to him this accumulated SERP benefit on January 2, 2013. For more information concerning the consulting agreement between Mr. Bobak and the Company, please see page 55.
- Post-retirement mortality: The mortality table used in valuing monthly payments was the RP-2000 Combined Healthy Mortality Table, adjusted for white collar employees and projected to 2005. The mortality table used in valuing lump sum payments was the table published by the Internal Revenue Service in Revenue Ruling 2001-62.
- Payment distribution assumptions: The valuation of SEPP benefits was based on an 80% probability that the executive would elect the lump sum and a 20% probability that he would elect the life with 10 years certain annuity form. The valuation of SERP benefits was based on a 100% probability that the executive would elect the lump sum.

In determining the present value of accumulated benefits for Mr. Busch IV under the Brewery Workers Plan, the material assumptions were the 6.4% discount rate, the 1994 Group Annuitant Mortality Table and a 100%

probability of electing the life only form of payment under that plan.

### Nonqualified Deferred Compensation

Name	Executive Contributions in Last FY (\$)(1)	Registrant Contributions in Last FY (\$)(2)	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$)(3)
A. A. Busch IV	60,132	53,461	58,814	0	864,385
W. R. Baker	871,017	22,465	485,812	0	10,120,051
M. T. Bobak	24,637	21,905	38,877	0	662,771
D. J. Muhleman	22,767	20,243	26,636	0	399,808
M. J. Owens	18,896	16,801	19,888	0	277,214

- (1) All of these executive contributions are reported for each Named Executive Officer in the 2007 Salary column in the Summary Compensation Table on page 37, with the exception of \$600,000 for Mr. Baker, which is reported in the 2006 Bonus Column of that Table.
- (2) All of these contributions by the Registrant are reported for each Named Executive Officer in the 2007 All Other Compensation column in the Summary Compensation Table on page 37.
- (3) The amounts in this column represent compensation earned (and elected to be deferred) by the executives during their careers, along with market based earnings on the deferred amounts based on investment elections made at the time of deferral. The amounts in this column that are included in the Summary Compensation Table for 2006 and 2007 are \$85,420 and \$113,593 for Mr. Busch IV, \$645,697 and \$293,482 for Mr. Baker, \$40,831 and \$46,542 for Mr. Bobak, \$41,060 and \$43,010 for Mr. Muhleman, and \$32,533 and \$35,697 for Mr. Owens.

### Anheuser-Busch Executive Deferred Compensation Plan (☐Deferred Compensation Plan☐)

The Deferred Compensation Plan is a nonqualified, unfunded defined contribution plan. The plan provides executive officers with the opportunity to defer salary and bonus compensation for a period of years or until termination of employment.

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Employees eligible to participate include executive officers and other key executive employees. Eligible individuals can elect to defer all or any portion of their base salary and bonus compensation in excess of \$200,000. (Salary and bonuses that Named Executive Officers have elected to defer are reported in the respective Salary and Bonus columns of the Summary Compensation Table of the proxy statement each year.)

Participants elect to have earnings credited on the amounts deferred on the basis of the following hypothetical investment options, all of which reflect market based rates of return: S&P 500 Index Fund, Wilshire 5000 Index Fund, Money Market Fund and four Fixed Interest Funds. The interest rates established for the Money Market Fund and the four Fixed Interest Funds reflect the Company's costs of borrowing for the respective maturities. The Fixed Interest Funds credit interest at fixed rates that are available for one, three, five, or ten year terms. Amounts invested in a Fixed Interest Fund must remain in the fund until the end of the applicable term. Participants may reallocate other amounts on a monthly basis.

The investment returns during 2007 on amounts allocated to the S&P 500 Index Fund and the Wilshire 5000 Index Fund were as follows:

- S&P 500 Index Fund: 5.47%



- Wilshire 5000 Index Fund: 5.56%

The interest rates applicable to amounts allocated to the Money Market Fund and the Fixed Interest Funds during 2007 were as follows:

- Money Market Fund: 5.22% (average semi-monthly rate for 2007)
- One-Year Fixed Interest Fund: 5.25 %
- Three-Year Fixed Interest Fund: 5.10%
- Five-Year Fixed Interest Fund: 5.20%
- Ten-Year Fixed Interest Fund: 5.40%

Participants make separate elections each year regarding the amount to defer, the deferral period, and the timing and method of distribution at the end of the deferral period. Participants may elect a fixed deferral period of five, ten, fifteen or twenty years or to defer payment until termination of employment. Participants who leave employment prior to the end of an elected fixed deferral period must begin receiving payments after termination of employment even if the fixed period has not expired. Participants may elect to have deferral amounts distributed in a single lump sum or in five or ten annual installments. For amounts deferred after December 31, 2004, changes that extend the deferral period or the payment period or result in a later payment commencement date must result in deferring payments at five years from the original payment date. Participants cannot elect to shorten the deferral period or the payment period elected for any prior deferral.

To the extent permitted under Section 409A of the Internal Revenue Code, distributions may be accelerated in the event of an unforeseeable emergency or hardship approved by the Company.

If and to the extent payments to an executive officer that would otherwise be made under the plan during a year are nondeductible for tax purposes, payment will be delayed until a future year when the payment is deductible.

#### **Anheuser-Busch 401(k) Restoration Plan (□Restoration Plan□)**

The Restoration Plan is a nonqualified, unfunded defined contribution plan. The plan restores benefits that cannot be provided under the Company's qualified 401(k) plan due to Internal Revenue Code qualified plan compensation limits. The Internal Revenue Code compensation limit for 2007 was \$225,000.

To be eligible for the Restoration Plan, an individual must have a base salary that exceeds the Internal Revenue Code limit on qualified plan compensation. The individual must also be a participant in the Company's qualified 401(k) plan and contributing at least 6% of base pay under that plan. The only type of compensation taken into account under the Restoration Plan is base pay.

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The Restoration Plan allows participants to defer 6% of base pay in excess of the Internal Revenue Code compensation limit and obtain Company matching contributions on those deferrals. Company matching contributions are made at the same rate as provided in the Company's qualified 401(k) plan. Company matching contributions are made in the form of hypothetical contributions to the Company Stock Fund and must be maintained in the fund except as described below. The match rate for the plan year April 1, 2007 through March 31, 2008 is 90.50%.

Most participants must have 50% of their deferral invested in the Company Stock Fund for at least one complete calendar year before those amounts may be transferred to another available investment fund. Executive officers may not allocate or transfer any deferrals to the Company Stock Fund. Participant deferral amounts may be hypothetically invested in the following funds: Company Stock Fund (not available for executive officers), Short-Term Fixed Income Fund, Medium-Term Fixed Income Fund, Large Cap Stock Index Fund, Mid/Small Cap Stock Index Fund, International Stock Index Fund, Indexed Balanced Fund and Managed Balanced Fund. These

are the same investment alternatives available under the Company's qualified 401(k) plan.

Other than amounts required to be invested in the Company Stock Fund, participants may transfer investments among the various investment alternatives on a daily basis. Participants who are age 50 and over may transfer all amounts invested in the Company Stock Fund, including personal deferrals and Company matching contributions, among any of the investment alternatives.

Investments in the Restoration Plan are credited with the same investment return as the corresponding fund in the Company's qualified 401(k) plan. The investment returns for the available funds during 2007 were as follows:

- Company Stock Fund: 9.10%
- Short-Term Fixed Income Fund: 5.46%
- Medium-Term Fixed Income Fund: 7.44%
- Large Cap Stock Index Fund: 5.59%
- Mid/Small Cap Stock Index Fund: 5.52%
- International Stock Index Fund: 11.44%
- Indexed Balanced Fund: 7.03%
- Managed Balanced Fund: 9.22%

Distribution to a participant of his balance under the Restoration Plan occurs after termination of employment. Participants may also elect to receive their distributions in either a single lump sum payment or five annual installments. To the extent permitted under Section 409A of the Internal Revenue Code, distributions may be accelerated in the event of an unforeseeable emergency or hardship approved by the Company.

Participant elections regarding the timing and form of distribution remain in effect until changed by the participant. Any change regarding the timing or form of distribution is effective only with respect to future deferrals and matching contributions.

If and to the extent payments to an executive officer that would otherwise be made under the plan during a year are nondeductible for tax purposes, payment will be delayed until a future year when the payment is deductible.

#### **POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to the Named Executive Officers of the Company in the event of a termination of employment or a change in control of the Company. As explained on page 35, the Company's change in control benefits do not provide a multiple of salary or bonus but instead protect previously granted, unvested long-term incentive awards; in-process, earned annual incentive payments; and provide pension and tax protection. The compensation payable and the accelerated vesting of equity awards (consisting of

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stock options and restricted stock) in each situation are described in the narrative below. The amount of compensation payable and the value of accelerated vesting of equity awards in each situation with respect to each Named Executive Officer are listed in the tables following the narrative.

The estimated amounts shown in the tables below assume that the termination or change in control was effective on December 31, 2007 and that the Company's common stock was \$52.34 per share, which was the closing price of the shares on December 31, 2007. The amount indicated in the tables below as the value of the

accelerated vesting for stock options represents the amount by which the closing price of the common stock exceeds the exercise price of the options for which vesting is accelerated. For purposes of the tables below, the Company has assumed that the potential bonus payments in each situation would be equal to the bonus amounts actually paid and shown in the "Summary Compensation Table" beginning on page 37, and such potential bonus payments would not be in addition to the bonus amounts actually paid. The Compensation Committee is empowered to remove restrictions on equity awards, the Officer Bonus Plan, the SERP, the Deferred Compensation Plan and the Restoration Plan; accelerate vesting of equity awards; and permit or accelerate payments under the Officer Bonus Plan, the SERP, the Deferred Compensation Plan and the Restoration Plan, notwithstanding the general provisions of the awards or plans. The following tables have been compiled on the assumption that the general provisions of the awards and plans will be applied, unless otherwise indicated.

### Payments Upon Voluntary Termination

Upon a voluntary termination of employment, a Named Executive Officer would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion in favor of paying bonuses in the case of a voluntary termination.
- Equity Awards □ No equity awards vest upon a voluntary termination (except in the case of retirement as described below), and all unvested awards are forfeited. However, previously vested stock options would continue to be exercisable until the earlier of the option expiration date or three months after termination.
- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan and, in the case of a termination of employment after age 55, the accrued benefit under the SERP, will be paid.
- Executive Life Insurance □ The executive may convert the policy to a personal policy or surrender the policy and receive the cash surrender value of the policy.

### Payments Upon Retirement

Upon retirement, a Named Executive Officer would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion in favor of paying bonuses in the case of retirement.
- Equity Awards □ All outstanding stock options will automatically vest and be exercisable until the option expiration date. With respect to restricted stock, a pro rata portion of restricted stock corresponding to the number of full months of the related performance period elapsed through the date of retirement will remain eligible for vesting if the applicable performance goal is attained, and the rest will be forfeited.

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- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan and, in the case of retirement after age 55, the accrued benefit under the SERP, will be paid.
  - Executive Life Insurance □ The executive may convert the policy to a personal policy or surrender the policy and receive the cash surrender value of the policy.
  - Financial and Tax Planning Services □ Up to \$17,000 annually in financial and tax planning services for a period of five years after retirement will be provided.

### Payments Upon Involuntary Not For Cause Termination

Upon an involuntary not for cause termination of employment, a Named Executive Officer would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion in favor of paying bonuses in the case of an involuntary not for cause termination.
- Equity Awards □ No equity awards vest upon an involuntary termination of employment. However, in the case of an involuntary termination of employment due to a sale of assets, liquidation, shutdown, spin-off, reorganization or similar event, (i) all unvested stock options are forfeited but previously vested stock options would continue to be exercisable until the option expiration date and (ii) a pro rata portion of restricted stock corresponding to the number of full months of the related performance period elapsed through the date of such termination will remain eligible for vesting if the applicable performance goal is attained, and the rest will be forfeited. In the case of any other involuntary not for cause termination, all outstanding stock options (vested or unvested) and unvested restricted stock are forfeited.
- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan and, in the case of a termination of employment after age 55, the accrued benefit under the SERP, will be paid.
- Executive Life Insurance □ The executive may convert the policy to a personal policy or surrender the policy and receive the cash surrender value of the policy.

#### **Payments Upon For Cause Termination**

Upon a for cause termination of employment, a Named Executive Officer would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion against paying any bonuses in the case of a for cause termination.
- Equity Awards □ No equity awards vest upon a for cause termination of employment, and all outstanding stock options (vested or unvested) and unvested restricted stock are forfeited.
- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan and, in the case of a termination of employment after age 55, the accrued benefit under the SERP, will be paid.
- Executive Life Insurance □ The executive may convert the policy to a personal policy or surrender the policy and receive the cash surrender value of the policy.

#### **Payments Upon Death**

Upon termination of employment due to death, a Named Executive Officer (or his or her designated beneficiary or estate) would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion in favor of paying bonuses in the case of death.

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- Equity Awards □ All outstanding stock options will automatically vest and be exercisable by the Named Executive Officer's post-death representative until the option expiration date. With respect to restricted stock, a pro rata portion of restricted stock corresponding to the number of full months of the related performance period elapsed through the date of death will remain eligible for vesting if the applicable performance goal is attained, and the rest will be forfeited.

- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan and, in the case of termination of employment due to death after age 55, the accrued benefit under the SERP, will be paid.
- Executive Life Insurance □ The death benefits under the executive insurance policy will be paid.

### Payments Upon Disability

Upon termination of employment due to disability, a Named Executive Officer would receive the following:

- Officer Bonus Plan □ For purposes of the following tables, the Company has assumed that the Compensation Committee would exercise its discretion in favor of paying bonuses in the case of disability.
- Equity Awards □ All outstanding stock options will automatically vest and be exercisable until the option expiration date. With respect to restricted stock, a pro rata portion of restricted stock corresponding to the number of full months of the related performance period elapsed through the date of disability will remain eligible for vesting if the applicable performance goal is attained, and the rest will be forfeited.
- Nonqualified Pension and Deferred Compensation Plans □ Account balances under the Deferred Compensation Plan and the Restoration Plan, and the accrued benefit under the SERP, will be paid.

### Payments Upon a Change in Control

Upon the occurrence of a □Change in Control□ as defined below (and which may differ among the situations listed below), a Named Executive Officer would receive the following:

- Officer Bonus Plan □ Full bonuses earned for completed performance periods and, for current performance periods, payment of bonuses earned on a pro-rata basis will be paid.
- Equity Awards □ All outstanding stock options and restricted stock will vest. Vested stock options will be exercisable until the option expiration date.
- Nonqualified Pension and Deferred Compensation Plans □ Under the Deferred Compensation Plan and the Restoration Plan, the entire amounts of each participant□s accounts must be distributed in a single sum within 30 days after a Change in Control. Once a Change in Control has occurred, the provisions of the plans requiring distribution within 30 days cannot be amended in any manner without the written consent of each individual who was a participant immediately prior to that date.

Under the SERP, each participant□s accrued benefit upon a Change in Control becomes fully vested and non-forfeitable and must be paid in a single sum within 30 days after that date. If a participant otherwise satisfied the eligibility requirements for early or normal retirement benefits on a Change in Control, the amount payable to the participant is the amount he or she would have been paid in the event of actual retirement on that date. If a participant did not otherwise satisfy the eligibility requirements for early or normal retirement benefits upon a Change in Control, the amount payable to the participant is the actuarial equivalent value of his or her accrued benefit on that date. For information on eligibility for early or normal retirement benefits under the SERP, see □Anheuser-Busch Companies, Inc. Supplemental Executive Retirement Plan (□SERP□)□ on page 44.

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- Tax □Gross Ups□ □ In the event an excise tax or other special tax is imposed on any payment under the Officer Bonus Plan, the Deferred Compensation Plan, the SERP, or the Restoration Plan due to a Change in Control, the payment amount will be increased to cover such tax on a □gross up□ basis.

A □Change in Control□ occurs upon any of the following events:

- (i) subject to limited exceptions, the acquisition by any person of more than 30% of the Company□s voting stock (50% in the case of

the Officer Bonus Plan);

- (ii) stockholder approval of a merger or consolidation (or, in the case of 2007 equity awards, completion of a merger or consolidation) in which the stockholders of the Company prior to the merger or consolidation own less than 50% of the surviving entity upon completion of the merger or consolidation;
- (iii) persons serving as directors of the Company, and those replacements or additions subsequently approved by a majority of the Board of Directors (2/3 majority in the case of the Officer Bonus Plan), cease to make up more than 50% of the Board; or
- (iv) stockholder approval of a complete liquidation or dissolution of the Company or the sale or disposition of all or substantially all of the Company's assets.

With respect to the Deferred Compensation Plan, the Restoration Plan and the SERP, a "Change in Control" must also be consistent with Section 409A of the Internal Revenue Code.

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Estimated Executive Benefits and Payments Upon Termination Compensation:	Mr. Busch IV						Change in Control	
	Voluntary		Involuntary		For Cause	Death		Disability
	Termination	Retirement	Not for Cause	Termination				
Bonus	\$2,500,000	\$2,500,000	\$2,500,000	\$ 0	\$2,500,000	\$2,500,000	\$2,083,770	
Long-term Incentives								
<i>Restricted</i>								
<i>Stock</i>								
2006-2008 (performance period)	0	0	0	0	0	0	1,188,013	
2007-2009 (performance period)	0	0	0	0	0	0	2,363,099	
<i>Options</i>								
Accelerated Vesting	0	4,336,869	0	0	4,336,869	4,336,869	4,336,869	
<b>Benefits and Perquisites:</b>								
Nonqualified Pension (SERP)	0	0	0	0	0	3,116,888	3,116,888	
Executive Life Insurance Proceeds	0	0	0	0	0	0	N/A	
Financial and	0	85,000	0	0	0	0	N/A	

Tax Planning							
Deferred Compensation	864,385	864,385	864,385	864,385	864,385	864,385	864,385
Excise Tax Gross-up	0	0	0	0	0	0	2,345,435

**Mr. Baker**

Estimated Executive Benefits and Payments Upon Termination Compensation:	Voluntary Termination		Retirement	Involuntary Not for Cause Termination	For Cause Termination	Death	Disability
	Bonus	\$ 650,000	\$ 650,000	\$ 650,000	\$ 650,000	\$ 0	\$ 650,000
Long-term Incentives							
<i>Restricted Stock</i>							
2006-2008 (performance period)	0	0	0	0	0	0	0
2007-2009 (performance period)	0	0	0	0	0	0	0
<i>Stock Options</i>							
Accelerated Vesting	0	1,236,952	0	0	0	1,236,952	1,236,952
<b>Benefits and Perquisites:</b>							
Nonqualified Pension (SERP)	6,665,486	6,665,486	6,665,486	6,665,486	6,665,486	5,231,613	6,665,486
Executive Life Insurance Proceeds	141,764	141,764	141,764	141,764	141,764	2,101,764	
Financial and Tax Planning	0	85,000	0	0	0	0	0
Deferred Compensation	10,120,051	10,120,051	10,120,051	10,120,151	10,120,151	10,120,151	10,120,151
Excise Tax Gross-up	0	0	0	0	0	0	0

**Mr. Bobak**

Since Mr. Bobak resigned from the Company on December 31, 2007, payments to him in connection with his resignation are described on page 55. The cash surrender value of his executive life insurance policy upon his resignation was \$25,656, which value he was permitted to convert to a personal policy or to receive in cash.

**Mr. Muhleman**

Estimated Executive Benefits and Payments Upon Termination Compensation:	Voluntary Termination		Retirement	Involuntary Not for Cause Termination	For Cause Termination	Death	Disability	Change in Contract
	Bonus	\$545,000	\$ 545,000	\$545,000	\$ 0	\$ 545,000	\$ 545,000	\$ 545,000

Long-term  
Incentives  
*Restricted*  
*Stock*  
2006-2008

(performance  
period)  
2007-2009

(performance  
period)  
*Stock*  
*Options*

Accelerated  
Vesting  
**Benefits and**  
**Perquisites:**

Nonqualified  
Pension  
(SERP)

Executive Life  
Insurance

Proceeds  
Financial and  
Tax  
Planning

Deferred  
Compensation

Excise Tax  
Gross-up

0	0	0	0	0	0	0	465,000
0	0	0	0	0	0	0	415,000
0	1,014,355	0	0	1,014,355	1,014,355	1,014,355	1,014,355
0	0	0	0	0	2,835,033	2,835,033	2,835,033
82,760	82,760	82,760	82,760	2,195,760	0	0	1,014,355
0	85,000	0	0	0	0	0	1,014,355
399,808	399,808	399,808	399,808	399,808	399,808	399,808	399,808
0	0	0	0	0	0	0	0

**Mr. Owens**

**Estimated**  
**Executive**  
**Benefits**  
  
**and Payments**  
**Upon**  
**Termination**  
**Compensation:**

<b>Voluntary</b>	<b>Involuntary</b>	<b>For</b>	<b>Change</b>
<b>Termination</b>	<b>Not for Cause</b>	<b>Cause</b>	<b>in</b>
<b>Termination</b>	<b>Retirement</b>	<b>Termination</b>	<b>Death</b>
		<b>Termination</b>	<b>Disability</b>
			<b>Control</b>

Bonus  
Long-term  
Incentives  
*Restricted*  
*Stock*  
2006-2008

(performance  
period)  
2007-2009

(performance

\$475,000	\$475,000	\$475,000	\$ 0	\$ 475,000	\$ 475,000	\$ 854,880
0	0	0	0	0	0	404,580
0	0	0	0	0	0	361,040



period)

Stock

Options

Accelerated Vesting	0	884,630	0	0	884,630	884,630	884,630
<b>Benefits and Perquisites:</b>							
Nonqualified Pension (SERP)	0	0	0	0	0	2,237,051	2,237,051
Executive Life Insurance Proceeds	41,862	41,862	41,862	41,862	1,931,862	0	N/A
Financial and Tax Planning	0	85,000	0	0	0	0	N/A
Deferred Compensation	277,214	277,214	277,214	277,214	277,214	277,214	277,214
Excise Tax Gross-up	0	0	0	0	0	0	0

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### Equity Compensation Plans

The following table sets forth, for the Company's equity compensation plans, the number of outstanding option grants under such plans, the weighted average exercise price of outstanding options, and the number of shares remaining available for issuance under such plans, all as of December 31, 2007.

Plan Category	Number of Shares		Number of Shares of Common Stock Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Shares to be Issued upon Exercise of Outstanding Options)
	of Common Stock to be Issued upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	
Equity compensation plans approved by security holders(1)	100,491,526	\$47.49	36,044,503
Equity compensation plans not approved by security holders	0	N/A	0
Total	100,491,526	\$47.49	36,044,503 (2)

(1) Includes the 1989 Incentive Stock Plan, the 1998 Incentive Stock Plan, the Global Employee Stock Purchase Plan, the Stock Plan for Non-Employee Directors, the 2006 Restricted Stock Plan for Non-Employee Directors, and

the 2007 Equity and Incentive Plan.

- (2) Of the 36,044,503 total number of shares remaining available for future issuance under all the plans listed in note (1) above, as of December 31, 2007, 35,093,423 shares were available for future issuance under the 2007 Equity and Incentive Plan, 840,580 shares were available for future issuance under the Global Employee Stock Purchase Plan, 24,000 shares were available for future issuance under the Stock Plan for Non-Employee Directors and 86,500 shares were available for future issuance under the 2006 Restricted Stock Plan for Non-Employee Directors. No shares remain available for issuance under the 1989 or 1998 Incentive Stock Plans. The 36,044,503 figure in this table includes shares underlying restricted stock awards under the 2007 Equity and Incentive Plan granted on November 28, 2007, that were issued and effective on January 1, 2008. After accounting for 341,029 shares underlying restricted stock issued on January 1, 2008, and other changes in January, as of January 31, 2008, there were 34,754,422 shares (including 12,159,163 shares of restricted stock), remaining available for future issuance under the 2007 Equity and Incentive Plan, 840,580 shares remaining available for future issuance under the Global Employee Stock Purchase Plan, 24,000 shares remaining available for future issuance under the Stock Plan for Non-Employee Directors and 86,500 shares remaining available for future issuance under the 2006 Restricted Stock Plan for Non-Employee Directors. There have been no other option or restricted stock grants under the plans listed in note (1) above since the end of 2007. The 2008 Long-Term Equity Incentive Plan for Non-Employee Directors is being submitted to stockholders for approval to replace both the Stock Plan for Non-Employee Directors and the 2006 Restricted Stock Plan for Non-Employee Directors (see pages 17-19). If the 2008 Long-Term Equity Incentive Plan for Non-Employee Directors is approved, then both the Stock Plan for Non-Employee Directors and the 2006 Restricted Stock Plan for Non-Employee Directors will be terminated (except as to outstanding awards).

### **CERTAIN BUSINESS RELATIONSHIPS AND TRANSACTIONS**

The Company enters into transactions in which its 5% stockholders, directors, executive officers or their family have a material interest only if those transactions are in the best interests of the Company. The Company has adopted a written policy governing the review and approval of related person transactions. Review by the Board's Conflict of Interest Committee or Compensation Committee of any such transaction is required if the amount involved exceeds \$120,000. The policy excepts from review specified categories of transactions that do not pose a significant risk of a conflict of interest, either because a 5% stockholder, director, executive officer or their family would not have a material interest in a transaction of that type or other characteristics of the transaction eliminate the risk of a conflict of interest. The Company does not consider transactions with stockholders who do not attempt to influence the control of the Company to present a significant risk of a conflict of interest, even if the stockholder owns in excess of 5% of the Company's outstanding common stock. As a result, the Company's policy did not require approval of transactions with Barclays Global Investors. With the exception of transactions with Barclays, all transactions described in this section have been reviewed and approved as required by the Company's related person policy.

In connection with the retirement by Mr. Stokes as Chief Executive Officer of the Company in 2006, Mr. Stokes agreed to provide consulting and advisory services to the Company. Mr. Stokes commenced providing services on March 1, 2007 and the arrangement will terminate on August 31, 2009. Either the

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Company or Mr. Stokes may terminate the arrangement on or after March 1, 2008. The services provided by Mr. Stokes are distinct from his responsibilities as a member of the Board of Directors and will not exceed 130 days in any calendar year. The Company agreed to pay to Mr. Stokes a fee of \$187,500 for each calendar quarter during the arrangement. The Company provides Mr. Stokes with an office and administrative assistance to be used by him in providing the consulting services. The Company also provides transportation to be used by him in providing the services and reimburses him for the expenses incurred by him during travel while providing the services. The Company's costs under this arrangement during 2007 approximated \$390,000.

In connection with the retirement by Mr. Busch III as an executive officer of the Company in 2006, Mr. Busch III agreed to provide consulting and advisory services to the Company for six years commencing on December 1, 2006. The services provided by Mr. Busch III are distinct from his responsibilities as a member of the Board of Directors and will not exceed 130 days in any calendar year. Mr. Busch III receives no fee for these services. The Company provides Mr. Busch III with an office and administrative assistance to be used by him in providing the services. The Company also agreed to provide transportation to be used by him in providing services to the Company and to reimburse him for the expenses incurred by him during travel while providing the services. In recognition of Mr. Busch III's continued prominence resulting from his years of service to the Company, the Company continues to provide security at the residence of Mr. Busch III. The Company also maintains the arrangements with respect to Ginnaire and other aircraft owned by Mr. Busch III or corporations in which he owns a substantial interest (such arrangements are described below). The Company's costs under the consulting arrangement during 2007 approximated \$635,000, excluding costs described below with respect to Ginnaire.

In connection with the resignation by Mr. Bobak as Group Vice President and Chief Legal Officer of the Company, Mr. Bobak agreed to provide consulting and advisory services to the Company and to refrain from working with competitors of the Company for a five year period. In recognition of the services provided by Mr. Bobak prior to his resignation, on November 28, 2007, Mr. Bobak received stock option grants of 212,022 shares at an exercise price of \$51.89 and received a payment of \$600,000 in February 2008, representing his target bonus for the 2007 calendar year. Additionally, the Company determined that it was appropriate that Mr. Bobak retain the stock and pension benefits provided to him for his services prior to his resignation and made the following agreements with respect to those benefits. At the time of his resignation, Mr. Bobak had 159,440 unvested stock options, excluding the grant made in November 2007. Pursuant to their original provisions, all unvested stock options would have been forfeited upon Mr. Bobak's resignation. The Company agreed that the options will remain exercisable in accordance with their original schedule. At the time of his resignation, Mr. Bobak had 911,146 vested stock options, which pursuant to their original provisions would have terminated if unexercised within three months after his resignation. The Company agreed that vested options granted before 2005 will remain exercisable for a five year period (but not longer than their stated terms) and vested options granted in 2005 and afterwards will remain exercisable for their stated terms. At the time of his resignation, Mr. Bobak had 18,585 shares of restricted stock, which pursuant to their original provisions would have been forfeited upon his resignation. The Company agreed that the restricted shares will vest to the extent the original performance targets are met. At the time of his resignation, Mr. Bobak had an accumulated lump sum benefit of approximately \$1,304,000 under the Company's supplemental executive retirement plan. Because Mr. Bobak resigned before the age of 55, the terms of the plan would have provided no payment to Mr. Bobak. The Company has agreed to pay \$2,400,000 to Mr. Bobak on January 2, 2013, representing the distribution of the accumulated lump sum benefit and payment of a portion of the additional lump sum pension benefits he would have received had he remained employed with the Company.

To compensate Mr. Bobak for his consulting services, Mr. Bobak will receive consulting fees of approximately \$635,000 for each of the five years of the consulting arrangement. Mr. Bobak will also be eligible to receive additional payments of \$600,000 in each of 2009 and 2010 (Additional Payments) as compensation for his consulting services. The actual amount of the Additional Payments will be dependent on the results obtained and value provided by Mr. Bobak in the performance of his consulting services. Additionally, pursuant to the consulting agreement, the Company will provide Mr. Bobak with benefits costing approximately \$500,000. The compensation expense to the Company to be recognized in connection with the arrangements described above is anticipated to be approximately \$11,440,000 (assuming Mr. Bobak receives \$1,200,000 in Additional Payments). For more information concerning the alterations to Mr. Bobak's restricted stock and stock option awards, see note 6 to the Summary Compensation Table on page 38.

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Pursuant to an investment agreement, the Company purchased equity securities of Grupo Modelo, S.A.B. de C.V., Mexico's largest brewer (Grupo Modelo), and of Diblo, S.A. de C.V., the operating subsidiary of Grupo Modelo (Diblo), and holds a 50.2% direct and indirect interest in Diblo. The Company does not have voting or other effective control of either Grupo Modelo or Diblo. Carlos Fernandez G. is Chairman of the Board of Directors and Chief Executive Officer of Grupo Modelo, and he and his family are significant stockholders of Grupo Modelo. Pursuant to the investment agreement, the Company agreed to use its best efforts to maintain on its Board of Directors a designee of Grupo Modelo as long as the Company owns ten percent or more of the outstanding capital stock of Grupo Modelo. Mr. Fernandez is that designee. The Company and Grupo Modelo have commercial arrangements in place. Grupo Modelo is the importer for the Company's products in Mexico and in 2007 paid to the Company \$ 54,013,252 for the purchase of beer. In 2007, Grupo Modelo sold to the Company

packaging materials in the amount of \$131,324. The Company has been appointed the importer of Grupo Modelo's products in China and in 2007 paid \$5,111,789 to Grupo Modelo for the purchase of beer.

August A. Busch IV, a director and executive officer of the Company, is the son of August A. Busch III, a director of the Company. Virginia Busch, the daughter of Mr. Busch III and half sister of Mr. Busch IV, is employed by a subsidiary of the Company as Director, Zoological Conservation Programs, for which she received cash and non-cash compensation of \$158,649 in 2007.

The Company leases approximately 267 acres located in St. Louis County, Missouri and certain other property, in part from a trust established for the benefit of certain heirs of the late August A. Busch, Jr. and in part from Grant's Farm Manor, Inc., a corporation owned by a son of August A. Busch, Jr., Andrew Busch. August A. Busch IV, August A. Busch III and his other children have no financial interest in the leases. The Grant's Farm facility (under lease from the trust) is used extensively by the Company for advertising and public relations purposes, for public tours, and for corporate entertaining. Grant's Farm is one of St. Louis' most popular tourist attractions. The lease arrangements for Grant's Farm require the Company to pay a fixed annual rent and a percentage of income generated from on-site concession operations. The lease arrangements with Grant's Farm Manor, Inc. are for the housing and breeding of the Company's Clydesdale horses. The Company is required to reimburse maintenance and certain other expenses associated with each of the leased properties. The Company has certain rights of first refusal and other limited purchase rights relating to the Grant's Farm land and some of the leased personal property, and to a private residence situated within the leased premises and certain personal property associated with the residence. For the year 2007, the Company paid in the aggregate \$4,222,177 under these lease arrangements.

Anheuser-Busch, Incorporated ("ABI") has agreements with Busch Distributing Company, LLC, d/b/a Krey Distributing Company ("Krey"), D&D Distributors L.L.P. d/b/a, Grey Eagle Distributors ("Grey Eagle"), Southern Eagle Distributing, Inc. ("Southern Eagle"), Busch-Transou LC d/b/a Tri-Eagle Sales ("Tri-Eagle"), and City Beverages LLC/Olympic Eagle Distributing ("Olympic Eagle") for the distribution of malt beverage products in St. Charles County, Missouri, St. Louis County, Missouri, Fort Pierce, Florida, Tallahassee, Florida, and Kent, Washington, respectively. Steven Busch, the half brother of August Busch IV and a son of August Busch III, is the owner of Krey. Krey paid \$34,411,734 to ABI for the purchase of products and wholesaler related services in 2007. David Stokes, the son of Patrick T. Stokes, is the owner of Grey Eagle. Grey Eagle paid \$76,481,722 to ABI for the purchase of products and wholesaler related services during 2007. Peter William Busch, an uncle of Mr. Busch IV and a half brother of August Busch III, is the President and majority owner of Southern Eagle. Southern Eagle paid \$39,184,332 to ABI for the purchase of products and wholesaler related services during 2007. Tri-Eagle is owned by Tripp and Susan Busch Transou, the brother-in-law and sister of Mr. Busch IV and son-in-law and daughter of Mr. Busch III. Tri-Eagle paid \$29,815,679 to ABI for the purchase of products and wholesaler related services during 2007. Olympic Eagle paid \$48,660,204 to ABI for the purchase of products and wholesaler related services during 2007. Olympic Eagle is majority owned by Steven Knight, a son of a director of the Company. The Company believes that the purchase, at market prices, and the operation of Anheuser-Busch wholesalerships by family members of Company executives and directors demonstrate to the Company's independent beer wholesalers its confidence in the three tier beer distribution system. The distribution agreements with these wholesalerships are ABI's standard distribution agreements. PricewaterhouseCoopers performs procedures every year designed to determine if these wholesalerships obtain treatment or special terms from ABI different from that available to all other independent wholesalers. PricewaterhouseCoopers' findings are reported each year to the Board's Conflict of Interest Committee.

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Ginnaire Rental, Inc. ("Ginnaire"), a corporation wholly owned by Mr. Busch III, leases aircraft to the Company for business use. For 2007 the Company paid \$407,611 to Ginnaire pursuant to the lease agreements. The leasing fees are an hourly rate intended to reimburse Ginnaire for the pro rata share of maintenance costs, engine reserves and aircraft insurance, plus excise and use taxes attributed to the Company's actual use of the aircraft, without mark-up. The Company provides fuel and hangar and maintenance services to aircraft owned by Ginnaire, by Mr. Busch III personally or by a corporation in which he has a substantial interest. The Company is reimbursed its costs for aircraft usage and expenses by these parties and for 2007, the Company was paid \$593,520. During 2007, Steven Busch, a son of Mr. Busch III, sometimes accompanied Mr. Busch III or piloted the aircraft at no additional cost to the Company.

Larry Israel, the brother of executive officer Francine Katz, is an independent producer who occasionally is hired by advertising agencies or the Company to produce commercials for Anheuser-Busch. For 2007, Mr. Israel received approximately \$292,270 for his work on commercials for the Company.

Andrew Taylor and his family own Enterprise Rent-A-Car Company (Enterprise), the largest rental car company in North America. Enterprise buys and disposes of automobiles for the Company, leases automobiles to the Company and provides ancillary maintenance services. In 2007, the Company paid to Enterprise approximately \$ 12,200,000 for these services.

During all or portions of 2007, Barclays Global Investors (Barclays) held in excess of 5% of the outstanding shares of the Company's common stock. During 2007, the Company entered into ordinary course derivatives transactions with an affiliate of Barclays with total notional (assumed) amounts approximating \$280,000,000 and had commercial and investment banking transactions with affiliates of Barclays in which the Company paid fees of approximately \$960,000.

From time to time the Company may have entered into other transactions with companies in which its 5% stockholders, directors, executive officers or their family had an interest, whether as a director, shareholder or otherwise, but such interests are, in the judgment of the Company, immaterial.

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### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

The Company's executive officers and directors are required under the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership of common stock of the Company with the Securities and Exchange Commission and the New York Stock Exchange. Copies of those reports must also be furnished to the Company.

Based solely on a review of the copies of reports furnished to the Company and written representations that no other reports were required, the Company believes that during the preceding year all filing requirements applicable to executive officers and directors have been complied with.

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### **OTHER MATTERS**

#### ***Solicitation of Proxies***

The cost of soliciting proxies will be borne by the Company and will consist primarily of printing, postage, and handling, including the expenses of brokerage houses, custodians, nominees, and fiduciaries in forwarding documents to beneficial owners. In addition, to assist in the solicitation of proxies from brokers, bank nominees, and other institutional holders and from other stockholders, the Company has engaged Morrow & Co., Inc. for a fee not to exceed \$12,000 plus out-of-pocket expenses. Solicitation also may be made by the Company's officers, directors, or employees, personally or by telephone.

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#### ***Stockholder Proposals for 2009***

For inclusion in the Company's Proxy Statement and form of proxy, any stockholder proposals intended to be presented at the 2009 Annual Meeting must be received by the Company at its principal executive offices no later than November 10, 2008.

Stockholders of record who do not submit proposals for inclusion in the Proxy Statement but who intend to submit a proposal at the 2009 Annual Meeting, and stockholders of record who intend to submit nominations for directors at the meeting, must provide written notice. Such notice should be addressed to the Vice President and

Secretary and received at the Company's principal executive offices not earlier than December 24, 2008 and not later than January 23, 2009. The written notice must satisfy certain requirements specified in the Company's by-laws. A copy of the by-laws will be sent to any stockholder upon written request to the Vice President and Secretary.

### **Communications with the Board**

Stockholders and other interested parties wishing to communicate with the Board of Directors, the Lead Director, the non-management directors, a Committee or an individual Board member concerning the Company may do so by writing to the Board, the Lead Director, the non-management directors, the committee or the particular Board member, and mailing the correspondence to: Attn: Vice President and Secretary, Anheuser-Busch Companies, Inc. Mail Code 202-6, One Busch Place, St. Louis, MO 63118. The Board of Directors has asked that the Secretary review all such correspondence and forward all correspondence that, in her opinion, relates to the functions of the Board of Directors or the Committees of the Board. In accordance with the Board's direction, the Secretary shall not forward any correspondence unrelated to the duties and responsibilities of the Board or its Committees, including business solicitations, advertisements, junk mail, materials that are obviously frivolous and in bad taste, new product suggestions, product complaints, resumes or other forms of job inquiries, or surveys. Upon request, any Director may review a summary of or copies of communications that are not forwarded to Directors pursuant to this policy.

In accordance with the policies established by the Audit Committee, correspondence relating to accounting, internal accounting, controls or auditing matters will be referred to the Chair of the Company's Audit Committee and reviewed by the Audit Committee.

### **Code of Business Conduct and Ethics**

The Company has adopted a Code of Business Conduct and Ethics (the "Code") for directors, officers, and employees, which is available on the Corporate Governance section of the Company's website (under "Investors") at [www.anheuser-busch.com](http://www.anheuser-busch.com). The Code is also available in print to any stockholder upon written request to: Vice President and Secretary, Anheuser-Busch Companies, Inc., Mail Code 202-6, One Busch Place, St. Louis, MO 63118. If any substantive amendments are made to the Code, the nature of such amendment will be disclosed on our website. In addition, if a waiver from the Code is granted to an executive officer, director, or principal accounting officer, the nature of such waiver will be disclosed on our website.

St. Louis, Missouri  
March 10, 2008

## **ANHEUSER-BUSCH COMPANIES, INC. CORPORATE GOVERNANCE GUIDELINES**

The Board of Directors of Anheuser-Busch Companies, Inc. (the "Company") has adopted this set of corporate governance guidelines to further its longstanding objective to provide appropriate governance of the Company for the long-term benefit of stockholders.

### **Role of the Board of Directors**

The Board of Directors selects the Chief Executive Officer and oversees the performance of the officers of the Company in the interest and for the benefit of the stockholders. The Board of Directors has delegated to the Chief Executive Officer, together with the other officers of the Company, the authority and responsibility for managing the business of the Company under the direction of the Board. Each director is expected to spend the time and effort necessary to properly discharge the director's responsibilities.

### **Composition of the Board of Directors**

### *1. Size of Board of Directors*

The Corporate Governance Committee makes recommendations to the Board of Directors concerning the appropriate size of the Board of Directors. The Board of Directors believes that the quality of the individuals serving on the Board of Directors and the overall balance of the Board of Directors is more important than the absolute number of members.

### *2. Board Membership Criteria*

The Board of Directors is responsible for nominating individuals for election to the Board of Directors by the stockholders and for appointing individuals as directors between annual meetings of the stockholders. The Corporate Governance Committee identifies, reviews and makes recommendations concerning potential members of the Board of Directors. Stockholders may propose nominees for consideration by the Corporate Governance Committee by submitting the name and supporting information to: Vice President and Secretary, Anheuser-Busch Companies, Inc., One Busch Place, St. Louis, Missouri 63118.

The Board seeks members from diverse business and professional backgrounds with outstanding integrity, achievement and judgment and such other skills and experience as will enhance the Board's ability to serve the long-term interests of stockholders. The Board will evaluate each individual in the context of the entire Board of Directors with the objective of assembling a productive and effective Board of Directors that can best perpetuate the success of the Company and promote the interests of stockholders. Directors should be committed to representing the interests of all stockholders and not to advancing the interests of special interest groups or constituencies of stockholders. Annually (or more often, if necessary), the Corporate Governance Committee reviews the qualifications and backgrounds of the directors and makes recommendations to the Board as to the directors to be nominated for election by the stockholders at the next annual meeting.

### *3. Selection of Chairman*

The Board of Directors annually selects a Chairman from among the directors. The Board of Directors has concluded that the decision as to whether the offices of the Chief Executive Officer and the Chairman should be separate should be based upon the determination of the Board of Directors as to which approach best serves the interests of the Company at the time.

### *4. Lead Director*

The Board of Directors selects a Lead Director from among the independent directors. The Lead Director will serve a two year term, which may be extended by the Board of Directors. The Lead Director will prepare the agenda for all meetings of the non-management directors, will chair the meetings and will have the following additional responsibilities:

- Preside at regular and special meetings of the Board of Directors at which the Chairman is not present

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- Call meetings of the non-management directors
- Undertake such other responsibilities as may be assigned by the Board of Directors

### *5. Term Limits*

The Board does not believe that it should establish term limits for directors. Term limits would deprive the Company of the knowledge and expertise developed by directors from extended service on the Board of Directors.

### *6. Retirement of Board Members*

The policy of the Board of Directors is that any director who should reach the age of 72 should submit a letter of resignation for consideration by the Board of Directors effective with the end of the director's elected term. The Corporate Governance Committee will review the appropriateness of continued service on the Board of Directors by that director and make a recommendation to the Board of Directors, and, if applicable, annually thereafter.

*7. Directors Who Change Their Present Job Responsibility*

The Board of Directors does not generally believe that directors who retire or significantly change the employment position they held when they became a member of the Board should leave the Board of Directors. However, upon any such event, the director is expected to submit a letter of resignation for consideration by the Board of Directors. The Corporate Governance Committee will review the appropriateness of continued service on the Board of Directors by that director and make a recommendation to the Board of Directors.

*8. Limitation on Other Board Service*

The Board of Directors believes that the Company benefits from the experience directors bring from other boards on which they serve and accordingly does not believe that directors should be prohibited from serving on boards and committees of other organizations. The Board does recognize that service on other boards may present demands on a director's time and availability. Accordingly, the Board has adopted a policy prohibiting directors from serving as directors of more than five public companies (in addition to the Company). Directors are expected to inform the Chairman of the Board and the Chairman of the Corporate Governance Committee prior to becoming a director of any other company, whether public or private, or becoming a member of the audit committee of any other public company.

*9. Director Orientation and Continuing Education*

The Company shall conduct an orientation program for newly elected or appointed directors on topics that will assist them in discharging their duties. The Company's management shall conduct educational sessions for directors on matters relevant to the Company's operations and to assist them in discharging their duties. The Corporate Governance Committee will oversee the development of the orientation and continuing education programs.

**Independence Criteria**

A director is determined to be independent if the Board of Directors has determined that the director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company.

The Board of Directors has established the following categorical standards in connection with determining the independence of directors.

(a) A director will not be considered to be independent if:

(i) during the past three years:

- The Company has employed the director in any capacity or the Company has employed any of the director's immediate family members as an executive officer;

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- The director or any of the director's immediate family members has received more than \$100,000 per year in direct compensation from the Company (excluding director and committee fees and pension or other forms of deferred compensation for prior service and compensation paid to a family member for service as a non-executive employee of the Company);



- The director has been part of an "interlocking directorate" in which an executive officer of the company serves on the compensation committee of another company for which the director or any of the director's immediate family members is an executive officer;
- The director is an executive officer or an employee, or any of the director's immediate family members is an executive officer, of a for profit organization that has made payments to, or received payments from, the Company for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1 million or 2% of such organization's consolidated gross revenues; or

(ii) The director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; the director is a current employee of such a firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.

(b) The following will not be considered to impair a director's independence:

- The director or any member of the director's immediate family is employed by, an officer of or affiliated with any for profit organization that has made or received non-significant payments to or from the Company. For the purposes of this categorical standard, a payment will be considered to be non-significant if it represents less than (i) 1% of the gross revenues of the for profit organization for its last full fiscal year, and (ii) 1% of the Company's gross revenues for its last full fiscal year;
- The director is an officer, director, trustee or employee of a foundation, university or other non-profit organization to which the Company gives directly, or indirectly through its foundations, no more than \$500,000 per annum or 2% of the organization's gross revenues for its last full fiscal year (whichever is greater) (for this purpose, donations made as a result of any of the Company's matching gift programs will not be included);
- The director receives fees for service as the Company's representative or the representative of the Board of Directors on the board of directors of subsidiary or affiliated companies paid by the Company or such subsidiary or affiliated companies; or
- The director is an executive officer of another corporation or organization of which an executive officer of the Company serves on the board of directors (but is not on the compensation committee of the corporation or organization) or the director serves on the board of another corporation or organization together with other directors or officers of the Company.

Annually, the Board of Directors will review the categorical standards listed above and their application to the members of the Board.

An individual will be considered to be affiliated with a corporation or other entity, if that individual controls, is controlled by or is under common control with the corporation or other entity.

The Board of Directors will determine the independence of any director with a relationship to the Company that is not covered by the above standards. The Company's proxy statement will explain any determination by the Board that a relationship is not material if the relationship does not satisfy one of the specific standards set forth above.

## **Board Meetings**

### *1. Frequency of Meetings*

The Board of Directors determines its schedule of board meetings each year. The current schedule is for nine regular meetings each year. A director is expected to regularly attend meetings of the Board and of the committees on which the director serves, and to review materials distributed in advance of meetings. A director is also expected to attend the annual meeting of stockholders.

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## 2. Selection of Agenda Items

The Chairman of the Board of Directors, in consultation with the Chief Executive Officer, establishes the agenda for each meeting. Each member of the Board may suggest additional items for the agenda.

## 3. Distribution of Materials

The minutes of the prior Board meeting, an agenda for the forthcoming meeting and Company financial information are distributed to Board members in advance of the meetings.

## 4. Access to Management and Advisers

Board members shall have unrestricted access to management of the Company. Management of the Company regularly make presentations to the Board on subjects within their areas of responsibility. The Chief Executive Officer will invite senior management of the Company to attend Board or Committee meetings or portions of the meetings when he determines such attendance to be helpful. The Board of Directors, acting through

Audatex Holdings III, B.V., E+900, 10/13/14

Business Services 16,408 20,244 22,497

BNY ConvergEx Group, LLC, 14.00%, 10/2/14

Business Services \$15,000 15,000 15,000

Brenntag Holding GmbH & Co. KG, E+900, 1/25/16

Chemicals 15,616 18,546 21,398

Collect America, Ltd., 13.50%, 8/5/12 ♦

Consumer Finance \$36,320 35,709 36,320

Delta Educational Systems, Inc., 14.00%, 5/12/13

Education 18,573 17,931 18,573

DSI Renal Inc., 14.00%, 4/7/14

Healthcare 10,198 10,198 10,198

Dura-Line Merger Sub, Inc., 13.25%, 9/22/14

Telecommunications 39,814 39,019 39,814

Eurofresh, Inc., 0% / 14.50%, 1/15/14 ♦

Agriculture 26,504 18,337 16,366

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Eurofresh, Inc., 11.50%, 1/15/13 ♦

Agriculture 50,000 50,000 49,750

European Directories (DH5) B.V., 15.735%, 7/1/16

Publishing 2,1762,641 2,969

European Directories (DH7) B.V., E+950, 7/1/15

Publishing 15,12618,503 20,638

FleetPride Corporation, 11.50%, 10/1/14 ♦

Transportation \$47,500 47,500 48,213

FPC Holdings, Inc. (FleetPride Corporation), 0% /14.00%, 6/30/15 ♦

Transportation 37,846 28,212 28,384

General Nutrition Centers, Inc., L+450, 3/15/14 ♦

Retail 15,000 14,719 14,709

Infor Lux Bond Company (Infor Global), L+800, 9/2/14

Business Services 7,539 7,539 7,628

Language Line Holdings, Inc., 0% /14.125%, 6/15/13

Business Services 27,678 21,244 23,388

Language Line Inc., 11.125%, 6/15/12

Business Services 27,081 26,818 28,909

Latham Manufacturing Corp., 14.00%, 12/30/12

Leisure Equipment 34,124 33,570 34,124

Lexicon Marketing (USA), Inc., 13.25%, 5/11/13

Direct Marketing 28,393 28,393 28,393

LVI Services, Inc., 15.25%, 11/16/12

Environmental 43,082 43,082 43,082

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

Manufacturing 60,000 58,840 60,000

See notes to financial statements.



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

March 31, 2007

(in thousands, except shares/warrants)

Portfolio Company(1)	Industry	Par Amount*	Cost	Fair Value(2)
<b>Subordinated Debt/Corporate Notes (continued)</b>				
Nielsen Finance LLC, 0% / 12.50%, 8/1/16 ♦	Market Research	\$ 61,000	\$ 34,678	42,776
OTC Investors Corporation (Oriental Trading Company), 13.50%, 1/31/15	Direct Marketing	21,380	21,380	21,380
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,723	17,723	17,723
Playpower Holdings Inc., 15.50%, 12/31/12 ♦	Leisure Equipment	62,100	62,100	62,100
Plinius Investments II B.V. (Casema), E+925, 9/13/16	Cable TV	16,879	21,880	23,006
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	14,471	14,251	14,471
QHB Holdings LLC (Quality Home Brands), 13.50%, 12/20/13	Consumer Products	38,819	37,835	38,819
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	38,286	38,286	38,286
Safety Products Holdings LLC, 11.75%, 1/1/12 ♦	Manufacturing	30,370	29,927	32,514
SCI Holdings, Inc. (Sorenson Communications), L+900, 8/18/14	Consumer Services	18,572	18,161	18,804
Serpering Investments B.V. (Casema), E+925, 9/13/16	Cable TV	15,639	19,629	21,427
Sigmakalon Holdco B.V., E+1000, 12/31/15	Chemicals	50,321	61,402	69,330
TP Financing 2, Ltd. (Travellex), GBP L+725, 4/1/15	Financial Services	£ 9,250	17,837	18,222
Varel Distribution Canada, Inc., 11.50%, 3/2/12	Oil & Gas	CAD\$ 22,299	18,845	19,329
Varel Holdings, Inc., 14.00%, 4/30/12	Oil & Gas	\$ 19,197	17,524	19,197
Varel International Ind., L.P., 11.50%, 10/31/11	Oil & Gas	47,000	46,126	47,000
WDAC Intermediate Corp., 13.75%, 6/1/15	Publishing	42,962	56,824	57,999
<b>Total Subordinated Debt/Corporate Notes</b>			<b>\$ 1,385,323</b>	<b>\$ 1,433,603</b>
<b>Shares</b>				
<b>Preferred Equity 5.3%</b>				
DSI Holding Company, Inc. (DSI Renal Inc.), 15.00%, 10/7/14	Healthcare	32,500	\$ 31,781	\$ 32,500
Exco Resources, Inc., 7.00%/9.00% (Convertible)	Oil & Gas	975	9,750	9,750
Exco Resources, Inc., 11.00%, 4/15/11	Oil & Gas	4,025	40,250	40,250

See notes to financial statements.

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

March 31, 2007

(in thousands, except shares/warrants)

<b>Portfolio Company(1)</b>	<b>Industry</b>	<b>Shares</b>	<b>Cost</b>	<b>Fair Value(2)</b>
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	\$ 10,995	\$ 12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	3,325	3,325	3,325
LVI Acquisition Corp. (LVI Services, Inc.), 14.00%	Environmental	1,875	1,875	112
<b>Total Preferred Equity</b>			<b>\$ 97,976</b>	<b>\$ 98,297</b>
<b>Common Equity/Partnership Interests 10.3%</b>				
A-D Conduit Holdings, LLC (Duraline)	Telecommunications	2,778	\$ 2,778	\$ 2,778
CA Holding, Inc. (Collect America, Ltd.)	Consumer Finance	25,000	2,500	3,306
DTPI Holdings, Inc. (American Asphalt & Grading)**	Infrastructure	200,000	2,000	
FSC Holdings Inc. (Hanley Wood LLC)**	Media	10,000	10,000	14,868
Garden Fresh Restaurant Holding, LLC**	Retail	50,000	5,000	7,654
Gray Energy Services, LLC Class H (Gray Wireline)	Oil & Gas	1,081	2,000	2,000
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)	Education	175	175	33
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems) (3,4)	Industrial		20,434	66,312
Latham International, Inc. (fka Latham Acquisition Corp.) **	Leisure Equipment	33,091	3,309	4,479
LM Acquisition Ltd. (Lexicon Marketing Inc.)	Direct Marketing	10,000	10,000	17,874
LVI Acquisition Corp. (LVI Services, Inc.)**	Environmental	6,250	625	
MEG Energy Corp. (5) **	Oil & Gas	1,718,388	44,718	49,899
Prism Business Media Holdings, LLC	Media	68	15,050	15,050
Pro Mach Co-Investment, LLC**	Machinery	150,000	1,500	2,751
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	2,764
<b>Total Common Equity and Partnership Interests</b>			<b>\$ 120,134</b>	<b>\$ 189,768</b>
	<b>Warrants</b>			
<b>Warrants 0.6%</b>				
DSI Holdings Company, Inc. (DSI Renal Inc.), Common	Healthcare	5,011,327		\$ 2,235
Fidji Luxco (BC) S.C.A., Common (FCI)	Electronics	48,769	\$ 491	4,193
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common	Education	98	98	18
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred	Education	459	459	513
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred	Education	1,043	1,043	1,163
Varel Holdings, Inc.	Oil & Gas	40,060	1,423	3,294
<b>Total Warrants</b>			<b>\$ 3,514</b>	<b>\$ 11,416</b>

See notes to financial statements.



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

March 31, 2007

(in thousands, except shares/warrants)

Portfolio Company(1)	Industry	Par Amount*	Cost	Fair Value(2)
<b>Bank Debt/Senior Secured Loans (6) 33.3%</b>				
<b>1st Lien Bank Debt/Senior Secured Loans 2.2 %</b>				
Gray Wireline Service, Inc., 2/28/13	Oil & Gas	\$ 40,000	\$ 39,631	\$ 40,000
<b>2nd Lien Bank Debt/Senior Secured Loans 31.1%</b>				
American Asphalt & Grading Co., 7/10/09	Infrastructure	27,499	27,499	16,499
BNY Convergenx Group, LLC, 4/2/14	Business Services	50,000	49,761	50,625
C.H.I. Overhead Doors, Inc., 10/22/11	Building Products	15,000	15,029	15,075
Clean Earth, Inc., 10/14/11	Environmental	25,000	24,974	25,297
Cygnus Business Media, Inc., 1/13/10	Media	10,000	9,945	9,950
Diam International, 7/1/12***	Consumer Products	20,231	20,203	1,011
Diam International, Jr. Revolving Credit, 6/30/11***	Consumer Products	1,308	1,308	360
Dr. Leonard s Healthcare Corp., 7/31/12	Direct Marketing	22,000	22,000	21,890
DX III Holdings Corp. (Deluxe Entertainment Services Group Inc.), 7/28/11	Broadcasting & Entertainment	55,000	54,134	58,025
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,787	26,000
Generac Acquisition Corp., 5/10/14	Durable Consumer Products	10,000	10,123	10,000
Gray Wireline Service, Inc., 2/28/13	Oil & Gas	70,000	69,354	70,000
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	10,000	10,000	10,212
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	8,432
N.E.W. Customer Service Companies, 2/8/14	Consumer Services	70,000	70,000	71,138
Oceania Cruises, Inc., 11/13/13	Hotels, Motels, Inns & Gaming	20,000	20,000	20,262
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,000	39,442	40,000
Sheridan Healthcare, Inc., 11/9/12	Healthcare	30,000	30,000	30,319
Sorenson Communications, Inc., 2/18/14	Consumer Services	75,000	75,000	75,633
Summit Business Media Intermediate Holding Company, Inc., 11/4/13	Media	15,000	15,000	15,169
<b>Total 2nd Lien Bank Debt/Senior Secured Loans</b>			<b>\$ 597,822</b>	<b>\$ 575,897</b>
<b>Total Bank Debt/Senior Secured Loans</b>			<b>\$ 637,453</b>	<b>\$ 615,897</b>
<b>Total Investments</b>			<b>\$ 2,244,400</b>	<b>\$ 2,348,981</b>

See notes to financial statements.



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

<b>Portfolio Company(1)</b>	<b>Industry</b>	<b>Par Amount*</b>	<b>Cost</b>	<b>Fair Value(2)</b>
<b>Cash Equivalents 58.9%</b>				
U.S. Treasury Bill, 5.05%, 5/3/07	Government	\$ 400,000	\$ 398,287	\$ 398,287
U.S. Treasury Bill, 4.905%, 6/28/07	Government	475,000	469,375	469,375
U.S. Treasury Bill, 4.905%, 7/5/07	Government	225,000	222,130	222,130
<b>Total Cash Equivalents</b>			<b>\$ 1,089,792</b>	<b>\$ 1,089,792</b>
<b>Total Investments &amp; Cash Equivalents 185.9% (7)</b>			<b>\$ 3,334,192</b>	<b>\$ 3,438,773</b>
<b>Liabilities in excess of other assets (85.9%)</b>				<b>(1,589,025)</b>
<b>Net Assets 100.0%</b>				<b>\$ 1,849,748</b>

- (1) None of our portfolio companies is controlled or affiliated as defined by the Investment Company Act of 1940.
- (2) Fair value is determined by or under the direction of the Board of Directors of the Company (see Note 2).
- (3) Denominated in Euro ( ).
- (4) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
- (5) Denominated in Canadian dollars.
- (6) Represent floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds), or the prime rate. At March 31, 2007, the range of interest rates on floating rate bank debt was 8.61% 14.10%.
- (7) Aggregate gross unrealized appreciation for federal income tax purposes is \$130,991; aggregate gross unrealized depreciation for federal income tax purposes is \$38,383. Net unrealized appreciation is \$92,608 based on a tax cost of \$3,346,165.
- ◆ These securities are exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions that are exempt from registration, normally to qualified institutional buyers.
- \* Denominated in USD unless otherwise noted.
- \*\* Non-income producing security
- \*\*\* Non-accrual status

See notes to financial statements.

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

<b>Industry Classification</b>	<b>Percentage at March 31, 2007</b>
Oil & Gas	12.8%
Business Services	8.0%
Consumer Services	7.2%
Publishing	7.0%
Direct Marketing	6.3%
Manufacturing	5.1%
Consumer Products	5.0%
Leisure Equipment	4.3%
Building Products	4.0%
Chemicals	3.9%
Transportation	3.3%
Healthcare	3.2%
Environmental	2.9%
Industrial	2.8%
Agriculture	2.8%
Broadcasting & Entertainment	2.5%
Media	2.3%
Retail	2.1%
Cable TV	1.9%
Market Research	1.8%
Telecommunications	1.8%
Consumer Finance	1.7%
Education	1.5%
Grocery	1.3%
Hotels, Motels, Inns and Gaming	0.9%
Financial Services	0.8%
Beverage, Food, & Tobacco	0.8%
Machinery	0.7%
Infrastructure	0.7%
Durable Consumer Products	0.4%
Electronics	0.2%
Total Investments	100.0%

See notes to financial statements.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

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

**Note 1. Organization**

Apollo Investment Corporation ( Apollo Investment , the Company , or We ), a Maryland corporation organized on February 2, 2004, is a closed-end, non-diversified management investment company that has filed an election to be treated as a business development company ( BDC ) under the Investment Company Act of 1940. In addition, for tax purposes we have elected to be treated as a regulated investment company, or RIC, under the Internal Revenue Code of 1986, as amended. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, and, to a lesser extent, by making direct equity investments in such companies.

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

**Note 2. Significant Accounting Policies**

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

Our financial statements are prepared in accordance with GAAP and pursuant to the requirements for reporting on Form 10-K and Regulation S-X, as appropriate. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements have been included.

The significant accounting policies consistently followed by Apollo Investment are:

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

(b) Investments for which market quotations are readily available are valued at such market quotations unless they are deemed not to represent fair value; debt and equity securities that are not publicly traded or whose market prices are not readily available or whose market quotations are deemed not to represent fair value are valued at fair value as determined in good faith by or under the direction of our Board of Directors. Subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days are valued by an independent pricing service, at the mean between the bid and ask prices from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer) or by an independent third party valuation firm. With respect to certain private equity securities, each investment is valued by independent third party valuation firms using methods that may, among other measures and as applicable, include comparisons of financial ratios of the portfolio companies that issued such private equity securities to peer companies that are public. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, we consider the pricing indicated by the external event to corroborate our private equity valuation. Because we expect that there is no readily available market value for many of the investments in our portfolio, we expect to value such investments at fair value as determined in good faith by or under the direction of our Board of Directors pursuant to a valuation policy and a consistently applied valuation process utilizing the input of the investment adviser, independent valuation firms and the audit committee. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of our investments may differ

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

significantly from the values that would have been used had a readily available market value existed for such investments, and the differences could be material.

With respect to investments for which market quotations are not readily available or when such market quotations are not deemed 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 responsible for the portfolio investment;

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

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

(4) the audit committee of our board of directors reviews the preliminary valuation of our investment adviser and that of the independent valuation firms and responds and supplements 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 firms and the audit committee.

The types of factors that we may take into account in fair value pricing our investments include, as relevant, the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, comparison to publicly traded securities and other relevant factors.

Determination of fair values involves subjective judgments and estimates. Accordingly, these notes to our financial statements express the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements.

(c) Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates value.

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

(e) Interest income, adjusted for amortization of premium and accretion of discount, is recorded on an accrual basis. Origination and/or commitment fees associated with debt investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans. Upon the prepayment of a loan or debt security, any prepayment penalties and unamortized loan origination and/or commitment fees are recorded as interest income. Structuring fees are recorded as other income when earned.

(f) Apollo Investment intends to comply with the applicable provisions of the Internal Revenue Code of 1986, as amended, pertaining to regulated investment companies to make distributions of taxable income sufficient to relieve it from substantially all Federal income taxes. Apollo Investment, at its discretion, may carry forward taxable income in excess of calendar year distributions and pay a 4% excise tax on this income. Apollo Investment will accrue excise tax on estimated excess taxable income as required.

(g) Book and tax basis differences relating to stockholder dividends and distributions and other permanent book and tax differences are reclassified among the Company's capital accounts. In addition, the character of income and gains to be distributed is determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America; accordingly, at March 31, 2008, \$31,837 was reclassified on our balance sheet between accumulated net realized gain and



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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

undistributed net investment income and \$1,867 was reclassified on our balance sheet between undistributed net investment income and paid-in capital in excess of par. Total earnings and net asset value is not affected;

(h) Dividends and distributions to common stockholders are recorded as of record date. The amount to be paid out as a dividend is determined by the Board of Directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are distributed or deemed distributed at least annually.

(i) The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. The Company's investments in foreign securities may involve certain risks such as foreign exchange restrictions, expropriation, taxation or other political, social or economic risks, all of which could affect the market and/or credit risk of the investment. In addition, changes in the relationship of foreign currencies to the U.S. dollar can significantly affect the value of these investments and therefore the earnings of the Company.

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

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

(l) The Company records registration expenses related to Shelf filings as prepaid assets. These expenses are charged as a reduction of capital upon utilization, in accordance with Section 8.24 of the AICPA Audit and Accounting Guide for Investment Companies.

(m) Loans are placed on non-accrual status when principal or interest payments are past due 30 days or more and/or when there is reasonable doubt that principal or interest will be collected. Accrued interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment. Non-accrual loans are restored to accrual status when past due principal and interest is paid and in management's judgment, are likely to remain current.

(n) In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 is effective for financial statements issued for fiscal years beginning after December 15, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation requires recognition of the impact of a tax position if that position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In addition, FIN 48 provides measurement guidance whereby a tax position that meets the more-likely-than-not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. We have adopted FIN 48 and believe that it does not have a material impact on the Company's financial condition or results of operations. If the tax law

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

requires interest and/or penalties to be paid on an underpayment of income taxes, interest and penalties will be classified as income taxes on our financial statements, if applicable.

(o) In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ( SFAS ) 157, Fair Value Measurements, which assists in clarifying the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 generally requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We continue to analyze the effect of adoption of this statement on our financial position, including our net asset value and results of operations, but currently believe that it will not have a significant impact on our financial position, including our net asset value and results of operations. We will adopt this statement on a prospective basis beginning in the quarter ending June 30, 2008. The actual impact on our financial statements in the period of adoption and subsequent to the period of adoption cannot be determined at this time as it will be influenced by the estimates of fair value for that period and the number and amount of investments we originate, acquire or exit.

(p) In February 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB No. 115. This statement permits an entity to choose to measure many financial instruments and certain other items at fair value. This statement applies to all reporting entities, and contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company does not intend to elect fair value measurement for assets or liabilities other than portfolio investments, which are already measured at fair value, therefore, the Company does not believe the adoption of this statement will have a significant effect on the Company's financial position or its results of operations.

**Note 3. Agreements**

Apollo Investment has an Investment Advisory and Management Agreement with the Investment Adviser, Apollo Investment Management, L.P., under which the Investment Adviser, subject to the overall supervision of Apollo Investment's Board of Directors, will manage the day-to-day operations of, and provide investment advisory services to, Apollo Investment. For providing these services, the Investment Adviser receives a fee from Apollo Investment, consisting of two components—a base management fee and an incentive fee. The base management fee is determined by taking the average value of Apollo Investment's gross assets at the end of the two most recently completed calendar quarters calculated at an annual rate of 2.00%. The incentive fee has two parts, as follows: one part is calculated and payable quarterly in arrears based on Apollo Investment's pre-incentive fee net investment income for the immediately preceding calendar quarter. For this purpose, pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees (other than fees for providing managerial assistance), such as commitment, origination, structuring, diligence and consulting fees or other fees that we receive from portfolio companies) accrued during the calendar quarter, minus Apollo Investment's operating expenses for the quarter (including the base management fee, any expenses payable under the Administration Agreement, and any interest expense and dividends paid on any issued and outstanding preferred stock, but excluding the incentive fee). Pre-incentive fee net investment income does not include any realized capital gains computed net of all realized capital losses and unrealized capital depreciation. Pre-incentive fee net investment income, expressed as a rate of return on the value of Apollo Investment's net assets at the end of the immediately preceding calendar quarter, is compared to

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

the hurdle rate of 1.75% per quarter (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee. Apollo Investment pays the Investment Adviser an incentive fee with respect to Apollo Investment's pre-incentive fee net investment income in each calendar quarter as follows: (1) no incentive fee in any calendar quarter in which Apollo Investment's pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of Apollo Investment's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of Apollo Investment's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. The second part of the incentive fee is determined and payable in arrears as of the end of each calendar year (or upon termination of the Investment Advisory and Management Agreement, as-of the termination date), commencing on December 31, 2004, and will equal 20% of Apollo Investment's cumulative realized capital gains less cumulative realized capital losses, unrealized capital depreciation (unrealized depreciation on a gross investment-by-investment basis at the end of each calendar year) and all capital gains upon which prior performance-based capital gains incentive fee payments were previously made to the advisor.

For the fiscal years ended March 31, 2008, 2007 and 2006, the Investment Adviser received \$59,871, \$40,569 and \$23,408, respectively, in base investment advisory and management fees and \$46,411, \$36,646 and \$22,285, respectively, in performance-based net investment income incentive fees from Apollo Investment. At March 31, 2008, 2007, and 2006 the Company accrued \$0, \$21,266, and \$0, respectively, in net realized capital gains based incentive fees. The amount actually payable by the Company is determined as-of the end of each calendar year. For the periods ended December 31, 2007, 2006 and 2005, the Company has paid \$5,304, \$0, and \$0 in net realized capital gain based incentive fees to the Investment Adviser.

Apollo Investment has also entered into an Administration Agreement with Apollo Investment Administration, LLC (the Administrator) under which the Administrator provides administrative services for Apollo Investment. For providing these services, facilities and personnel, Apollo Investment reimburses the Administrator for Apollo Investment's allocable portion of overhead and other expenses incurred by Apollo Administration in performing its obligations under the Administration Agreement, including rent and Apollo Investment's allocable portion of its chief financial officer and chief compliance officer and their respective staffs. The Administrator will also provide, on Apollo Investment's behalf, managerial assistance to those portfolio companies to which Apollo Investment is required to provide such assistance.

At the fiscal years ended March 31, 2008, 2007 and 2006, the Administrator was reimbursed \$3,162, \$2,237 and \$1,017, respectively, from Apollo Investment on the \$3,450, \$2,437 and \$1,470, respectively, of expenses accrued under the Administration Agreement.

On April 14, 2005, Apollo Investment entered into an \$800,000 Senior Secured Revolving Credit Agreement (the Facility), among Apollo Investment, the lenders party thereto and JPMorgan Chase Bank, N.A. (JPMorgan), as administrative agent for the lenders. Effective December 29, 2005, lenders provided additional commitments in the amount of \$100,000, increasing the total facility size to \$900,000 on the same terms and conditions as the existing commitments. On March 31, 2006, Apollo Investment Corporation amended and restated its \$900,000 senior secured, multi-currency, revolving credit facility due April 14, 2010. The amended Facility increased total commitments outstanding to \$1,250,000 and extended the maturity date to April 13, 2011. The amended Facility also permits Apollo to seek additional commitments from new and existing lenders in the future, up to an aggregate amount not to exceed \$2,000,000. In February 2007, Apollo Investment increased total commitments to \$1,700,000 under the Facility with the same terms. Pricing remains at 100 basis points over LIBOR. The



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

Facility is used to supplement Apollo's equity capital to make additional portfolio investments and for general corporate purposes. From time to time, certain of the lenders provide customary commercial and investment banking services to affiliates of Apollo Investment. JPMorgan also serves as custodian and fund accounting agent for Apollo Investment.

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

At March 31, 2008, the Company's total net assets and net asset value per share were \$1,897,908 and \$15.83, respectively. This compares to total net assets and net asset value per share at March 31, 2007 of \$1,849,748 and \$17.87, respectively.

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

The following information sets forth the computation of basic and diluted per share net increase (decrease) in net assets resulting from operations for the years ended March 31, 2008, 2007 and 2006, respectively:

	Year Ended March 31,		
	2008	2007	2006
Numerator for increase (decrease) in net assets per share:	\$ (33,438)	\$ 312,166	\$ 120,387
Denominator for basic and diluted weighted average shares:	112,049,771	85,791,821	63,467,534
Basic and diluted net increase (decrease) in net assets per share resulting from operations:	\$ (0.30)	\$ 3.64	\$ 1.90

**Note 6. Investments**

Investments and cash equivalents consisted of the following as of March 31, 2008 and March 31, 2007.

	March 31, 2008		March 31, 2007	
	Cost	Fair Value	Cost	Fair Value
Subordinated Debt/Corporate Notes	\$ 2,010,721	\$ 1,852,695	\$ 1,385,323	\$ 1,433,603
Preferred Equity	176,088	180,341	97,976	98,297
Common Equity/Partnership Interests	356,289	467,034	120,134	189,768
Warrants	2,092	11,533	3,514	11,416
Bank Debt/Senior Secured Loans	841,257	721,945	637,453	615,897
Cash Equivalents	404,063	403,898	1,089,792	1,089,792
<b>Totals</b>	<b>\$ 3,790,510</b>	<b>\$ 3,637,446</b>	<b>\$ 3,334,192</b>	<b>\$ 3,438,773</b>

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

(in thousands except share and per share amounts)

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

At March 31, 2008, the Company had outstanding non-US borrowings on its \$1,700,000 multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
British Pound	£ 35,700	\$ 72,891	\$ 70,954	4/07/2008	\$ 1,937
British Pound	£ 2,000	3,928	3,975	4/16/2008	(47)
Euro	1,000	1,463	1,584	4/18/2008	(121)
Euro	112,000	150,802	177,469	4/28/2008	(26,667)
Canadian Dollar	C\$ 17,000	16,096	16,568	5/13/2008	(472)
British Pound	£ 2,500	4,957	4,969	5/13/2008	(12)
Canadian Dollar	C\$ 29,700	25,161	28,946	5/20/2008	(3,785)
Euro	42,500	56,599	67,343	5/21/2008	(10,744)
Euro	2,000	2,961	3,169	5/28/2008	(208)
Canadian Dollar	C\$ 22,500	19,189	21,929	6/05/2008	(2,740)
Euro	3,000	4,037	4,754	6/10/2008	(717)
Euro	3,500	5,025	5,546	6/18/2008	(521)
British Pound	£ 6,750	13,266	13,416	6/30/2008	(150)

\$ 376,375      \$ 420,622      \$ (44,247)

At March 31, 2007, the Company had outstanding non-US borrowings on its \$1,700,000 multicurrency revolving credit facility denominated in euros, pounds sterling, and Canadian dollars. Unrealized appreciation or depreciation on these outstanding borrowings is indicated in the table below:

Foreign Currency	Local Currency	Original Borrowing Cost	Current Value	Reset Date	Unrealized Appreciation (Depreciation)
Euro	1,000	\$ 1,330	\$ 1,331	4/23/2007	\$ (1)
Canadian Dollar	C\$ 29,700	25,161	25,744	5/16/2007	(583)
Euro	58,050	74,664	77,273	5/21/2007	(2,609)
Euro	42,500	56,599	56,574	5/21/2007	25
Euro	45,525	55,071	60,601	5/22/2007	(5,530)
Euro	25,061	30,246	33,360	5/29/2007	(3,114)
Canadian Dollar	C\$ 23,000	19,684	19,937	5/29/2007	(253)
Canadian Dollar	C\$ 22,500	19,189	19,503	6/20/2007	(314)
British Pound	£ 6,750	13,265	13,239	6/23/2007	26

\$ 295,209      \$ 307,562      \$ (12,353)

**Note 8. Expense Offset Arrangement**

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The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. ( custodian bank ) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the years ended March 31, 2008, 2007, and 2006 are \$273, \$128, and \$50, respectively.

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

**Note 9. Cash Equivalents**

Pending investment in longer-term portfolio holdings, Apollo Investment makes temporary investments in U.S. Treasury bills (of varying maturities) and repurchase agreements as outlined in our prospectus. These temporary investments are deemed cash equivalents by us and are included in our Schedule of Investments. At the end of each fiscal quarter, Apollo Investment typically takes proactive steps with the objective of enhancing flexibility in the next quarter. From time to time, Apollo Investment purchases U.S. Treasury bills and closes out its position on a net cash basis subsequent to quarter end. Apollo Investment may also utilize repurchase agreements or other balance sheet transactions as it deems appropriate for this purpose. The amounts of these transactions are excluded from total assets for purposes of computing the asset base upon which the management fee is determined and do not increase the amount of funds available to make investments. U.S. Treasury bills with maturities of greater than 60 days from the time of purchase are marked-to-market as per our valuation policy.

**Note 10. Repurchase Agreements**

The Company enters into repurchase agreements as part of its investment program. The Company's custodian takes possession of collateral pledged by the counterparty. The collateral is marked-to-market daily to ensure that the value, plus accrued interest, is at least equal to the repurchase price. In the event of default of the obligor to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings. There were no repurchase agreements outstanding at March 31, 2008 or March 31, 2007.

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

(in thousands except share and per share amounts)

**Note 11. Financial Highlights**

The following is a schedule of financial highlights for the years ended March 31, 2008, 2007, 2006 and the period April 8, 2004 (commencement of operations) through March 31, 2005:

	Fiscal Year Ended March 31,			April 8, 2004*
	2008	2007	2006	through March 31, 2005
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$ 17.87	\$ 15.15	\$ 14.27	\$ 14.06
Net investment income	1.82	1.49	1.41	0.41
Net realized and unrealized gain (loss)	(1.90)	2.11	0.49	0.31
Net increase (decrease) in net assets resulting from operations	(0.08)	3.60	1.90	0.72
Dividends to stockholders(1)	(2.06)	(1.96)	(1.62)	(0.48)
Effect of anti-dilution	0.10	1.09	0.61	
Offering costs		(0.01)	(0.01)	(0.03)
Net asset value at end of period	\$ 15.83	\$ 17.87	\$ 15.15	\$ 14.27
Per share market value at end of period	\$ 15.83	\$ 21.40	\$ 17.81	\$ 16.78
Total return(2)	(17.50%)	31.70%	12.94%	15.32%
Shares outstanding at end of period	119,893,835	103,507,766	81,191,954	62,554,976
<b>Ratio/Supplemental Data:</b>				
Net assets at end of period (in millions)	\$ 1,897.9	\$ 1,849.7	\$ 1,229.9	\$ 892.9
Ratio of net investment income to average net assets	9.85%	9.09%	9.89%	2.96%(3)
Ratio of operating expenses to average net assets**	4.92%	7.73%	5.64%	2.60%(3)
Ratio of credit facility related expenses to average net assets	2.73%	2.49%	1.44%	
Ratio of total expenses to average net assets**	7.65%	10.22%	7.08%	2.60%(3)
Average debt outstanding	\$ 882,775	\$ 580,209	\$ 325,639***	\$ 0

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Average debt per share	\$	7.88	\$	6.76	\$	5.10***	\$	0
Portfolio turnover ratio		24.2%		43.8%		39.2%		14.7%

- (1) Dividends and distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted in the United States of America.
  - (2) Total return is based on the change in market price per share during the respective periods. Total return also takes into account dividends and distributions, if any, reinvested in accordance with the Company's dividend reinvestment plan. Total return is not annualized.
  - (3) Annualized for the period April 8, 2004 through March 31, 2005.
- \* Commencement of operations
- \*\* The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is 4.91% and 7.64%, respectively, at March 31, 2008, inclusive of the expense offset arrangement (see

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

Note 8). At March 31, 2007, the ratios were 7.72% and 10.21%, respectively. At March 31, 2006, the ratios were 5.63% and 7.07%, respectively. At March 31, 2005, there was no expense offset arrangement.

\*\*\* Average debt outstanding and per share is calculated from July 8, 2005 (the date of the Company's first borrowing from its revolving credit facility) through March 31, 2006, and average debt per share is calculated as average debt outstanding divided by the average shares outstanding during the period (in 000's).

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

<b>Class and Year</b>	<b>Total Amount Outstanding(1)</b>	<b>Asset Coverage Per Unit(2)</b>	<b>Involuntary Liquidating Preference Per Unit(3)</b>	<b>Average Market Value Per Unit(4)</b>
<b>Revolving Credit Facility</b>				
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 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.

**Note 12. Credit Agreement and Borrowings**

Under the terms of the amended and restated Credit Agreement dated March 31, 2006 (the Facility), the lenders agreed to extend credit to Apollo Investment in an aggregate principal or face amount not exceeding \$1,250,000 at any one time outstanding. The amended Facility also permits Apollo Investment to seek additional commitments from new and existing lenders in the future, up to an aggregate amount not to exceed \$2,000,000. In February 2007, we increased total commitments to \$1,700,000. The Facility is a five-year revolving facility (with a stated maturity date of April 14, 2011) and is secured by substantially all of the assets in Apollo Investment's portfolio, including cash and cash equivalents. Pricing is set at 100 basis points over LIBOR. The Facility contains affirmative and restrictive covenants, including: (a) periodic financial reporting requirements, (b) maintaining minimum stockholders' equity of the greater of (i) 40% of the total assets of Apollo Investment and its subsidiaries as at the last day of any fiscal quarter and (ii) the sum of (A) \$400,000 plus (B) 25% of the net proceeds from the sale of equity interests in Apollo Investment after the closing date of the Facility, (c) maintaining a ratio of total assets, less total liabilities (other than indebtedness) to total indebtedness, in each case of Apollo Investment and its subsidiaries, of not less than 2.0:1.0, (d) maintaining minimum liquidity, (e) limitations on the incurrence of additional indebtedness, (f) limitations on liens, (g) limitations on investments (other than in the ordinary course of Apollo Investment's business), (h) limitations on mergers and disposition of assets (other than in the normal course of Apollo Investment's business activities) and (i) limitations on the creation or existence of agreements that permit liens on properties of Apollo Investment's subsidiaries. In





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

addition to the asset coverage ratio described in clause (c) of the preceding sentence, borrowings under the Facility (and the incurrence of certain other permitted debt) are subject to compliance with a borrowing base that applies different advance rates to different types of assets in Apollo Investment's portfolio. The Facility currently provides for the ability of Apollo Investment to seek additional commitments from lenders in an aggregate amount of up to \$300,000. The Facility is used to supplement Apollo Investment's equity capital to make additional portfolio investments and for other general corporate purposes.

The average debt outstanding on the credit facility was \$882,775 and \$580,209 for the fiscal years ended March 31, 2008 and 2007, respectively. The weighted average annual interest cost for the fiscal year ended March 31, 2008 was 5.96%, exclusive of 0.36% for commitment fees and for other prepaid expenses related to establishing the credit facility. The weighted average annual interest cost for the fiscal year ended March 31, 2007 was 5.48%, exclusive of 0.44% for commitment fees and for other prepaid expenses related to establishing the Facility. This weighted average annual interest cost reflects the average interest cost for all borrowings, including EURIBOR, CAD LIBOR, GBP LIBOR and USD LIBOR. The maximum amount borrowed during the fiscal year ended March 31, 2008 and 2007 was \$1,655,805 and \$927,758, respectively, at value. The remaining capacity under the facility was \$60,878 at March 31, 2008. At March 31, 2008, the Company was in compliance with all financial and operational covenants required by the Facility.

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

The tax character of dividends paid during the fiscal year ended March 31, 2008 was as follows:

Ordinary income	\$ 130,394
Long-term capital gains	100,495

<b>Total Dividends Paid</b>	<b>\$ 230,889</b>
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As of March 31, 2008, the components of accumulated losses on a tax basis were as follows:

Distributable ordinary income	\$ 137,112
Other book/tax temporary differences	(18,210)
Unrealized depreciation	(204,909) <sup>1</sup>

Total accumulated losses	\$ (86,007)
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As of March 31, 2008, we had a post-October currency loss deferral of \$18,159.

<sup>1</sup> The difference between book-basis and tax-basis unrealized depreciation is primarily attributable to the receipt of upfront fees, which are being amortized for US GAAP.

The tax character of dividends paid during the fiscal year ended March 31, 2007 was as follows:

Ordinary income	\$ 136,637
Long-term capital gains	31,812

Total Dividends Paid	\$ 168,449
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**Table of Contents****APOLLO INVESTMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS (continued)****(in thousands except share and per share amounts)**

As of March 31, 2007, the components of accumulated earnings on a tax basis were as follows:

Distributable long-term capital gains	\$ 100,495
Other book/tax temporary differences	(4,357)
Unrealized appreciation	80,315 <sup>2</sup>

Total accumulated gains	\$ 176,453
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As of March 31, 2007, we had a post-October currency loss deferral of \$4,256.

- 2 The difference between book-basis and tax-basis unrealized appreciation is primarily attributable to the receipt of upfront fees, which are being amortized for US GAAP.

**Note 13(b). Other Tax Information (unaudited)**

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2008 eligible for qualified dividend income treatment is 5.41%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2008 eligible for the 70% dividends received deduction for corporate stockholders is 5.41%.

The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2007 eligible for qualified dividend income treatment is 14.6%. The percentage of ordinary income distributions paid during the fiscal year ended March 31, 2007 eligible for the 70% dividends received deduction for corporate stockholders is 14.6%.

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

Quarter Ended	Investment Income		Net Investment Income		Net Realized And Unrealized Gain (Loss) on Assets		Net Increase (Decrease) In Net Assets From Operations	
	Total	Per Share	Total	Per Share	Total	Per Share	Total	Per Share
	March 31, 2008	90,009	0.75	43,725	0.37	(206,102)	(1.73)	(162,377)
December 31, 2007	92,854	0.78	41,500	0.35	(67,107)	(0.56)	(25,607)	(0.21)
September 30, 2007	86,069	0.81	61,623	0.58	(84,799)	(0.80)	(23,176)	(0.22)
June 30, 2007	88,946	0.86	54,758	0.53	122,964	1.19	177,722	1.72
March 31, 2007	75,255	0.76	21,728	0.22	81,039	0.82	102,767	1.04
December 31, 2006	71,071	0.87	38,034	0.46	18,943	0.23	56,977	0.69
September 30, 2006	63,914	0.78	33,812	0.41	47,454	0.58	81,266	1.00
June 30, 2006	55,861	0.69	31,744	0.39	39,412	0.49	71,156	0.88
March 31, 2006	42,453	0.65	22,652	0.35	19,619	0.30	42,271	0.65
December 31, 2005	37,567	0.60	20,554	0.33	12,992	0.20	33,546	0.53
September 30, 2005	35,013	0.56	20,693	0.33	10,316	0.16	31,009	0.49

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June 30, 2005	37,793	0.60	25,244	0.41	(11,684)	(0.19)	13,560	0.22
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**Note 15. Commitments and Contingencies**

On February 28, 2007, the Company entered into Senior Secured Term Loan agreements with Gray Wireline Service Inc., resulting in investments of \$40,000 in a First Out Term Loan and \$70,000 in a Second Out Term

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**APOLLO INVESTMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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

Loan. In connection with the transaction, the Company also committed to \$27,500 of additional delay draw commitments under the term loans subject to various contingencies and draw down tests. This commitment remained outstanding at March 31, 2008.

The Company has the ability to issue standby letters of credit through its revolving credit facility. As of March 31, 2008 and March 31, 2007, the Company had issued through JPMorgan Chase Bank, N.A. standby letters of credit totaling \$14,435 and \$0, respectively.

**Note 16. Subsequent Event**

On May 16, 2008, the Company closed a follow-on equity offering and issued 22.3 million shares of common stock, receiving approximately \$369,589 in net proceeds after deducting underwriting discounts and commissions. The Company expects to use the net proceeds from the offering to repay indebtedness owed under its senior credit facility, to make investments in portfolio companies in accordance with its investment objective and for general corporate purposes.

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

None

**Item 9A. Controls and Procedures**

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

As of March 31, 2008 (the end of the period covered by this report), we, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the 1934 Act). Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective and provided reasonable assurance that information required to be disclosed in our periodic SEC filings is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, in evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of such possible controls and procedures.

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

Management's Report on Internal Control Over Financial Reporting, which appears on page 37 of this Form 10-K, is incorporated by reference herein.

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

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

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

Management has not identified any change in the Company's internal control over financial reporting that occurred during the fourth fiscal quarter of 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None

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

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

**BOARD OF DIRECTORS**

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

**Directors**

Information regarding the board of directors is as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Director Since</b>	<b>Expiration of Term</b>
<b>Interested Directors</b>				
John J. Hannan	55	Chairman of the Board and Chief Executive Officer	2004	2009
<b>Independent Directors</b>				
Claudine B. Malone	72	Director	2007	2008
Frank C. Puleo	62	Director	2008	2008
Carl Spielvogel	79	Director	2004	2008
Elliot Stein, Jr.	59	Director	2004	2010
Gerald Tsai, Jr.	79	Director	2004	2009
Bradley J. Wechsler	56	Director	2004	2010
The address for each director is c/o Apollo Investment Corporation, 9 West 57 <sup>th</sup> Street, New York, NY 10019.				

**Executive officers who are not directors\***

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
James C. Zelter	45	President and Chief Operating Officer
Richard L. Peteka	46	Chief Financial Officer and Treasurer

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Patrick J. Dalton	39	Executive Vice President
Edward Tam	39	Executive Vice President
John J. Suydam	48	Vice President and Chief Legal Officer
Gordon E. Swartz	61	Chief Compliance Officer and Secretary

\* Effective as of April 18, 2008, Edward Tam resigned from the Company.



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

### **Biographical information**

#### ***Directors***

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

#### **Independent directors**

**Claudine B. Malone** (72) Director. Ms. Malone became director of Apollo Investment on April 17, 2007. Ms. Malone is the President and Chief Executive Officer of Financial & Management Consulting Inc. of McLean, Virginia. She also currently serves as a director of Hasbro Inc., Novell, Inc. and Aviva Life Insurance Company (USA). Previously, Ms. Malone was Chairman of the Board of the Federal Reserve Bank of Richmond from 1996 to 1999. She served as a visiting professor at the Colgate-Darden Business School of the University of Virginia from 1984 to 1987, an adjunct professor of the School of Business Administration at Georgetown University from 1982 to 1984 and an assistant and associate professor at the Harvard Graduate School of Business Administration from 1972 to 1981.

**Frank C. Puleo** (62) Director. Mr. Puleo became a director of Apollo Investment on February 4, 2008. Mr. Puleo currently serves as a Director of Commercial Industrial Finance Corp. and SLM Corp. Previously Mr. Puleo was a partner at Milbank, Tweed, Hadley & McCloy LLP where he advised clients on structured finance transactions, bank and bank holding company regulatory and securities law matters. Mr. Puleo became a partner of Milbank, Tweed, Hadley & McCloy LLP in 1978 and Co-Chair of the firm's Global Finance Group in 1995 until retiring at the end of 2006. He was a member of the firm's Executive Committee from 1982 to 1991 and from 1996 to 2002. Mr. Puleo served as a Lecturer at Columbia University School of Law from 1997 to 2001.

**Carl Spielvogel** (79) Director. Ambassador Spielvogel became a director of Apollo Investment in March 2004. Amb. Spielvogel has been Chairman and Chief Executive Officer of Carl Spielvogel Associates, Inc., an international management and counseling company, from 1997 to 2000, and from 2001 to present. In 2000-2001, Amb. Spielvogel served as U.S. Ambassador to the Slovak Republic, based in Bratislava, Slovakia. From 1994 to 1997, Amb. Spielvogel was Chairman and Chief Executive Officer of the United Auto Group, Inc., one of the first publicly-owned auto dealership groups. Earlier, Amb. Spielvogel was Chairman and Chief Executive Officer of Backer Spielvogel Bates Worldwide, a global marketing communications company from 1985 to 1994. Amb. Spielvogel currently is a director of the Interactive Data Corporation, Inc. He is also a trustee to the Metropolitan Museum of Art; a member of the board of Trustees and Chairman of the Business Council of the Asia Society; a member of the board of trustees of Lincoln Center for the Performing Arts; a member of the Council on Foreign Relations, and a member of the board of trustees of the Institute for the Study of Europe, at Columbia University, and a member of the Executive Committee of the Council of American Ambassadors.

**Elliot Stein, Jr.** (59) Director. Mr. Stein became a director of Apollo Investment in March 2004. Mr. Stein has served as chairman of Caribbean International News Corporation since 1985 and Transformation Capital Corporation since 2008. He is also a managing director of Commonwealth Capital Partners as well as various private companies including Cloud Solutions LLC and Cohere Communications. Mr. Stein is a trustee of Claremont Graduate University and the New School University. He is a member of the Council on Foreign Relations.

**Gerald Tsai, Jr.** (79) Director. Mr. Tsai became a director of Apollo Investment in March 2004. Mr. Tsai is a private investor. He also currently serves on other boards of directors including Zenith National Insurance Corp., Triarc Companies, Inc. and United Rentals, Inc., as well as director emeritus of Saks Incorporated. Previously, Mr. Tsai was chairman of the board, president and Chief Executive Officer of Delta Life Corporation from 1993

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to 1997. He also joined Primerica Corporation in 1982 and served in various positions until 1988, the latest as chairman of the board and Chief Executive Officer. Mr. Tsai currently serves as a trustee of NYU Hospitals Center and New York University School of Medicine Foundation.

**Bradley J. Wechsler** (56) Director. Mr. Wechsler became a director of Apollo Investment in April 2004. Mr. Wechsler has been the Co-Chairman and Co-Chief Executive Officer of IMAX Corporation since May, 1996. Previously Mr. Wechsler has had several executive positions in the entertainment industry and was a partner in the entertainment and media practice for a New York-based investment bank. Mr. Wechsler is a Vice-Chairman of the board of the NYU Hospital and Medical Center, a member of the Executive Committee and chairs its Finance Committee. In addition, he sits on the boards of The American Museum of the Moving Image, the Ethical Culture Fieldston Schools and Math for America.

### **Interested directors**

**John J. Hannan** (55) Chairman of the Board, Chief Executive Officer and Director of Apollo Investment. Mr. Hannan became a director of Apollo in March 2004 and was elected our Chief Executive Officer in February 2006 and Chairman of the board of directors in August 2006. Mr. Hannan has served on AIM's investment committee since February 2006. Mr. Hannan, a senior partner of Apollo, co-founded Apollo Management, L.P. in 1990 and Apollo Real Estate Advisors, L.P. (an investment manager affiliated with Apollo's real estate investment funds) in 1993.

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

**James C. Zelter** (45) President and Chief Operating Officer of Apollo Investment. Mr. Zelter joined Apollo in 2006. Prior to joining the firm, he was with Citigroup and its predecessor companies since 1994, and was responsible for the global expansion and strong financial performance of the Special Situations Investment Group, a proprietary investment group that he founded within Citigroup's Fixed Income Division. From 2003 to 2005, Mr. Zelter was Chief Investment Officer of Citigroup Alternative Investments, and prior to that he was responsible for the firm's global high yield franchise and leveraged finance business.

**Richard L. Peteka** (46) Chief Financial Officer and Treasurer of Apollo Investment. Mr. Peteka joined Apollo Investment in June 2004 as its Chief Financial Officer and Treasurer. Prior to joining the firm, he was Chief Financial Officer and Treasurer of various closed-end and open-end registered investment companies for Citigroup Asset Management. He joined Citigroup Asset Management as a Director in July 1999.

**Patrick J. Dalton** (39) Executive Vice President of Apollo Investment. Mr. Dalton joined AIM in June 2004 as a partner and as a member of AIM's investment committee. Mr. Dalton is also the Chief Investment Officer of AIM and a member of the Investment Committee of Apollo Investment Europe. Before joining Apollo, Mr. Dalton was a Vice President with Goldman, Sachs & Co.'s Principal Investment Area with a focus on mezzanine investing since 2000. From 1990 to 2000, Mr. Dalton was a Vice President with the Chase Manhattan Bank where he worked most recently in the Acquisition Finance Department.

**Edward Tam** (39) Executive Vice President of Apollo Investment from June 2004 - April 2008. Mr. Tam joined Apollo in 2004 as a partner and as a member of AIM's investment committee. Before joining Apollo, Mr. Tam joined DLJ Investment Partners, a mezzanine fund, in 1999 and was promoted to Director in 2002. Mr. Tam was in the corporate finance group at Donaldson Lufkin & Jenrette from 1991 to 1999.

**John J. Suydam** (48) Vice President and Chief Legal Officer of Apollo Investment. Mr. Suydam joined Apollo in 2006. From 2002 to 2006, Mr. Suydam was a partner at O Melveny & Myers, where he served as head of Mergers & Acquisitions and co-head of the Corporate Department. Prior to that, Mr. Suydam served as Chairman of the law firm O Sullivan, LLP, which specialized in representing private equity investors. Mr. Suydam serves on the boards of directors of the Big Apple Circus and Quality Distribution. Mr. Suydam received his JD from New York University and graduated magna cum laude with a BA in History from the State University of New York at Albany.

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**Gordon E. Swartz** (61) Chief Compliance Officer and Secretary of Apollo Investment. Mr. Swartz became the Chief Compliance Officer of Apollo Investment in October 2004 and Secretary in June 2006. Prior to joining Apollo Investment, Mr. Swartz was an Associate General Counsel of Citigroup Asset Management.

### **The Audit Committee**

The Audit Committee operates pursuant to an Audit Committee Charter approved by the Board of Directors. The charter sets forth the responsibilities of the Audit Committee, which include selecting or retaining each year an independent registered public accounting firm (the auditors) to audit the accounts and records of the Company; reviewing and discussing with management and the auditors the annual audited financial statements of the Company, including disclosures made in management's discussion and analysis, and recommending to the Board of Directors whether the audited financial statements should be included in the Company's annual report on Form 10-K; reviewing and discussing with management and the auditors the Company's quarterly financial statements prior to the filings of its quarterly reports on Form 10-Q; pre-approving the auditors' engagement to render audit and/or permissible non-audit services; and evaluating the qualifications, performance and independence of the auditors. The Audit Committee is presently composed of five persons: Messrs. Puleo, Spielvogel, Stein, Tsai, and Ms. Malone, all of whom are independent directors and are otherwise considered independent under the listing standards of NASDAQ Marketplace Rule 4200(a)(15). The Company's Board of Directors has determined that each of Mr. Tsai and Ms. Malone is an audit committee financial expert as that term is defined under Item 401 of Regulation S-K under the Securities Exchange Act of 1934 (the Exchange Act). The Audit Committee Charter is available on the Company's website ([www.apolloic.com](http://www.apolloic.com)).

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

Pursuant to Section 16(a) of the Exchange Act, the Company's directors and executive officers, and any persons holding more than 10% of its common stock, are required to report their beneficial ownership and any changes therein to the Securities and Exchange Commission and the Company. Specific due dates for those reports have been established, and the Company is required to report herein any failure to file such reports by those due dates. Based on the Company's review of Forms 3, 4 and 5 filed by such persons, the Company believes that during the fiscal year ended March 31, 2008, all Section 16(a) filing requirements applicable to such persons were met in a timely manner.

### **Code of Conduct**

We have adopted a code of conduct for all our directors and employees, including our Chief Executive Officer and Chief Financial Officer, as required under Item 406 of Regulation S-K under the Exchange Act and the listing standards of NASDAQ Marketplace Rule 4350(n). The code of conduct is available on our website located at [www.apolloic.com](http://www.apolloic.com). You may also read and copy the code of conduct at the SEC's Public Reference Room in Washington, D.C. You may obtain information on operations of the Public Reference Room by calling the SEC at (202) 942-8090. In addition, the code of conduct will be available on the EDGAR Database on the SEC Internet site at <http://www.sec.gov>. You may also obtain copies of the code of conduct, after paying a duplicating fee, by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing to the SEC's Public Reference Section, 450 5th Street, NW, Washington, D.C. 20549.

### **Item 11. Executive Compensation**

#### **COMPENSATION DISCUSSION AND ANALYSIS**

Apollo Investment Corporation does not currently have any employees and does not expect to have any employees in the future. The executive officers of the company are either employees of our investment adviser, Apollo Investment Management (adviser), or our administrator, Apollo Investment Administration (administrator). The adviser and administrator provide necessary services to the business, pursuant to the terms of our investment advisory and management agreement and our administration agreement. Our day-to-day investment operations are managed by our investment adviser. Most of the services necessary for the origination

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and administration of our investment portfolio are provided by investment professionals employed by the adviser. In addition, we reimburse the administrator for our allocable portion of expenses incurred by it in performing its obligations under the administration agreement, including our allocable portion of the cost of our chief financial officer, chief compliance officer and their respective staffs.

**Summary Compensation Table**

The following table shows information regarding the compensation expected to be received by the independent directors and executive officers for the fiscal year ended March 31, 2008. No compensation is paid to directors who are interested persons.

Name	Aggregate compensation from Apollo Investment	Pension or retirement benefits accrued as part of our expenses(1)	Total compensation from Apollo Investment paid to director/officer
<b>Independent directors</b>			
Claudine B. Malone	\$130,913	None	\$130,913
Frank C. Puleo	17,527	None	17,527
Carl Spielvogel	132,630	None	132,630
Elliot Stein, Jr.	136,500	None	136,500
Gerald Tsai, Jr.	133,000	None	133,000
Bradley J. Wechsler	117,500	None	117,500
<b>Interested directors</b>			
John J. Hannan	None	None	None
<b>Executive Officers*</b>			
Patrick J. Dalton	None	None	None
Richard L. Peteka(2)	None	None	None
John J. Suydam	None	None	None
Gordon E. Swartz(2)	None	None	None
Edward Tam	None	None	None
James C. Zelter	None	None	None

(1) We do not have a profit sharing or retirement plan, and directors do not receive any pension or retirement benefits

(2) Richard L. Peteka and Gordon E. Swartz are employees of Apollo Investment Administration.

\* Effective as of April 18, 2008, Edward Tam resigned from the Company.

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

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

As of March 31, 2008, there were no persons that owned 25% or more of our outstanding voting securities, and no person would be deemed to control us, as such term is defined in the 1940 Act.

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The following table sets forth, as of March 31, 2008, each stockholder who owned more than 5% of our outstanding shares of common stock, each director, the chief executive officer, our executive officers and our directors and executive officers as a group. Unless otherwise indicated, we believe that each beneficial owner set forth in the table has sole voting and investment power.

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

The following table sets forth, as of March 31, 2008, certain ownership information with respect to our common stock for those persons who directly or indirectly own, control or hold with the power to vote, 5% or more of our outstanding common stock and all officers and directors, as a group. Unless otherwise indicated, we believe that each beneficial owner set forth in the table has sole voting and investment power.

Name and address	Type of ownership(1)	Shares owned	Percentage of common stock outstanding
AIC Co-Investors LLC(2)	Beneficial	849,930	* %
JP Morgan Chase & Co.(3)	Beneficial	10,917,122	9.1%
All officers and directors as a group (13 persons)(4)	Beneficial	110,184	* %

\* Represents less than 1%.

- (1) All of our common stock is owned of record by Cede & Co., as nominee of the Depository Trust Company.
- (2) AIC Co-Investors LLC is a special purpose entity related to Apollo Investment Management. The address for AIC Co-Investors LLC is 9 West 57<sup>th</sup> Street, New York, NY 10019.
- (3) JPMorgan Chase & Co. retains (a) shared power to vote or to direct the vote as to 8,205,045 shares and (b) shared power to dispose or to direct the disposition of 10,917,122 shares.
- (4) The address for all officers and directors is c/o Apollo Investment Corporation, 9 West 57<sup>th</sup> Street, New York, NY 10019.

The following table sets forth the dollar range of our equity securities beneficially owned through interests in Apollo Investment Management by each of our directors as of March 31, 2008. (We are not part of a family of investment companies, as that term is defined in the 1940 Act.)

Name of Director	Dollar Range of Equity Securities in Apollo Investment(1)	
<b>Independent Directors</b>		
Claudine B. Malone	\$ 100,001	\$500,000
Frank C. Puleo	\$ 100,001	\$500,000
Carl Spielvogel	\$ 50,001	\$100,000
Elliot Stein, Jr.	\$ 100,001	\$500,000
Gerald Tsai, Jr.	\$ 100,001	\$500,000
Bradley J. Wechsler	\$ 100,001	\$500,000
<b>Interested Directors and Executive Officers</b>		
John J. Hannan	\$ 500,000	\$1,000,000(2)

- (1) Dollar ranges are as follows: None, \$1 - \$10,000, \$10,001 - \$50,000, \$50,001 - \$100,000, \$100,001 - \$500,000, \$500,001 - \$1,000,000 or over \$1,000,000.
- (2) Reflects pecuniary interests in AIC Co-Investors LLC. Mr. Hannan disclaims beneficial ownership of shares held by AIC Co-Investors LLC.



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

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

We have entered into a license agreement with Apollo, pursuant to which Apollo has agreed to grant us a non-exclusive, royalty-free license to use the name Apollo. In addition, pursuant to the terms of the administration agreement, Apollo Investment Administration provides us with the office facilities and administrative services necessary to conduct our day-to-day operations. AIM, our investment adviser, is the sole member of and controls Apollo Investment Administration.

We make all investments subject to compliance with applicable regulations and interpretations and our allocation procedures.

Further information relating to relationships and director independence is hereby incorporated by reference from our 2008 Proxy Statement under the caption Certain Relationships and Transactions.

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

The audit committee of the board of directors selected PricewaterhouseCoopers LLP as independent auditors for the Company for the fiscal year ending March 31, 2008. PricewaterhouseCoopers LLP has confirmed that they are independent accountants with respect to the Company within the meaning of the Securities Acts administered by the Securities and Exchange Commission and the requirements of the Independence Standards Board.

**Audit Fees:** Audit fees consist of fees billed for professional services rendered for the audit of our year-end financial statements and services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings. Fees incurred during the fiscal years ending March 31, 2008 and March 31, 2007 by Apollo Investment were \$360,000 and \$350,000, respectively.

**Audit-Related Fees:** Audit-related services consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. These services include attest services that are not required by statute or regulation and consultations concerning financial accounting and reporting standards. Audit-related fees incurred by Apollo Investment during the fiscal years ending March 31, 2008 and March 31, 2007 were \$37,975 and \$28,100, respectively.

**Tax Services Fees:** Tax services fees consist of fees billed for professional tax services. These services also include assistance regarding federal, state, and local tax compliance. Tax services and fees incurred by Apollo Investment during the fiscal years ending March 31, 2008 and March 31, 2007 were \$36,200 and \$23,300, respectively, which represented work related to preparation of tax returns, our RIC qualification, excise tax distribution requirements, form extensions, etc.

**All Other Fees:** Other fees would include fees for products and services other than the services reported above.

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

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

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

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

The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent auditors, matters required to be discussed by Statement of Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended by the Independence Standards Board, and has discussed with the auditors the auditors' independence.

Based on the Audit Committee's discussion with management and the independent auditors, the Audit Committee's review of the audited financial statements, the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee has recommended that the board of directors include the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2008 for filing with the Securities and Exchange Commission. The Audit Committee has also appointed PricewaterhouseCoopers LLP to serve as independent auditors for the fiscal year ended March 31, 2009.



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**PART IV**

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

(a)(1) Financial Statements.

Refer to Item 8 above.

(a)(2) Financial Statement Schedules

None.

(a)(3) Exhibits

3.1(a) Articles of Amendment(1)

3.1(b) Articles of Amendment and Restatement(2)

3.2 Amended and Restated Bylaws(3)

4.1 Form of Stock Certificate(4)

10.1(a) Investment Advisory Management Agreement between Registrant and Apollo Investment Management, L.P.(2)

10.1(b) Supplement to the Investment Advisory Management Agreement between Registrant and Apollo Investment Management, L.P.(3)

10.2 Administration Agreement between Registrant and Apollo Investment Administration, LLC(2)

10.3 Dividend Reinvestment Plan(4)

10.4 Custodian Agreement(2)

10.5 License Agreement between the Registrant and Apollo Management, L.P.(2)

10.6 Form of Transfer Agency and Service Agreement(2)

10.7 Amended and Restated Senior Secured Revolving Credit Agreement(5)

11.1 Statement regarding computation of per share earnings\*

14.1 Code of Conduct\*

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.\*

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.\*

32.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).\*

32.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U. S. C. 1350).\*

99.1 Underwriting Agreement dated May 13, 2008

\* Filed herewith.

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



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

APOLLO INVESTMENT CORPORATION

By: /s/ John J. Hannan  
John J. Hannan

Chairman of the Board and Chief Executive Officer

May 28, 2008

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

<b>SIGNATURE</b>	<b>TITLE</b>	<b>DATE</b>
/s/ John J. Hannan	Chairman of the Board,	May 28, 2008
<b>John J. Hannan</b>	Chief Executive Officer,	
	Director	
	(principal executive officer)	
/s/ Richard L. Peteka	Chief Financial Officer and Treasurer	May 28, 2008
<b>Richard L. Peteka</b>	(principal financial and accounting officer)	
/s/ James C. Zelter	President and Chief Operating Officer	May 28, 2008
<b>James C. Zelter</b>		
/s/ Patrick J. Dalton	Executive Vice President	May 28, 2008
<b>Patrick J. Dalton</b>		
/s/ Claudine B. Malone	Director	May 28, 2008
<b>Claudine B. Malone</b>		
/s/ Carl Spielvogel	Director	May 28, 2008
<b>Carl Spielvogel</b>		
/s/ Elliot Stein, Jr.	Director	May 28, 2008
<b>Elliot Stein, Jr.</b>		
/s/ Gerald Tsai, Jr.	Director	May 28, 2008
<b>Gerald Tsai, Jr.</b>		

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/s/ Bradley J. Wechsler

Director

May 28, 2008

**Bradley J. Wechsler**

/s/ Frank C. Puleo

Director

May 28, 2008

**Frank C. Puleo**