APOLLO INVESTMENT CORP
Form 497
September 11, 2007
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The information in this prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been filed with and declared effective by the Securities and Exchange Commission. This prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 11, 2007

PROSPECTUS SUPPLEMENT

To the Prospectus dated September 10, 2007

13,000,000 shares

Common stock

$ per share

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

We are offering for sale 13,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 1,950,000 additional shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments.

Our common stock is traded on the Nasdaq Global Select Market under the symbol AINV . The last reported closing price for our common stock on September 7, 2007 was $21.80 per share.

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

Investing in our securities involves a high degree of risk, including the risk of the use of leverage. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 9 of the accompanying prospectus.

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

	Per share	Total
Public Offering Price	$	$
Sales Load (Underwriting Discounts and Commissions)	$	$
Proceeds to Apollo Investment Corporation (before estimated expenses of $825,000)	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2007.

Citi **JPMorgan** **Bear, Stearns & Co. Inc.** **Wachovia Securities**

UBS Investment Bank **RBC Capital Markets** **SunTrust Robinson Humphrey** **BMO Capital Markets**

Stifel Nicolaus **Keefe, Bruyette & Woods** **BB&T Capital Markets**

Prospectus Supplement dated , 2007

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

PROSPECTUS SUPPLEMENT

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.50%[1]
Offering expenses borne by us (as a percentage of offering price)	0.29%[2]
Total stockholder transaction expenses (as a percentage of offering price)	4.79%[3]
Estimated annual expenses (as percentage of net assets attributable to common stock)[4] :	
Management fees	2.61%[5]
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income in excess of hurdle and 20% of net realized capital gains net of gross unrealized capital losses)	1.60%[6]
Other expenses	0.38%[7]
Interest and other credit facility related expenses on borrowed funds	2.75%[8]
Total annual expenses as a percentage of net assets[9]	7.34%[5,6,7,8]

Example

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

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 102	$ 210	$ 316	$ 574

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

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

(1) Represents the underwriting discounts and commissions with respect to the shares to be sold by us in this offering.

(2) Based on a public offering price of $21.80 per share, which was the last reported closing price on September 7, 2007.

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

(4) Net assets attributable to common stock equals net assets as of June 30, 2007 plus the anticipated net proceeds from this offering.

(5) The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our interim financial statements dated June 30, 2007 included in this prospectus supplement.

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

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

(8) Our interest and other credit facility expenses are based on current fiscal year estimates. We currently have $1.7 billion available under our credit facility, of which we had $791 million in borrowings outstanding as of June 30, 2007. For more information, see Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. in the accompanying prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

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(9) Total annual expenses as a percentage of net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of total assets, our Total annual expenses would be 4.67% of total assets. For a presentation and calculation of total annual expenses based on total assets, see page S-13 in this prospectus supplement.

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BUSINESS

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

Apollo Investment

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

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

Our portfolio is comprised primarily of investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans of private middle-market companies, and from time to time include equity interests such as common stock, preferred stock, warrants or options. Our targeted investment typically ranges between $20 million and $250 million, although this investment size may vary proportionately as the size of our capital base changes. In this prospectus, we use the term middle-market to refer to companies with annual revenues between $50 million and $2 billion. While our primary focus is to generate both current income and capital appreciation through investments in loans and debt securities both senior and subordinated, and private equity, we may invest a portion of the portfolio in opportunistic investments, such as foreign securities.

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

During the three months ended June 30, 2007, we invested $738.6 million across 13 new and 5 existing portfolio companies. Included in the $738.6 million is our $208 million investment in the preferred and common equity of Grand Prix Holdings, LLC (Innkeepers USA) on June 29, 2007. This compares to investing $286.8 million in 4 new and 5 existing portfolio companies for the three months ended June 30, 2006. Investments sold or prepaid during the three months ended June 30, 2007 totaled $346.9 million versus $124.1 million for the three months ended June 30, 2006.

At June 30, 2007, our net portfolio consisted of 64 portfolio companies and was invested 56% in subordinated debt, 6% in preferred equity, 16% in common equity and warrants and 22% in senior secured loans versus 48 portfolio companies invested 63% in subordinated debt, 3% in preferred equity, 9% in common equity and warrants, and 25% in senior secured loans at June 30, 2006.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.1%, 11.9% and 12.8%, respectively, at June 30, 2007 versus 13.6%, 12.7% and 13.3%, respectively, at June 30, 2006.

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Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2007, 66% or $1.6 billion of our debt portfolio is fixed rate debt and 34% or $830.7 million is floating rate debt. At June 30, 2006, 55% or $903.8 million of our interest-bearing portfolio is fixed rate debt and 45% or $725.9 million is floating rate debt.

About Apollo

Founded in 1990, Apollo is a leading global alternative asset manager with a proven track record of successful private equity, distressed debt and mezzanine investing. Apollo raises, invests and manages private equity and capital markets funds on behalf of some of the world s most prominent pension and endowment funds as well as other institutional and individual investors. As of June 30, 2007, Apollo had assets under management of approximately $27 billion in its private equity and capital markets businesses.

Apollo s investment approach is value-oriented, focusing on industries in which it has considerable knowledge, and emphasizing downside protection and the preservation of capital. Apollo has successfully applied its investment philosophy in flexible and creative ways over its 17-year history, allowing it to consistently find attractive investment opportunities, deploy capital up and down the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

About Apollo Investment Management

AIM, our investment adviser, is led by a dedicated and growing team of investment professionals and is further supported by Apollo s team of 125 professionals as of June 30, 2007. AIM has now invested more than $4.1 billion in 99 companies with more than 55 financial sponsors since commencement of operations in April 2004. In addition, AIM expects to hire additional investment professionals in the future. AIM s investment committee currently consists of John J. Hannan, the Chairman of our board of directors, our Chief Executive Officer and Chairman of AIM s Investment Committee, James C. Zelter, our President and Chief Operating Officer and a Vice President of the general partner of AIM, Patrick J. Dalton, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM, Edward Tam, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM and José Briones, a Vice President of the general partner of AIM. The composition of the Investment Committee of AIM may change from time to time. AIM draws upon Apollo s 17 year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in a multitude of different industries and over 150 companies in the United States and Western Europe.

About Apollo Investment Administration

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

Our Corporate Information

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

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RECENT DEVELOPMENTS

Throughout the first five months of 2007, the global debt markets witnessed ever-increasing amounts of liquidity which translated into highly robust debt capital markets. However, beginning in June 2007, signs of strain emerged as fears of increasing defaults in the subprime mortgage lending market caused a broader loss of investor confidence beyond the subprime mortgage lending market and into the corporate leveraged loan and high yield debt markets. Collateralized Loan Obligations (CLOs) and hedge funds, in particular, have been a driving force in the excess liquidity that existed in the debt capital markets. According to Standard & Poor s, CLOs and hedge funds represented approximately 60% of the buying power of new loan market volume. The loss of investor confidence in many of these highly leveraged investment vehicles has significantly constrained the market for new CLO issuance. Consequently, since June, there has been a significant reduction in liquidity in the corporate debt capital markets and several transactions in the high yield and leveraged loan markets have recently been cancelled, postponed, or restructured. The extra supply and meaningfully less demand has shifted the dynamics between buyers and sellers and caused several hundred billion dollars of corporate loans and bridge loan commitments to remain on the balance sheets of financial institutions and remain undistributed. We believe that, as of today, this reduction in liquidity remains technically driven and has caused increased market volatility in the secondary prices of existing leveraged loans and high yield bonds, driving many leveraged loan and bond market quotes to below the primary market offer price without regard to underlying fundamental performance of many of these issuers. The market quotes of certain securities held within our portfolio may have been adversely affected by these events and, through September 7, 2007 may have caused a reduction in our net asset value of approximately 2%-4% since June 30, 2007, without giving effect to the dividend described below. This estimated reduction in our net asset value as of September 7, 2007 is based upon a variety of estimates and judgments which are difficult to make in the current market environment and, consequently, the impact on our net asset value of the current market environment may be different than our estimate. In addition, our net asset value subsequent to September 7, 2007 will be subject to change as market conditions continue to fluctuate. In addition, although we generally expect these market events to enable us to lend money at higher rates of interest and to purchase loans at a greater discount than prior to the occurrence of these events, the events also may increase our cost of financing.

On September 5, 2007, our Board of Directors announced that it declared the second quarter 2008 dividend of $0.52 per share, payable on September 27, 2007 to shareholders of record as of September 13, 2007. The ex-dividend date is September 11, 2007.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 13,000,000 shares of our common stock that we are offering, after deducting estimated expenses of this offering payable by us, will be approximately $269.8 million (or $310.4 million, if the over-allotment is exercised in full), based upon a public offering price of $21.80 per share based on the closing price of our stock as of September 7, 2007. An increase (or decrease) in the public offering price from the assumed public offering price of $1.00 would increase (or decrease) net proceeds from this offering, after deducting underwriting discounts and commissions, by approximately $12.4 million. We may change the size of this offering based on demand and market conditions. We expect to use the net proceeds from selling shares of our common stock to repay indebtedness owed under our senior credit facility, to make investments in portfolio companies in accordance with our investment objective and for general corporate purposes.

At June 30, 2007, we had approximately $791 million outstanding under our senior credit facility. Our senior credit facility matures on April 13, 2011 and bears interest at an annual rate of LIBOR plus 100 basis points on the outstanding balance. Borrowings under our senior credit facility were used to fund investments in portfolio companies and for general corporate purposes. Amounts repaid under our senior credit facility will remain available for future borrowings.

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

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PRICE RANGE OF COMMON STOCK

Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV . The following table lists the high and low closing prices for our common stock, the closing price as a percentage of net asset value, or NAV, and quarterly dividends per share since our initial public offering in April 2004. On September 7, 2007, the last reported closing price of our common stock was $21.80 per share.

		Closing Price				
	NAV(1)	High	Low	Premium of High Sales Price to NAV(2)	Premium or Discount of Low Sales Price to NAV(2)	Declared Dividends
Fiscal Year Ending March 31, 2008						
First Fiscal Quarter	$ 19.09	$ 24.17	$ 21.03	127%	110%	$ 0.510
Second Fiscal Quarter (through September 7, 2007)	*	$ 22.90	$ 19.50	*	*	$ 0.520
Fiscal Year Ending March 31, 2007						
First Fiscal Quarter	$ 15.59	$ 19.39	$ 17.74	124%	114%	$ 0.450
Second Fiscal Quarter	$ 16.14	$ 20.81	$ 17.96	129%	111%	$ 0.470
Third Fiscal Quarter	$ 16.36	$ 23.27	$ 20.56	142%	126%	$ 0.500
Fourth Fiscal Quarter	$ 17.87	$ 24.12	$ 20.30	135%	114%	$ 0.510
Fiscal Year Ending March 31, 2006						
First Fiscal Quarter	$ 14.19	$ 18.75	$ 15.66	132%	110%	$ 0.310
Second Fiscal Quarter	$ 14.29	$ 20.40	$ 17.63	143%	123%	$ 0.430
Third Fiscal Quarter	$ 14.41	$ 19.97	$ 17.92	139%	124%	$ 0.440
Fourth Fiscal Quarter	$ 15.15	$ 19.51	$ 17.81	129%	118%	$ 0.450
Fiscal Year Ending March 31, 2005						
First Fiscal Quarter (period from April 8, 2004(3) to June 30, 2004)	$ 14.05	$ 15.25	$ 12.83	109%	91%	
Second Fiscal Quarter	$ 14.10	$ 14.57	$ 13.06	103%	93%	$ 0.045
Third Fiscal Quarter	$ 14.32	$ 15.13	$ 13.43	106%	94%	$ 0.180
Fourth Fiscal Quarter	$ 14.27	$ 17.62	$ 14.93	123%	105%	$ 0.260

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

Our common stock continues to trade in excess of our net asset value. There can be no assurance, however, that our shares will continue to trade above, below or at our net asset value.

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

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SELECTED CONDENSED FINANCIAL AND OTHER DATA

The Statement of Operations, Per Share and Balance Sheet data for the periods ended March 31, 2007 and March 31, 2006 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. Quarterly financial information is derived from unaudited financial data, but in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments) that are necessary to present fairly the results of such interim periods. Interim results at and for the three months ended June 30, 2007, are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2008. This data should be read in conjunction with our Interim Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying prospectus.

All amounts in thousands, except per share data

	For the Three Months Ended June 30, 2007	Fiscal Year Ended March 31, 2007	Fiscal Year Ended March 31, 2006
Per Share Data:			
Net asset value, beginning of period	$ 17.87	$ 15.15	$ 14.27
Net investment income	0.53	1.49	1.41
Net realized and unrealized gain	1.19	2.11	0.49
Net increase in net assets resulting from operations	1.72	3.60	1.90
Dividends to shareholders[(1)]	(0.51)	(1.96)	(1.62)
Effect of anti-dilution	0.01	1.09	0.61
Offering costs		(0.01)	(0.01)
Net asset value at end of period	$ 19.09	$ 17.87	$ 15.15
Per share market value at end of period	$ 21.52	$ 21.40	$ 17.81
Total return[(2)]	2.89%	31.70%	12.94%
Shares outstanding at end of period	103,900,254	103,507,766	81,191,954
Ratio/Supplemental Data:			
Net assets at end of period (in millions)	$ 1,983.3	$ 1,849.7	$ 1,229.9
Ratio of net investment income to average net assets	2.96%	9.09%	9.89%
Ratio of operating expenses to average net assets*	1.44%	7.73%	5.64%
Ratio of credit facility related expenses to average net assets	0.41%	2.49%	1.44%
Ratio of total expenses to average net assets*	1.85%	10.22%	7.08%
Average debt outstanding	$ 445,624	$ 580,209	$ 325,639**
Average debt per share	$ 4.30	$ 6.76	$ 5.10**
Portfolio turnover ratio	14.0%	43.8%	39.2%

(1) Dividends and distributions are determined based on taxable income calculated in accordance with income tax regulations which may differ from amounts determined under accounting principles generally accepted 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.

* The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is 1.44% and 1.85%, respectively, at June 30, 2007, inclusive of the expense offset arrangement (see 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.

** 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).

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CAPITALIZATION

The following table sets forth our cash and capitalization as of June 30, 2007 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 13,000,000 shares of our common stock in this offering at an assumed offering price of $21.80 per share which was the last reported closing price of our common stock on September 7, 2007. You should read this table together with Use of Proceeds and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations set forth in this prospectus supplement and our financial statements and notes thereto, as well as Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and notes thereto included in the accompanying prospectus. The adjusted information below is illustrative only and our capitalization following the completion of this offering is subject to adjustment based on the actual public offering price of our common stock and the actual number of shares of common stock we sell in this offering, both of which will be determined at pricing.

All amounts in thousands, except share data

	As of June 30, 2007	
	Actual	As Adjusted for September 2007 Offering[1]
Cash and cash equivalents	$ 779,406	$ 1,049,228
Total assets	$ 3,721,555	$ 3,991,377
Borrowings under senior credit facility	$ 791,384	$ 791,384[3]
Common stock, par value $0.001 per share; 400,000,000 shares authorized, 103,900,254 shares issued and outstanding, 116,900,254 shares issued and outstanding, as adjusted, respectively	$ 104	$ 117
Capital in excess of par value	$ 1,681,825	$ 1,951,634
Distributable earnings[2]	$ 301,386	$ 301,386
Total stockholders equity	$ 1,983,315	$ 2,253,137
Total capitalization	$ 2,774,699	$ 3,044,521

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

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

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

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FORWARD-LOOKING STATEMENTS

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

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

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

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

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INTERIM MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Apollo Investment was incorporated under the Maryland General Corporation Law in February 2004. We have elected to be treated as a BDC under the 1940 Act. As such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in qualifying assets, including securities of private or thinly traded public U.S. companies, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we have elected to be treated as a RIC under Subchapter M of the Internal Revenue Code of 1986, as amended. Pursuant to this election and assuming we qualify as a RIC, we generally do not have to pay corporate-level federal income taxes on any income we distribute to our stockholders. On April 8, 2004, we completed our initial public offering and commenced operations on April 8, 2004 upon receipt of $870 million in net proceeds from our initial public offering of common stock. Since then we have raised an additional $737 million in net proceeds from additional offerings of common stock.

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity for such companies, the general economic environment and the competitive environment for the types of investments we make.

As a BDC, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. The SEC recently adopted new rules under the 1940 Act to expand the definition of eligible portfolio company to include all private companies and companies whose securities are not listed on a national securities exchange. The new rules also will permit us to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition. The new rules became effective November 30, 2006. These new rules have clarified that we are not required to determine the eligibility of a portfolio company by reference to whether or not it has outstanding marginable securities.

In addition to the adoption of the rules described above, the SEC also proposed for comment a rule that would include as eligible portfolio companies certain public companies that have listed their securities on a national securities exchange, as long as their public float and/or market capitalization are below a specified level. We will continue to monitor closely any developments with respect to the definition of eligible portfolio company, and intend to adjust our investment focus as needed to comply with and/or take advantage of the new rules as well as any other relevant regulatory, legislative, administrative or judicial actions of which we become aware.

Revenue

We generate revenue primarily in the form of interest income from the debt securities we hold and dividends and capital gains, if any, on investment securities that we may acquire in portfolio companies. Our debt investments, whether in the form of mezzanine or senior secured loans, generally have a stated term of five to ten years and bear interest at a fixed rate or a floating rate usually determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate. While U.S. subordinated debt and corporate notes typically accrue interest at fixed rates, some of these investments may include zero coupon, payment-in-kind (PIK) and/or step-up bonds that accrue income on a constant yield to call or maturity basis. Interest on debt securities is generally payable quarterly or semiannually. In some cases, some of our investments provide for deferred interest

payments or PIK. The principal amount of the debt securities and any accrued but unpaid interest generally becomes due at the maturity date. In addition, we may generate revenue in the form of commitment, origination, structuring and/or diligence fees, fees for providing managerial assistance and, if applicable, consulting fees, etc.

Expenses

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

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

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

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

- organization and offering; and

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

We expect our general and administrative operating expenses related to our ongoing operations to remain generally stable or decline slightly as a percentage of our total assets in future periods if our assets grow. Incentive fees, interest expense and costs relating to future offerings of securities would be additive.

The SEC requires that Total annual expenses be calculated as a percentage of net assets in the above chart rather than as a percentage of total assets. Total assets includes net assets as of June 30, 2007, anticipated net proceeds from this offering and assets that have been funded with borrowed monies (leverage). For reference, the below chart illustrates our Total annual expenses as a percentage of total assets:

Estimated annual expenses (as percentage of total assets):	
Management fees	2.00%(1)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income in excess of hurdle and 20% of net realized capital gains, net of gross unrealized capital losses)	0.91%(2)
Other expenses	0.21%(3)
Interest and other credit facility related expenses on borrowed funds	1.55%(4)
Total annual expenses as a percentage of total assets	4.67%(1,2,3,4)

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(1) The contractual management fee is calculated at an annual rate of 2.00% of our average total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Notes 3 and 9 of our interim financial statements dated June 30, 2007 included in this prospectus supplement.

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

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

(4) Our interest and other credit facility expenses are based on current fiscal year estimates. We currently have $1.7 billion available under our credit facility, of which we had $791 million in borrowings outstanding as of June 30, 2007. For more information, see Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us. in the accompanying prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus supplement.

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Portfolio and Investment Activity

During the three months ended June 30, 2007, we invested $738.6 million across 13 new and 5 existing portfolio companies. Included in the $738.6 million is our $208 million investment in the preferred and common equity of Grand Prix Holdings, LLC (Innkeepers USA) on June 29, 2007. This compares to investing $286.8 million in 4 new and 5 existing portfolio companies for the three months ended June 30, 2006. Investments sold or prepaid during the three months ended June 30, 2007 totaled $346.9 million versus $124.1 million for the three months ended June 30, 2006.

At June 30, 2007, our net portfolio consisted of 64 portfolio companies and was invested 56% in subordinated debt, 6% in preferred equity, 16% in common equity and warrants and 22% in senior secured loans versus 48 portfolio companies invested 63% in subordinated debt, 3% in preferred equity, 9% in common equity and warrants, and 25% in senior secured loans at June 30, 2006.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.1%, 11.9% and 12.8%, respectively, at June 30, 2007 versus 13.6%, 12.7% and 13.3%, respectively, at June 30, 2006.

Senior secured loans and European mezzanine loans typically accrue interest at variable rates determined on the basis of a benchmark: LIBOR, EURIBOR, GBP LIBOR, or the prime rate, with stated maturities at origination that typically range from 5 to 10 years. While subordinated debt issued within the United States will typically accrue interest at fixed rates, some of these investments may include zero-coupon, PIK and/or step bonds that accrue income on a constant yield to call or maturity basis. At June 30, 2007, 66% or $1.6 billion of our debt portfolio was fixed rate debt and 34% or $830.7 million was floating rate debt. At June 30, 2006, 55% or $903.8 million of our interest-bearing portfolio is fixed rate debt and 45% or $725.9 million is floating rate debt.

Critical Accounting Policies

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

Valuation of Portfolio Investments

As a BDC, we generally invest in illiquid securities including debt and equity securities of middle market companies. Under procedures established by our board of directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available at such market quotations unless they are not deemed to represent fair value. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices are not readily available or whose market quotations are not deemed to represent fair value are valued 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. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates value. With respect to unquoted securities (or when market quotations are not deemed to represent fair value), our board of directors, together with our independent valuation adviser, values

each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors. Market quotations may be deemed not to represent fair value in certain circumstances where AIM believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security causes current market quotes to not reflect the fair value of the security. Examples of these events could include cases in which material events are announced after the close of the market on which a security is primarily traded, when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a fire sale by a distressed seller.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process. 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 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 undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;

- Preliminary valuation conclusions are then documented and discussed with our senior management;

- Independent valuation firms engaged by our board of directors conduct independent appraisals and review management s preliminary valuations and their own independent assessment;

- 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

- 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.

For more information, see Business Investment selection Valuation process in the accompanying prospectus.

Revenue Recognition

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

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

We measure realized gains or losses by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, without regard to unrealized appreciation or depreciation

previously recognized, but considering unamortized upfront fees and prepayment penalties. Net change in unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

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

RESULTS OF OPERATIONS

Results comparisons are for the three months ended June 30, 2007 and June 30, 2006.

Investment Income

For the three months ended June 30, 2007 and June 30, 2006, gross investment income totaled $88.9 million and $55.9 million, respectively. The increase in investment income for the three months ended June 30, 2007 was primarily due to the growth of our investment portfolio as compared to the previous period and the receipt of a $10.0 million structuring fee related to our investment in Grand Prix Holdings, LLC. Origination and commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans and accelerated into interest income upon exit, as applicable.

Expenses

Net expenses totaled $34.2 million and $24.1 million, respectively, for the three months ended June 30, 2007 and June 30, 2006, of which $10.8 million and $7.9 million, respectively, were performance-based incentive fees and $7.6 million and $5.6 million, respectively, were interest and other credit facility expenses. Included in the $10.8 million in performance-based incentive fees for the quarter ended June 30, 2007 is a reduction of $2.3 million from the previous quarter s net realized capital gain incentive fee accrual. The current accrual for the net realized capital gain incentive fee is $19.0 million. Expenses exclusive of performance-based incentive fees, interest, and other credit facility expenses for the three months ended June 30, 2007 and June 30, 2006 were $15.7 million and $10.6 million, respectively. Of these expenses, general and administrative expenses totaled $2.8 million and $2.1 million, respectively, for the three months ended June 30, 2007 and June 30, 2006. Expenses consist of base investment advisory and management fees, insurance expenses, administrative services expenses, professional fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in net expenses was primarily due to an increase in base management fees and performance-based incentive fees, as well as other general and administrative expenses related to the growth of our investment portfolio as compared to the previous period.

Net Investment Income

Our net investment income totaled $54.8 million and $31.7 million or $0.53 per share and $0.39 per share, respectively, for the three months ended June 30, 2007 and June 30, 2006.

Net Realized Gains/Losses

We had investment sales and prepayments totaling $346.9 million and $124.1 million, respectively, for the three months ended June 30, 2007 and June 30, 2006. Net realized losses for the three months ended June 30, 2007 were $20.7 million versus losses of $3.0 million for the three months ended June 30, 2006. Included in the $20.7 million loss for the three months ended June 30, 2007 is a loss of $21.4 million resulting from the sale of our interest in Diam International during the quarter.

Net Unrealized Appreciation (Depreciation) on Investments and Foreign Currencies

For the three months ended June 30, 2007 and June 30, 2006, the Company s investments, foreign currencies and other assets and liabilities had a net increase in appreciation of $143.7 million and $42.4 million, respectively. A primary component of the $143.7 million was an increase in appreciation on our investment in GS Prysmian Co-Invest LP. At June 30, 2007, net unrealized appreciation totaled $235.9 million, of which $252.5 million was attributable to net unrealized appreciation on our subordinated debt, preferred stock and private equity and $16.6 million was attributable to net unrealized depreciation on our bank debt/senior secured debt (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments).

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Net Increase in Net Assets from Operations

For the three months ended June 30, 2007 and June 30, 2006, the Company had a net increase in net assets resulting from operations of $177.7 million and $71.2 million, respectively. The net change in net assets from operations per share was $1.72 and $0.88, respectively, for the three months ended June 30, 2007 and June 30, 2006.

Liquidity and Capital Resources

Our liquidity and capital resources are generated primarily through our senior secured, multi-currency $1.7 billion, five-year, revolving credit facility maturing in April 2011 as well as from cash flows from operations, including investment sales and prepayments of senior and subordinated loans and income earned from investments and cash equivalents. At June 30, 2007, we had $791 million in borrowings outstanding and had $909 million available for additional borrowings. In the future, we may raise additional equity or debt capital from this and other offerings, or may securitize a portion of our investments. We may also further access $300 million of additional credit commitments available to us under the terms of its existing credit facility and as the Company s equity capital base grows. The primary use of funds will be investments in portfolio companies, cash distributions to our shareholders and for other general corporate purposes.

	Payments due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Secured Revolving Credit Facility[1]	$ 791	$	$	$ 791	$

(1) At June 30, 2007, $909 million remained unused under our senior secured revolving credit facility.

Contractual Obligations

We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which Apollo Investment Management has agreed to serve as our investment adviser, and the administration agreement, pursuant to which Apollo Administration has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount based upon our allocable portion of AIA s overhead in performing its obligations under the administration agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the investment advisory and management agreement and administration agreement without penalty upon not more than 60 days written notice to the other. Please see Note 3 within our financial statements for more information.

Off-balance Sheet Arrangements

On February 28, 2007, the Company entered into Senior Secured Term Loan agreements with Gray Wireline Service Inc., resulting in investments of $40 million in a First Out Term Loan and $70 million in a Second Out Term Loan. In connection with the transaction, the Company also committed to $27.5 million of additional delay draw commitments under the term loans subject to various contingencies and draw down tests. As of June 30, 2007, the Company has $13.0 million of delay draw commitments remaining after the transfer of our interest in the First Out Term Loan and the associated $7.0 million of delay draw commitments during the quarter. Additionally, $7.5 million was drawn by Gray Wireline from the delay draw second out commitment and is reflected in our current $77.5 million position.

At June 30, 2007, we did not have any additional off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than the investment advisory and management agreement and the administration agreement described above.

Dividends

Dividends paid to stockholders for the three months ended June 30, 2007 and June 30, 2006 totaled $52.8 million or $0.51 per share versus $36.5 million or $0.45 per share, respectively. Tax characteristics of all dividends will be reported to stockholders on Form 1099 after the end of the calendar year.

We expect to continue to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

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

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

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the 1940 Act and due to provisions in current or future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

With respect to the dividends paid to stockholders, income from origination, commitment and certain other upfront fees associated with investments in portfolio companies is treated as taxable income and accordingly, distributed to stockholders. For the three months ended June 30, 2007, we received upfront fees totaling $0.1 million, which are being amortized into income over the lives of their respective loans. For the three months ended June 30, 2006, we received upfront fees totaling $2.7 million.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the three months ended June 30, 2007, many of the loans in our portfolio had floating interest rates. These loans are usually based on a floating LIBO rate and typically have durations of one to six months after which they reset to current market interest rates. As the percentage of our mezzanine and other subordinated loans increase as a percentage of our total investments, we expect that more of the loans in our portfolio will have fixed rates. Accordingly, we may hedge against interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts subject to the requirements of the 1940 Act. While hedging activities may insulate us against adverse changes in interest rates, they may also limit our ability to participate in the benefits of lower interest rates with respect to our portfolio of investments. During the three months ended June 30, 2007, we did not engage in interest rate hedging activities.

The following table is designed to illustrate the effect on return to a holder of our common stock of the leverage created by our use of borrowing and potential issuance of preferred stock, at the weighted average annual interest rate of 5.94% for the three months ended June 30, 2007 and assuming the same average dividend rate on any preferred stock that we might issue and hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. As can be seen, leverage generally increases the return to stockholders when the portfolio return is

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positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses)[1]	**-10.0%**	**-5.0%**	**0%**	**5.0%**	**10.0%**
Corresponding Return to Common Stockholders[2]	-20.68%	-11.83%	-2.97%	5.89%	14.74%

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

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

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UNDERWRITING

Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Bear, Stearns & Co. Inc. and Wachovia Capital Markets, LLC are acting as joint bookrunning managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
J.P. Morgan Securities Inc.	
Bear, Stearns & Co. Inc.	
Wachovia Capital Markets, LLC	
UBS Securities LLC	
RBC Capital Markets Corporation	
SunTrust Capital Markets, Inc.	
BMO Capital Markets Corp.	
Stifel, Nicolaus & Company, Incorporated	
Keefe, Bruyette & Woods, Inc.	
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	
Total	13,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to certain conditions precedent, including the absence of any material adverse change in our business and the receipt of certain certificates, opinions and letters from us, our counsel and our independent registered public accounting firm. The underwriters are committed to purchase all shares included in this offering, other than those shares covered by the over-allotment option described below, if they purchase any of the shares.

The underwriters propose to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $ per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $ per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to 1,950,000 additional shares of common stock at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter will be obligated, subject to certain conditions, to purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment.

We, our officers and directors, Apollo Investment Management and certain of the partners and officers of Apollo Investment Management (or any entities through which such partners and officers may invest in our shares) have agreed that, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of the representatives, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. Citigroup Global Markets Inc. in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, for the purpose of allowing the underwriters to comply with FINRA Rule 2711(f)(4), if (1) during the last 17 days of the initial 90-day lock-up period, we release earnings results or

material news or a material event relating to us occurs or (2) prior to the expiration of the initial 90-day lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the initial 90-day lock-up period, then in each case the initial 90-day lock-up period will be extended until the expiration of the 18-day period beginning on the date of release of the earnings results or the occurrence of the material news or material event, as applicable.

The common stock is quoted on the Nasdaq Global Select Market under the symbol AINV .

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Member State, it has not made and will not make an offer of shares of our common stock to the public in that Member State except that it may, with effect from and including such date, make an offer of shares of our common stock to the public in that Member State:

at any time to legal entities which are authorized or registered to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or

at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of shares of our common stock the public in relation to any shares of our common stock in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe the shares of our common stock, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

United Kingdom

Each underwriter has represented and agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of the shares of our common stock in circumstances in which Section 21(1) of such Act does not apply to us and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any shares of our common stock in, from or otherwise involving the United Kingdom.

The Netherlands

Each underwriter has represented and agreed that the offer in The Netherlands of the shares included in this offering is exclusively limited to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises.

The following table shows the sales load (underwriting discounts and commissions) that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares of common stock.

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	Paid by Apollo Investment	
	No exercise	Full exercise
Per share	$ 0.98	$ 0.98
Total	$ 12,753,000	$ 14,665,950

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of the common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when an underwriter repurchases shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the common stock. They may also cause the price of the common stock to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the Nasdaq Global Select Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

In addition, in connection with this offering, some of the underwriters may engage in passive market making transactions in the common stock on the Nasdaq Global Select Market, prior to the pricing and completion of the offering. Passive market making consists of displaying bids on the Nasdaq Global Select Market no higher than the bid prices of independent market makers and making purchases at prices no higher than those independent bids and effected in response to order flow. Net purchases by a passive market maker on each day are limited to a specified percentage of the passive market maker s average daily trading volume in the common stock during a specified period and must be discontinued when that limit is reached. Passive market making may cause the price of the common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. If the underwriters commence passive market making transactions, they may discontinue them at any time.

We estimate that our portion of the total expenses of this offering will be $825,000. In addition, the underwriters have agreed to pay certain of our expenses associated with this offering.

As described under Use of Proceeds, we intend to use a part of the net proceeds from this offering to repay a portion of the borrowings outstanding under our senior credit facility. Affiliates of each of Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Bear, Stearns & Co. Inc., and Wachovia Capital Markets, LLC, and certain of the other underwriters are lenders under such credit facility and therefore will receive a portion of the net proceeds from this offering through the repayment of those borrowings. Accordingly, this offering is being made pursuant to FINRA Rule 2710(h).

The underwriters have performed investment banking and advisory services for us AIM, and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us AIM, and our affiliates in the ordinary course of their business.

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. Other than the prospectus in electronic format, the information on any such underwriter s website is not part of this prospectus. The representatives may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. The representatives will allocate shares to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

We and AIM, have agreed to indemnify the underwriters against or reimburse losses arising out of, certain liabilities, including liabilities under the Securities Act of 1933, as amended or to contribute to payments the underwriters may be required to make because of any of those liabilities.

This offering is being conducted in accordance with Rule 2710 of the FINRA Rules of Conduct.

The principal business address of Citigroup Global Markets Inc. is 390 Greenwich Street, New York, NY 10013. The principal business address of J.P. Morgan Securities Inc. is 277 Park Avenue, New York, NY 10172. The principal business address of Bear, Stearns & Co. Inc. is 383 Madison Avenue, New York, NY 10179. The principal business address of Wachovia Capital Markets, LLC is One Wachovia Center, 301 South College Street, Charlotte, NC 28288-0735.

LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for Apollo Investment by Skadden, Arps, Slate, Meagher & Flom LLP, New York, NY, and Venable LLP, Baltimore, MD. Certain legal matters will be passed upon for the underwriters by Simpson Thacher & Bartlett LLP, New York, NY. Simpson Thacher & Bartlett LLP may rely as to certain matters of Maryland law upon the opinion of Venable LLP.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The consolidated financial statements as of March 31, 2007 and for period ended March 31, 2006, have been included in the base prospectus in reliance upon the report of PricewaterhouseCoopers LLP, independent registered public accounting firm, located at PWC Center, 300 Madison Avenue, New York, New York 10017, appearing in the base prospectus, and upon the authority of said firm as experts in accounting and auditing.

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INTERIM FINANCIAL STATEMENTS

APOLLO INVESTMENT CORPORATION

STATEMENTS OF ASSETS AND LIABILITIES

(in thousands, except per share amounts)

	June 30, 2007 (unaudited)	March 31, 2007
Assets		
Non-controlled/non-affiliated investments, at value (cost $2,426,379 and $2,244,400, respectively)	2,680,884	$ 2,348,981
Controlled investments, at value (cost $208,000 and $0, respectively)	$ 208,000	
Cash equivalents, at value (cost - $741,518 and $1,089,792, respectively)	741,517	1,089,792
Cash	36,089	7,326
Foreign currency (cost $1,799 and $832, respectively)	1,800	834
Interest receivable	37,703	35,217
Receivable for investments sold		28,248
Dividends receivable	9,412	6,987
Prepaid expenses and other assets	6,150	5,833
Total assets	$ 3,721,555	$ 3,523,218
Liabilities		
Payable for investments and cash equivalents purchased	$ 897,828	$ 1,134,561
Credit facility payable (see note 7)	791,384	492,312
Management and performance-based incentive fees payable (see note 3)	45,097	43,579
Interest payable	2,392	1,848
Interest purchased payable	356	
Accrued administrative expenses	53	200
Other accrued expenses	1,130	970
Total liabilities	$ 1,738,240	$ 1,673,470
Net Assets		
Common stock, par value $.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 103,900 and 103,508 issued and outstanding, respectively	$ 104	$ 104
Paid-in capital in excess of par (see note 2g)	1,681,825	1,673,191
Distributions in excess of net investment income (see note 2g)	(14,313)	(16,283)
Accumulated net realized gain (see note 2g)	79,750	100,494
Net unrealized appreciation	235,949	92,242
Total Net Assets	$ 1,983,315	$ 1,849,748
Total liabilities and net assets	$ 3,721,555	$ 3,523,218
Net Asset Value Per Share	$ 19.09	$ 17.87

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF OPERATIONS (unaudited)

(in thousands, except per share amounts)

	Three months ended	
	June 30, 2007	June 30, 2006
INVESTMENT INCOME:		
From non-controlled/non-affilated investments:		
Interest	$ 74,550	$ 49,023
Dividends	4,026	6,356
Other income	320	482
From controlled investments:		
Dividends	50	
Other income	10,000	
Total investment income	88,946	55,861
EXPENSES:		
Management fees	$ 12,996	$ 8,476
Performance-based incentive fees (see note 3)	10,835	7,936
Interest and other credit facility expenses	7,607	5,631
Administrative services expense	1,461	968
Other general and administrative expenses	1,350	1,118
Total expenses	34,249	24,129
Expense offset arrangement (see note 8)	(61)	(12)
Net expenses	34,188	24,117
Net investment income	$ 54,758	$ 31,744
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:		
Net realized gain (loss):		
Investments and cash equivalents	(17,000)	195
Foreign currencies	(3,743)	(3,203)
Net realized gain (loss)	(20,743)	(3,008)
Net change in unrealized gain (loss):		
Investments and cash equivalents	149,922	55,490
Foreign currencies	(6,215)	(13,070)
Net change in unrealized gain (loss)	143,707	42,420
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	122,964	39,412
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	$ 177,722	$ 71,156
EARNINGS PER COMMON SHARE (see note 5)	$ 1.72	$ 0.88

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except shares)

	Three months ended June 30, 2007 (unaudited)	Year ended March 31, 2007
Increase in net assets from operations:		
Net investment income	$ 54,758	$ 125,318
Net realized gains	(20,743)	132,882
Net change in unrealized gain	143,707	53,966
Net increase in net assets resulting from operations	177,722	312,166
Dividends and distributions to shareholders:	(52,789)	(168,449)
Capital share transactions:		
Net proceeds from shares sold		443,605
Less offering costs		(986)
Reinvestment of dividends	8,634	33,557
Net increase in net assets from capital share transactions	8,634	476,176
Total increase in net assets:	133,567	619,893
Net assets at beginning of period	$ 1,849,748	$ 1,229,855
Net assets at end of period	$ 1,983,315	$ 1,849,748
Capital share activity		
Shares sold		20,700,000
Shares issued from reinvestment of dividends	392,488	1,615,812
Net increase in capital share activity	392,488	22,315,812

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Three months ended	
	June 30, 2007	June 30, 2006
Cash Flows from Operating Activities:		
Net Increase in Net Assets Resulting from Operations	$ 177,722	$ 71,156
Adjustments to reconcile net increase:		
Purchase of investment securities	(763,189)	(300,995)
Proceeds from disposition of investment securities	356,253	121,947
Decrease from foreign currency transactions	(3,743)	(3,203)
Increase in interest and dividends receivable	(4,957)	(2,966)
Decrease (increase) in prepaid expenses and other assets	(317)	1,269
Increase in management and performance-based incentive fee payable	1,517	3,562
Increase in interest payable	543	1,858
Increase (decrease) in accrued expenses	14	(1,006)
Decrease in payable for investments and cash equivalents purchased	(236,353)	(228,332)
Decrease in receivables for securities sold	28,248	17,261
Net change in unrealized appreciation on investments, cash equivalents, foreign currencies and other assets and liabilities	(143,707)	(42,420)
Net realized loss on investments and cash equivalents	20,744	3,008
Net Cash Used by Operating Activities	(567,225)	(358,861)
Cash Flows from Financing Activities:		
Dividends paid in cash	(44,154)	(28,729)
Borrowings under credit facility	829,192	407,763
Repayments under credit facility	(536,357)	(209,500)
Net Cash Provided by Financing Activities	$ 248,681	$ 169,534
NET DECREASE IN CASH AND CASH EQUIVALENTS	$ (318,544)	$ (189,327)
Effect of exchange rates on cash balances	(1)	8
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,097,952	904,959
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 779,407	$ 715,640

Non-cash financing activities consist of the reinvestment of dividends totaling $8,634 and $7,807, respectively (in thousands).

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited)

(in thousands except share and per share amounts)

Note 1. Organization

Apollo Investment Corporation (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 $870.15 million from initial public offering selling 62,000,000 shares of its common stock at a price of $15.00 per share, less an underwriting discount and commissions totaling $0.9375 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.

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

The significant accounting policies consistently followed by Apollo Investment are:

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

(b) Investments for which market quotations are readily available are valued at such market quotations if they are deemed to represent fair value; debt and equity securities that are not publicly traded or whose market prices are not readily available 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 using a documented valuation policy and a consistently applied valuation process. 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 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.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

With respect to our investments for which market quotations are not readily available, our Board of Directors undertakes a multi-step valuation process each quarter, as described below:

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

(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 annually. 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.

(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 at least annually.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

(i) The accounting records of the Company are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rate of exchange of such currencies against U.S. dollars on the date of valuation. The Company does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. The Company s investments in foreign securities may involve certain risks 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 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. At this time, we do not believe that FIN 48 has a material impact on the Company s financial condition or results of operations. If the tax law 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

APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

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. At this time, the Company is in the process of reviewing the Standard against its current valuation policies to determine future applicability.

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 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 three months ended June 30, 2007 and June 30, 2006, the Investment Adviser received $12,996 and $8,476, respectively, in base investment advisory and management fees and $13,119 and $7,936, respectively, in performance-based net investment income incentive fees from Apollo Investment. At June 30, 2007 and March 31, 2007, the Company had a payable for the net realized capital gains based incentive fee of $18,982 and $21,266, respectively. At June 30, 2007, the Company reduced its accrual for the net realized capital gains based incentive fee by $2,284. The amount actually payable by the Company will be determined as-of the end of the calendar year.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

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.

For the three months ended June 30, 2007 and June 30, 2006, the Administrator was reimbursed $1,408 and $792, respectively, from Apollo Investment on the $1,461 and $968, respectively, of expenses accrued under the Administration Agreement.

On April 14, 2005, Apollo Investment entered into an $800 million 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 million, increasing the total facility size to $900 million on the same terms and conditions as the existing commitments. On March 31, 2006, Apollo Investment Corporation amended and restated its $900 million senior secured, multi-currency, revolving credit facility due April 14, 2010. The amended Facility increased total commitments outstanding to $1.25 billion 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 billion. In February 2007, Apollo Investment increased total commitments to $1.7 billion under the Facility with the same terms. Pricing remains at 100 basis points over LIBOR. The Facility is used to supplement Apollo s equity capital to make additional portfolio investments and for general corporate purposes. From time to time, certain of the lenders provide customary commercial and investment banking services to affiliates of Apollo Investment. JPMorgan also serves as custodian and fund accounting agent for Apollo Investment.

Note 4. Net Asset Value Per Share

At June 30, 2007, the Company s total net assets and net asset value per share were $1,983,315 and $19.09, 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 Per Share

The following information sets forth the computation of basic and diluted per share net increase in net assets resulting from operations for the three months ended June 30, 2007 and June 30, 2006, respectively:

	Three months ended June 30, 2007	Three months ended June 30, 2006
Numerator for increase in net assets per share:	$ 177,722	$ 71,156
Denominator for basic and diluted weighted average shares:	103,520,705	81,201,032
Basic and diluted net increase in net assets per share resulting from operations:	$ 1.72	$ 0.88

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Note 6. Investments

Investments and cash equivalents consisted of the following as of June 30, 2007 and June 30, 2006, respectively:

	June 30, 2007		June 30, 2006	
	Cost	Fair Value	Cost	Fair Value
Subordinated Debt/Corporate Notes	$ 1,557,368	$ 1,603,530	$ 1,096,295	$ 1,122,652
Preferred Equity	175,878	185,146	47,229	48,191
Common Equity/Partnership Interests	244,823	452,286	85,685	157,762
Warrants	3,514	11,435	1,182	4,011
Bank Debt/Senior Secured Loans	652,796	636,487	468,896	458,834
Cash Equivalents	741,518	741,517	711,561	711,561
Totals	$ 3,375,897	$ 3,630,401	$ 2,410,848	$ 2,503,011

Note 7. Foreign Currency Transactions and Translations

At June 30, 2007, the Company had outstanding non-U.S. borrowings on its $1.7 billion 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	Appreciation (Depreciation)
Pounds Sterling	£ 2,500	4,957	5,016	8/10/2007	(59)
Canadian Dollar	C$ 29,700	25,161	27,920	8/16/2007	(2,759)
Euro	42,500	56,599	57,398	8/21/2007	(799)
Euro	45,000	60,581	60,775	8/22/2007	(194)
Euro	45,525	55,071	61,484	8/22/2007	(6,413)
Canadian Dollar	C$ 23,000	19,684	21,622	8/29/2007	(1,938)
Euro	25,061	30,246	33,846	8/29/2007	(3,600)
Canadian Dollar	C$ 22,500	19,189	21,151	9/5/2007	(1,962)
Euro	3,000	4,037	4,052	9/10/2007	(15)
Euro	140,000	188,503	189,077	9/28/2007	(574)
Pounds Sterling	£ 6,750	13,266	13,543	9/28/2007	(277)
		$ 477,294	$ 495,884		$ (18,590)

At March 31, 2007, the Company had outstanding non-US borrowings on its $1.7 billion 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	Original	Current	Reset Date

	Currency	Borrowing Cost	Value		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)

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Note 8. Expense Offset Arrangement

The Company benefits from an expense offset arrangement with JPMorgan Chase Bank, N.A. (custodian bank) whereby the Company earns credits on any uninvested US dollar cash balances held by the custodian bank. These credits are applied by the custodian bank as a reduction of the monthly custody fees charged to the Company. The total amount of credits earned during the three months ended June 30, 2007 and June 30, 2006 is $61 and $12, respectively.

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, the Company typically takes proactive steps to prospectively preserve investment flexibility in the next quarter which is assessed against the Company s total assets at its most recent quarter end. The Company can accomplish this in many ways including its current practice of purchasing U.S. Treasury bills and closing out its position on a net cash basis subsequent to quarter end. The Company may also utilize repurchase agreements or other balance sheet transactions as it deems appropriate for this purpose and these amounts are excluded from total assets for purposes of computing the asset base upon which the management fee is determined. 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. U.S. Treasury bills settle regular way on trade date plus one.

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 June 30, 2007 or March 31, 2007.

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APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

Note 11. Financial Highlights

The following is a schedule of financial highlights for the three months ended June 30, 2007 and the year ended March 31, 2007:

	Three months ended June 30, 2007 (unaudited)	Year ended March 31, 2007
Per Share Data:		
Net asset value, beginning of period	$ 17.87	$ 15.15
Net investment income	0.53	1.49
Net realized and unrealized gain	1.19	2.11
Net increase in net assets resulting from operations	1.72	3.60
Dividends to shareholders[1]	(0.51)	(1.96)
Effect of anti-dilution	0.01	1.09
Offering costs		(0.01)
Net asset value at end of period	$ 19.09	$ 17.87
Per share market value at end of period	$ 21.52	$ 21.40
Total return[2]	2.89%	31.70%
Shares outstanding at end of period	103,900,254	103,507,766
Ratio/Supplemental Data:		
Net assets at end of period (in millions)	$ 1,983.3	$ 1,849.7
Ratio of net investment income to average net assets	2.96%	9.09%
Ratio of operating expenses to average net assets*	1.44%	7.73%
Ratio of credit facility related expenses to average net assets	0.41%	2.49%
Ratio of total expenses to average net assets*	1.85%	10.22%
Average debt outstanding	$ 445,624	$ 580,209
Average debt per share	$ 4.30	$ 6.76
Portfolio turnover ratio	14.0%	43.8%

(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.

* The ratio of operating expenses to average net assets and the ratio of total expenses to average net assets is 1.44% and 1.85%, respectively, at June 30, 2007, inclusive of the expense offset arrangement (see Note 8). At March 31, 2007, the ratios were 7.72% and 10.21%, respectively.

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.

Class and Year	Total Amount Outstanding[1]	Asset Coverage Per Unit[2]	Involuntary Liquidating Preference Per Unit[3]	Average Market Value Per Unit[4]
Revolving Credit Facility				
Fiscal 2008 (through June 30, 2007)	$ 791,384	$ 3,506	$	N/A
Fiscal 2007	$ 492,312	$ 4,757	$	N/A
Fiscal 2006	$ 323,852	$ 4,798	$	N/A
Fiscal 2005	$ 0	$ 0	$	N/A

APOLLO INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS (unaudited) (continued)

(in thousands except share and per share amounts)

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

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 $1.25 billion at any one time outstanding. 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 billion. In February 2007, we increased total commitments to $1.7 billion. 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 shareholders 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) $300 million 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 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 million. 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 $445,624 and $418,020 for the three months ended June 30, 2007 and 2006, respectively. The maximum amount borrowed during the three months ended June 30, 2007 and 2006 was $791,384 and $558,998, respectively. The remaining amount available under the facility was $908,616 at June 30, 2007.

At June 30, 2007, the Company was in compliance with all financial and operational covenants required by the Facility.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited)

June 30, 2007

(in thousands)

Investments in Non-Controlled/Non-Affiliated

Portfolio Companies	Industry	Par Amount*	Cost	Fair Value[1]
Subordinated Debt/Corporate Notes 80.8%				
Advanstar, Inc., L+700, 11/30/15	Media	$ 20,198	$ 20,199	$ 20,299
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	30,773	30,233	30,773
ALM Media Holdings, Inc., 13.00%, 3/15/13♦	Publishing	21,319	21,190	21,319
ALM Media Group Holdings, Inc., 13.00%, 3/2/15♦	Publishing	65,343	65,343	65,343
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14♦	Building Products	48,539	47,673	48,539
API Heat Transfer, Inc., 13.75%, 12/31/12	Manufacturing	26,953	26,560	26,953
Applied Systems, Inc., 13.50%, 6/19/14	Business Services	22,000	21,896	22,055
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	63,023	62,837	63,023
Associated Materials, Inc., 0% / 11.25%, 3/1/14	Building Products	43,415	28,386	32,290
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	15,075	15,075	15,075
Brenntag Holding GmbH & Co. KG, E+900, 1/25/16	Chemicals	15,616	18,546	21,339
Collect America, Ltd., 13.50%, 8/5/12♦	Consumer Finance	$ 36,320	35,728	36,320
Delta Educational Systems, Inc., 14.00%, 5/12/13	Education	18,619	17,993	18,619
DSI Renal Inc., 14.00%, 4/7/14	Healthcare	10,249	10,249	10,249
Dura-Line Merger Sub, Inc., 13.25%, 9/22/14	Telecommunications	39,814	39,034	39,813
Eurofresh, Inc., 0% / 14.50%, 1/15/14♦	Agriculture	26,504	19,060	18,619
Eurofresh, Inc., 11.50%, 1/15/13♦	Agriculture	50,000	50,000	50,125
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,349	2,875	3,188
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	15,489	18,993	21,024
FleetPride Corporation, 11.50%, 10/1/14♦	Transportation	$ 47,500	47,500	48,687
FPC Holdings, Inc. (FleetPride Corporation), 0% / 14.00%, 6/30/15♦	Transportation	37,846	29,355	29,803
General Nutrition Centers, Inc., L+450, 3/15/14♦	Retail	23,000	22,654	22,569
Hub International Holdings, 10.25%, 6/15/15♦	Insurance	20,000	20,000	19,483
Infor Lux Bond Company (Infor Global), L+800, 9/2/14	Business Services	7,799	7,799	8,072
KAR Holdings, Inc., 10.00%, 5/1/15	Transportation	10,000	10,000	9,800
Language Line Holdings, Inc., 0% / 14.125%, 6/15/13	Business Services	27,678	21,995	22,973
Language Line Inc., 11.125%, 6/15/12	Business Services	27,081	26,829	28,926
Latham Manufacturing Corp., 14.00%, 12/30/12	Leisure Equipment	34,210	33,671	34,210

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2007

(in thousands)

Investments in Non-Controlled/Non-Affiliated

Portfolio Companies	Industry	Par Amount*	Cost	Fair Value[1]
Lexicon Marketing (USA), Inc., 13.25%, 5/11/13	Direct Marketing	28,482	28,482	28,482
LVI Services, Inc., 15.25%, 11/16/12	Environmental	$ 43,647	$ 43,647	$ 43,647
MW Industries, Inc., 13.00%, 5/1/14	Manufacturing	60,000	58,865	60,000
Neff Corp., 10.00%, 6/1/15♦	Rental Equipment	10,000	10,000	10,008
Nielsen Finance LLC, 0% / 12.50%, 8/1/16♦	Market Research	61,000	35,209	43,043
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	17,767
Playpower Holdings Inc., 15.50%, 12/31/12♦	Leisure Equipment	66,913	66,913	66,913
Plinius Investments II B.V. (Casema), E+925, 9/13/16	Cable TV	16,879	21,881	22,955
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	$ 14,489	14,276	14,489
QHB Holdings LLC (Quality Home Brands), 13.50%, 12/20/13	Consumer Products	40,129	39,167	40,129
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	39,592	39,592	39,592
Safety Products Holdings LLC, 11.75%, 1/1/12♦	Manufacturing	30,370	29,942	31,964
Serpering Investments B.V. (Casema), E+925, 9/13/16	Cable TV	15,639	19,629	21,379
Sigmakalon Holdco B.V., E+1000, 12/31/15	Chemicals	50,321	61,402	70,340
TL Acquisitions, Inc. (Thomson Learning), 0% / 13.25%, 7/15/15♦	Education	$ 52,000	40,088	39,152
TL Acquisitions, Inc. (Thomson Learning), 10.50%, 1/15/15♦	Education	40,000	39,490	38,817
TP Financing 2, Ltd. (Travelex), GBP L+725, 4/1/15	Financial Services	£ 9,268	17,876	18,930
Varel Distribution Canada, Inc., 11.50%, 3/2/12	Oil & Gas	CAD$ 22,299	18,860	20,963
Varel Holdings, Inc., 14.00%, 4/30/12	Oil & Gas	$ 19,197	17,584	19,197
Varel International Ind., L.P., 11.50%, 10/31/11	Oil & Gas	47,000	46,163	47,000
Varietal Distribution, 10.25%, 7/15/15	Distribution	15,000	15,000	15,006
Varietal Distribution, 10.75%, 6/30/17	Distribution	21,875	21,219	21,602
WDAC Intermediate Corp., E+600, 11/29/15	Publishing	33,000	44,337	44,818
Yankee Acquisition Corp., 9.75%, 2/15/17	Retail	$ 17,000	16,970	16,469
Total Subordinated Debt/Corporate Notes			**$ 1,557,368**	**$ 1,603,530**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2007

(in thousands, except shares)

	Industry	Shares	Cost	Fair Value[1]
Preferred Equity 5.5%				
DSI Holding Company, Inc. (DSI Renal Inc.), 15.00%, 10/7/14	Healthcare	32,500	$ 31,804	$ 32,500
Exco Resources, Inc., 7.00%/9.00% (Convertible)	Oil & Gas	975	9,750	11,603
Exco Resources, Inc., 11.00%, 4/15/11	Oil & Gas	4,025	40,250	47,897
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 13.50%, 5/12/14	Education	12,360	11,041	12,360
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), 12.50% (Convertible)	Education	3,325	3,325	2,841
LVI Acquisition Corp. (LVI Services, Inc.), 14.00%	Environmental	1,875	1,875	112
Varietal Distribution Holdings, LLC, 8.00%	Distribution	3,097	3,097	3,097
Total Preferred Equity			**$ 101,142**	**$ 110,410**
Common Equity/Partnership Interests 16.1%				
A-D Conduit Holdings, LLC (Duraline)	Telecommunications	2,778	$ 2,778	$ 2,778
AHC Mezzanine LLC (Advanstar)	Media	10,000	10,000	10,315
CA Holding, Inc. (Collect America, Ltd.)	Consumer Finance	25,000	2,500	3,127
DTPI Holdings, Inc. (American Asphalt & Grading)**	Infrastructure	200,000	2,000	
FSC Holdings Inc. (Hanley Wood LLC)**	Media	10,000	10,000	15,009
Garden Fresh Restaurant Holding, LLC**	Retail	50,000	5,000	7,754
Gray Energy Services, LLC Class H (Gray Wireline)	Oil & Gas	1,081	2,000	2,270
Gryphon Colleges Corporation (Delta Educational Systems, Inc.)**	Education	175	175	
GS Prysmian Co-Invest L.P. (Prysmian Cables & Systems)[2,3]	Industrial		1,934	165,310
Latham International, Inc. (fka Latham Acquisition Corp.)**	Leisure Equipment	33,091	3,309	3,925
LM Acquisition Ltd. (Lexicon Marketing Inc.)**	Direct Marketing	10,000	10,000	14,198
LVI Acquisition Corp. (LVI Services, Inc.)**	Environmental	6,250	625	
MEG Energy Corp.[4]**	Oil & Gas	1,718,388	44,718	66,232
Prism Business Media Holdings, LLC	Media	68	14,947	22,645
Pro Mach Co-Investment, LLC**	Machinery	150,000	1,500	2,505
Sorenson Communications Holdings, LLC Class A	Consumer Services	454,828	45	2,926
Varietal Distribution Holdings, LLC Class A	Distribution	28,028	28	28
Total Common Equity and Partnership Interests			**$ 111,559**	**$ 319,022**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2007

(in thousands, except warrants)

	Industry	Warrants	Cost	Fair Value(1)
Warrants 0.6%				
DSI Holdings Company, Inc. (DSI Renal Inc.), Common**	Healthcare	5,011,327		$ 2,927
Fidji Luxco (BC) S.C.A., Common (FCI)**	Electronics	48,769	$ 491	4,214
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Common**	Education	98	98	
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class A-1 Preferred**	Education	459	459	528
Gryphon Colleges Corporation (Delta Educational Systems, Inc.), Class B-1 Preferred**	Education	1,043	1,043	891
Varel Holdings, Inc.	Oil & Gas	40,060	1,423	2,875
Total Warrants			**$ 3,514**	**$ 11,435**

		Par Amount*		
2nd Lien Bank Debt/Senior Secured Loans(5) 32.1%				
Advanstar Communications, Inc.	Media	$ 20,000	$ 20,000	$ 20,050
American Asphalt & Grading Co., 7/10/09	Infrastructure	28,490	28,490	9,971
BNY Convergex Group, LLC, 4/2/14	Business Services	50,000	49,766	50,469
C.H.I. Overhead Doors, Inc., 10/22/11	Building Products	15,000	15,027	15,075
Clean Earth, Inc., 10/14/11	Environmental	25,000	24,976	25,297
Dr. Leonard s Healthcare Corp., 7/31/12	Direct Marketing	22,000	22,000	21,890
Dresser, Inc., 5/4/15	Industrial	60,000	60,000	60,412
Educate, Inc., 6/14/14	Education	10,000	10,000	10,038
Garden Fresh Restaurant Corp., 12/22/11	Retail	26,000	25,795	26,000
Generac Acquisition Corp., 5/10/14	Durable Consumer Products	10,000	10,121	9,513
Gray Wireline Service, Inc., 12.25%, 2/28/13	Oil & Gas	77,500	76,798	77,500
Infor Enterprise Solutions Holdings, Inc., Tranche B-1, 3/2/14	Business Services	5,000	5,000	5,050
Infor Enterprise Solutions Holdings, Inc., 3/2/14	Business Services	10,000	10,000	10,137
Infor Global Solutions European Finance S.á.R.L., 3/2/14	Business Services	6,210	8,263	8,534
IPC Systems, Inc., 6/1/15	Telecommunications	25,000	25,000	24,812
Kronos, Inc., 6/11/15	Electronics	60,000	60,000	59,700
Quality Home Brands Holdings LLC, 6/20/13	Consumer Products	40,000	39,457	39,950
Sheridan Holdings, Inc., 6/15/15	Healthcare	60,000	60,000	59,550
Sorenson Communications, Inc., 2/18/14	Consumer Services	62,103	62,103	62,433

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

June 30, 2007

(in thousands, except shares)

	Industry	Par Amount*	Cost	Fair Value[1]
2nd Lien Bank Debt/Senior Secured Loans[5] (continued)				
Summit Business Media Intermediate Holding Company, Inc., 11/4/13	Media	$ 15,000	$ 15,000	$ 15,169
TransFirst Holdings, Inc., 6/15/15	Financial Services	25,000	25,000	24,937
Total 2nd Lien Bank Debt/Senior Secured Loans			**$ 652,796**	**$ 636,487**
Total Investments in Non-Controlled/Non-Affiliated Portfolio Companies 135.1%			**$ 2,426,379**	**$ 2,680,884**
Investments in Controlled Portfolio Companies				
		Shares		
Preferred Equity 3.8%				
Grand Prix Holdings, LLC Series A, 12.00% (Innkeepers USA)	Hotels, Motels, Inns & Gaming	2,989,431	74,736	74,736
Common Equity 6.7%				
Grand Prix Holdings, LLC (Innkeepers USA)	Hotels, Motels, Inns & Gaming	13,326,423	133,264	133,264
Total Investments in Controlled Portfolio Companies 10.5%			**$ 208,000**	**$ 208,000**
Total Investments			**$ 2,634,379**	**$ 2,888,884**
Cash Equivalents 37.4%				
U.S. Treasury Bill, 4.68%, 9/27/07	Government	$ 750,000	$ 741,518	$ 741,517
Total Investments & Cash Equivalents 183.0%[6]			**$ 3,375,897**	**$ 3,630,401**
Liabilities in Excess of Other Assets (83.0%)				**(1,647,086)**
Net Assets 100.0%				**$ 1,983,315**

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(1) Fair value is determined by or under the direction of the Board of Directors of the Company (see Note 2).
(2) Denominated in Euro ( ).
(3) The Company is the sole Limited Partner in GS Prysmian Co-Invest L.P.
(4) Denominated in Canadian dollars.
(5) Includes floating rate instruments that accrue interest at a predetermined spread relative to an index, typically the LIBOR (London Inter-bank Offered Rate), EURIBOR (Euro Inter-bank Offered Rate), GBP LIBOR (London Inter-bank Offered Rate for British Pounds),

or the prime rate. At June 30, 2007, the range of interest rates on floating rate bank debt was 10.36% - 14.11%.

(6) Aggregate gross unrealized appreciation for federal income tax purposes is $273,082; aggregate gross unrealized depreciation for federal income tax purposes is $28,975. Net unrealized appreciation is $244,107 based on a tax cost of $3,386,294.

♦ 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

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (unaudited) (continued)

Industry Classification	Percentage at June 30, 2007
Oil & Gas	10.2%
Industrial	7.8%
Hotels, Motels, Inns and Gaming	7.2%
Business Services	5.9%
Publishing	5.4%
Direct Marketing	5.2%
Education	4.3%
Consumer Products	4.1%
Manufacturing	4.1%
Healthcare	3.6%
Leisure Equipment	3.6%
Media	3.6%
Building Products	3.3%
Chemicals	3.2%
Transportation	3.1%
Retail	2.5%
Environmental	2.4%
Agriculture	2.4%
Telecommunications	2.3%
Consumer Services	2.3%
Electronics	2.2%
Cable TV	1.5%
Financial Services	1.5%
Market Research	1.5%
Distribution	1.4%
Consumer Finance	1.4%
Grocery	1.1%
Insurance	0.7%
Beverage, Food, & Tobacco	0.6%
Machinery	0.6%
Rental Equipment	0.4%
Infrastructure	0.3%
Durable Consumer Products	0.3%
Total Investments	100.0%

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS

March 31, 2007

(in thousands)

Portfolio Company (1)	Industry	Par Amount*	Cost	Fair Value(2)
Subordinated Debt/Corporate Notes 77.5%				
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	$ 30,618	$ 30,066	$ 30,618
ALM Media Holdings, Inc., 13.00%, 3/15/13♦	Publishing	20,018	19,885	20,018
ALM Media Group Holdings, Inc., 13.00%, 3/2/15♦	Publishing	63,000	63,000	63,000
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14♦	Building Products	48,539	47,656	48,539
API Heat Transfer, Inc., 13.75%, 12/31/12	Manufacturing	26,835	26,430	26,835
Applied Systems, Inc., 13.50%, 6/19/14	Business Services	22,000	21,894	22,220
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	58,812	58,621	58,812
Associated Materials, Inc., 0% / 11.25%, 3/1/14	Building Products	43,415	27,318	30,825
Audatex Holdings III, B.V., E+900, 10/13/14	Business Services	16,408	20,244	22,497
BNY ConvergEx Group, LLC, 14.00%, 10/2/14	Business Services	$ 15,000	15,000	15,000
Brenntag Holding GmbH & Co. KG, E+900, 1/25/16	Chemicals	15,616	18,546	21,398
Collect America, Ltd., 13.50%, 8/5/12♦	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
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	2,176	2,641	2,969
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	15,126	18,503	20,638
FleetPride Corporation, 11.50%, 10/1/14♦	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.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2007

(in thousands)

	Industry	Par Amount*	Cost	Fair Value (2)
Subordinated Debt/Corporate Notes (continued)				
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. (Travelex), 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
Total Subordinated Debt/Corporate Notes			**$ 1,385,323**	**$ 1,433,603**

	Industry	Shares	Cost	Fair Value
Preferred Equity 5.3%				
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
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
Total Preferred Equity			**$ 97,976**	**$ 98,297**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2007

(in thousands, except shares/warrants)

	Industry	Shares	Cost	Fair Value(2)
Common Equity/Partnership Interests 10.3%				
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
Total Common Equity and Partnership Interests			**$ 120,134**	**$ 189,768**

	Industry	Warrants	Cost	Fair Value
Warrants 0.6%				
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
Total Warrants			**$ 3,514**	**$ 11,416**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

March 31, 2007

(in thousands)

	Industry	Par Amount*	Cost	Fair Value[2]
Bank Debt/Senior Secured Loans[6] 33.3%				
1st Lien Bank Debt/Senior Secured Loans 2.2 %				
Gray Wireline Service, Inc., 2/28/13	Oil & Gas	$ 40,000	$ 39,631	$ 40,000
2nd Lien Bank Debt/Senior Secured Loans 31.1%				
American Asphalt & Grading Co., 7/10/09	Infrastructure	27,499	27,499	16,499
BNY Convergex 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
Total 2nd Lien Bank Debt/Senior Secured Loans			**$ 597,822**	**$ 575,897**
Total Bank Debt/Senior Secured Loans			**$ 637,453**	**$ 615,897**
Total Investments			**$ 2,244,400**	**$ 2,348,981**
Cash Equivalents 58.9%				
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
Total Cash Equivalents			**$ 1,089,792**	**$ 1,089,792**
Total Investments & Cash Equivalents 185.9%[7]			**$ 3,334,192**	**$ 3,438,773**
Liabilities in excess of other assets (85.9%)				**(1,589,025)**

Net Assets 100.0%	**$ 1,849,748**

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(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.

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APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (continued)

Industry Classification	Percentage at March 31, 2007
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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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Apollo Investment Corporation

We have reviewed the accompanying statements of assets and liabilities of Apollo Investment Corporation (the Company) as of June 30, 2007 and March 31, 2007, including the schedules of investments, the related statements of operations for the three months ended June 30, 2007 and June 30, 2006 and of cash flows for the three months ended June 30, 2007 and June 30, 2006 and the statements of changes in net assets for the three-month period ended June 30, 2007 and for the year ended March 31, 2007. These interim financial statements are the responsibility of the Company s management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of assets and liabilities as of March 31, 2007, and the related statements of operations, of cash flows and of changes in net assets for the year then ended, management s assessment of the effectiveness of the Company s internal control over financial reporting as of March 31, 2007 and the effectiveness of the Company s internal control over financial reporting as of March 31, 2007; and in our report dated May 29, 2007, we expressed unqualified opinions thereon. The financial statements and management s assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying statement of assets and liabilities as of March 31, 2007, is fairly stated in all material respects in relation to the statement of assets and liabilities from which it has been derived.

/s/ PricewaterhouseCoopers LLP
New York, New York
September 8, 2007

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$1,125,000,000

Common Stock

Preferred Stock

Warrants

Debt Securities

Apollo Investment Corporation is a closed-end, non-diversified management investment company that has elected to be treated as a business development company, or BDC, under the Investment Company Act of 1940, or 1940 Act. Our investment objective is to generate both current income and capital appreciation through debt and equity investments. We invest primarily in middle-market companies in the form of mezzanine and senior secured loans, each of which may include an equity component, as well as by making direct equity investments in such companies. We fund a portion of our investment with borrowed money, a practice commonly known as leverage. We can offer no assurances that we will continue to achieve our objective.

Apollo Investment Management, L.P., an affiliate of Apollo Management, L.P., a leading private equity investor, serves as our investment adviser. Apollo Investment Administration, LLC provides the administrative services necessary for us to operate.

We may offer, from time to time, in one or more offerings or series, together or separately, up to $1,125,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, which we refer to, collectively, as the securities. The securities may be offered at prices and on terms to be described in one or more supplements to this prospectus.

Our common stock is quoted on The Nasdaq Global Select Market under the symbol AINV. The last reported closing price for our common stock on August 23, 2007 was $ 21.90 per share.

This prospectus, and the accompanying prospectus supplement, if any, contains important information you should know before investing in our securities. Please read it before you invest and keep it for future reference. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. This information is available free of charge by contacting us at 9 West 57th Street, New York, NY 10019 or by telephone at (212) 515-3450 or on our website at *www.apolloic.com*. The SEC also maintains a website at *www.sec.gov* that contains such information free of charge.

Investing in our securities involves a high degree of risk. Before buying any securities, you should read the discussion of the material risks of investing in our securities in Risk Factors beginning on page 9 of this prospectus.

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

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

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You should rely only on the information contained in this prospectus and the accompanying prospectus supplement, if any. We have not authorized anyone to provide you with additional information, or information different from that contained in this prospectus and the accompanying prospectus supplement, if any. If anyone provides you with different or additional information, you should not rely on it. We are offering to sell, and seeking offers to buy, securities only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this prospectus and the accompanying prospectus supplement, if any, is accurate only as of the date of this prospectus or such prospectus supplement. The Company will update these documents to reflect material changes as required by law. Our business, financial condition, results of operations and prospects may have changed since then.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, using the shelf registration process. Under the shelf registration process, we may offer, from time to time, up to $1,125,000,000 of our common stock, preferred stock, debt securities or warrants

representing rights to purchase shares of our common stock, preferred stock or debt securities on the terms to be determined at the time of the offering. The securities may be offered at prices and on terms described in one or more supplements to this prospectus. This prospectus provides you with a general description of the securities that we may offer. Each time we use this prospectus to offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. Please carefully read this prospectus and any prospectus supplement together with any exhibits and the additional information described under the headings Available Information and Risk Factors before you make an investment decision.

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PROSPECTUS SUMMARY

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

Apollo Investment

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

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

Our portfolio is comprised primarily of investments in long-term subordinated loans, referred to as mezzanine loans, and senior secured loans of private middle-market companies, and from time to time includes equity interests such as common stock, preferred stock, warrants or options. Our targeted investment size typically ranges between $20 million and $250 million, although this investment size may vary proportionately as the size of our capital base changes. In this prospectus, we use the term middle-market to refer to companies with annual revenues between $50 million and $2 billion.

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

During our fiscal year ended March 31, 2007, we invested $1.4 billion, across 24 new and several existing portfolio companies. This compares to investing $1.1 billion in 26 new and several existing portfolio companies for the previous fiscal year ended March 31, 2006. Investments sold or prepaid during the fiscal year ended March 31, 2007 totaled $845 million versus $452 million for the fiscal year ended March 31, 2006. Total invested capital since the IPO through March 31, 2007 is $3.4 billion. Of this amount, $2.9 billion were investments in U.S. companies and $527 million was invested in non-U.S. companies. At March 31, 2007, the weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.3% and 13.1%, respectively. At March 31, 2006, the yields were 13.6%, 12.2%, and 13.1%, respectively.

At March 31, 2007, our net portfolio consisted of 57 portfolio companies and was invested 61% in subordinated debt, 4% in preferred equity, 9% in common equity and warrants and 26% in senior secured loans versus 46 portfolio companies invested 60% in subordinated debt, 2% in preferred equity, 7% in common equity and 31% in senior secured loans at March 31, 2006.

While our primary focus is to generate both current income and capital appreciation through investments in loans and debt securities, both senior and subordinated, and private equity, we may invest a portion of the portfolio in opportunistic investments, such as foreign securities.

About Apollo

Founded in 1990, Apollo is a leading global alternative asset manager with a proven track record of successful private equity, distressed debt and mezzanine investing. Apollo raises, invests and manages private equity and capital markets funds on behalf of some of the world s most prominent pension and endowment funds as well as other institutional and individual investors. As of June 30, 2007, Apollo had assets under management of approximately $27 billion in its private equity and capital markets businesses.

Apollo s investment approach is value-oriented, focusing on industries in which it has considerable knowledge, and emphasizing downside protection and the preservation of capital. Apollo has successfully applied its investment philosophy in flexible and creative ways over its 17-year history, allowing it to consistently find attractive investment opportunities, deploy capital up and down the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

Apollo s active private equity investment funds focus on making either control-oriented equity investments or distressed debt investments, either for control or non-control positions. In contrast, we seek to capitalize primarily on the significant investment opportunities emerging in the mezzanine segment of the lending market primarily for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo

Investment Management

AIM, our investment adviser, is led by a dedicated and growing team of investment professionals and is further supported by Apollo s team of 125 professionals as of June 30, 2007. AIM has now invested more than $3.4 billion in 86 companies with more than 55 financial sponsors since commencement of operations in April 2004. In addition, AIM expects to hire additional investment professionals in the future. AIM s investment committee currently consists of John J. Hannan, the Chairman of our board of directors, our Chief Executive Officer and Chairman of AIM s Investment Committee, James C. Zelter, our President and Chief Operating Officer and a Vice President of the general partner of AIM, Patrick J. Dalton, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM, Edward Tam, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM and José Briones, a Vice President of the general partner of AIM. The composition of the Investment Committee of AIM may change from time to time. AIM draws upon Apollo s 17 year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in a multitude of different industries and over 150 companies in the United States and Western Europe.

About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, AIA also oversees our financial records as well as the preparation of our reports to stockholders and reports filed with the SEC. AIA oversees the determination and publication of our net asset value, oversees the preparation and filing of our tax returns, and generally monitors the payment of our expenses and the

performance of administrative and professional services rendered to us by others. Furthermore, AIA provides on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance.

Operating and Regulatory Structure

Our investment activities are managed by AIM and supervised by our board of directors, a majority of whom are independent of Apollo and its affiliates. AIM is an investment adviser that is registered under the Investment Advisers Act of 1940, or the Advisers Act. Under our investment advisory and management agreement, we pay AIM an annual base management fee based on our gross assets as well as an incentive fee based on our performance. See Management Investment Advisory and Management Agreement.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. See Regulation. We have elected to be treated for federal income tax purposes as a RIC. For more information, see Material U.S. Federal Income Tax Considerations.

Determination of Net Asset Value

The net asset value per share of our outstanding shares of common stock is determined quarterly by dividing the value of our total assets minus our liabilities by the total number of our shares outstanding.

In calculating the value of our total assets, we value investments for which market quotations are readily available at such market quotations if such quotations are deemed to represent fair value. Market quotations may be deemed not to represent fair value in certain circumstances where AIM believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security causes current market quotes to not reflect the fair value of the security. Examples of these events could include cases in which material events are announced after the close of the market on which a security is primarily traded, when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a fire sale by a distressed seller. Debt and equity securities that are not publicly traded or whose market price is not readily available or whose market quotations are not deemed to represent fair value are valued at fair value as determined in good faith by our or under the direction of our board of directors pursuant to a valuation policy and a consistently applied valuation process utilizing the input of our investment adviser, independent valuation firms, and the audit committee. Because there is no readily available market value for a significant portion of the investments in our portfolio, we value these portfolio investments at fair value.

Due to the inherent uncertainty of determining the fair value of our investments, the value of our investments may differ significantly from the values that would have been used had a readily available market existed for such investments, and the differences could be material. Determination of fair values involves subjective judgments and estimates not susceptible to substantiation by auditing procedures. Accordingly, under current auditing standards, the notes to our financial statements refer to the uncertainty with respect to the possible effect of such valuations, and any change in such valuations, on our financial statements. For more information, see Determination of Net Asset Value.

Use of Proceeds

We intend to use the net proceeds from the sale of our securities pursuant to this prospectus for general corporate purposes, which includes investing in portfolio companies in accordance with our investment objective and strategies and repaying indebtedness incurred under our senior credit facility.

We anticipate that substantially all of the net proceeds of an offering of securities pursuant to this prospectus will be used for the above purposes within two years, depending on the availability of appropriate investment opportunities consistent with our investment objective and market conditions. Our portfolio currently consists primarily of senior loans, mezzanine loans and equity securities. Pending such investments, we will use the net proceeds of an offering to invest in cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility or for other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering. For more information, see Use of Proceeds.

Dividends on Common Stock

We intend to continue to distribute quarterly dividends to our common stockholders. Our quarterly dividends, if any, will be determined by our board of directors. For more information, see Dividends.

Dividends on Preferred Stock

We may issue preferred stock from time to time, although we have no immediate intention to do so. If we issue shares of preferred stock, holders of such preferred stock will be entitled to receive cash dividends at an annual rate that will be fixed or will vary for the successive dividend periods for each series. In general, the dividend periods for fixed rate preferred stock will be quarterly and for any auction rate preferred stock, or ARPS, will be weekly subject to extension. With respect to ARPS, the dividend rate will be variable and will be determined for each dividend period.

Dividend Reinvestment Plan

We have adopted an opt-out dividend reinvestment plan that provides for reinvestment of our dividend distributions on behalf of our stockholders, unless a stockholder elects to receive cash. As a result, if our board of directors authorizes, and we declare, a cash dividend, then our stockholders who have not opted out of our dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of our common stock, rather than receiving the cash dividends. A registered stockholder must notify our transfer agent in writing if they wish to opt-out of the dividend reinvestment plan. For more information, see Dividend Reinvestment Plan.

Plan of Distribution

We may offer, from time to time, up to $1,125,000,000 of our common stock, preferred stock, debt securities or warrants representing rights to purchase shares of our common stock, preferred stock or debt securities, on terms to be determined at the time of the offering.

Securities may be offered at prices and on terms described in one or more supplements to this prospectus directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The supplement to this prospectus relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee and commission or discount arrangement or the basis upon which such amount may be calculated. In compliance with the guidelines of the Financial Industry Regulatory Authority, Inc. (FINRA), formerly known as the National Association of Securities Dealers, Inc., the maximum compensation to the underwriters or dealers in connection with the sale of our securities pursuant to this prospectus and the accompanying supplement to this

prospectus may not exceed 8% of the aggregate offering price of the securities as set forth on the cover page of the supplement to this prospectus.

We may not sell securities pursuant to this prospectus without delivering a prospectus supplement describing the method and terms of the offering of such securities. For more information, see Plan of Distribution.

Our Corporate Information

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

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	[1]
Offering expenses (as a percentage of offering price)	[2]
Total common stockholder expenses (as a percentage of offering price)	[3]
Annual expenses (as percentage of net assets attributable to common stock)[4]:	
Management fees	2.19%[5]
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income in excess of hurdle and 20% of net realized capital gains net of gross unrealized capital losses)	3.13%[6]
Other expenses	.43%[7]
Interest and other credit facility related expenses on borrowed funds	1.86%[8]
Total annual expenses[9]	7.61%[5][6][7][8]

Example

The following example demonstrates the projected dollar amount of total cumulative expenses that would be incurred over various periods with respect to a hypothetical investment in our common stock. These dollar amounts are based upon payment by an investor of a 4.25% sales load (underwriting discounts and commissions), offering expenses totaling 0.20% and the assumption that our annual operating expenses (other than performance-based incentive fees) and leverage would remain at the levels set forth in the table above.

	1 year	3 years	5 years	10 years
You would pay the following expenses on a $1,000 investment, assuming a 5% annual return	$ 87	$ 174	$ 261	$ 484

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

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

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(1) In the event that the securities to which this prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.

(2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.

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

(4) Net assets attributable to common stock equals net assets as of March 31, 2007.

(5) The contractual management fee is calculated at an annual rate of 2.00% of our average gross total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Note 3 and Note 9 of our financial statements dated March 31, 2007 included in this prospectus.

(6) Assumes that annual incentive fees earned by our investment advisor, AIM, remain consistent with the incentive fees earned by AIM for the fiscal year ended March 31, 2007. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement.

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

(8) Our interest and other credit facility expenses are based on current fiscal year estimates. As of March 31, 2007, we had $1.208 billion available and $492 million in borrowings outstanding under our $1.7 billion credit facility. For more information, see Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us in this prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus.

(9) Total annual expenses as a percentage of net assets attributable to common stock are higher than the total annual expenses percentage would be for a company that is not leveraged. We borrow money to leverage our net assets and increase our total assets. The SEC requires that the Total annual expenses percentage be calculated as a percentage of net assets (defined as total assets less indebtedness), rather than the total assets, including assets that have been funded with borrowed monies. If the Total annual expenses percentage were calculated instead as a percentage of total assets, our Total annual expenses would be 4.84% of total assets. For a presentation and calculation of total annual expenses based on total assets, see page 28 of this base prospectus.

R ISK FACTORS

Before you invest in our shares, you should be aware of various risks, including those described below. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide whether to make an investment in our securities. The risks set out below are not the only risks we face. If any of the following events occur, our business, financial condition and results of operations could be materially adversely affected. In such case, our net asset value and the trading price of our common stock could decline or the value of our preferred stock, debt securities or warrants may decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND STRUCTURE

We can offer no assurance that we will be able to replicate our own success or the success of Apollo s private funds and our investment returns could be substantially lower than the returns achieved by those private funds.

Even though AIM is led by senior investment professionals of Apollo who apply the value-oriented philosophy and techniques used by the Apollo investment professionals in their private fund investing, our investment strategies and objective differ from those of other private funds that are or have been managed by the Apollo investment professionals. Further, investors in Apollo Investment are not acquiring an interest in other Apollo funds. Further, while Apollo Investment may consider potential co-investment participation in portfolio investments with other Apollo funds, any such investment activity is subject to a number of limitations, including applicable allocation policies and regulatory limitations on certain types of co-investment activity. Certain types of negotiated co-investments may be made only if we receive an order from the SEC permitting us to do so. There can be no assurance that any such order will be obtained. Accordingly, we can offer no assurance that Apollo Investment will replicate Apollo s historical success, and we caution you that our investment returns could be substantially lower than the returns achieved by those private funds. Finally, we can offer no assurance that AIM will be able to continue to implement our investment objective with the same degree of success as it has in the past or that shares of our common stock will continue to trade at the current level.

We are dependent upon Apollo Investment Management s key personnel for our future success and upon their access to Apollo s investment professionals and partners.

We depend on the diligence, skill and network of business contacts of the senior management of AIM. Members of our senior management may depart at any time. For a description of the senior management team, see Management. We also depend, to a significant extent, on AIM s access to the investment professionals and partners of Apollo and the information and deal flow generated by the Apollo investment professionals in the course of their investment and portfolio management activities. The senior management of AIM evaluates, negotiates, structures, closes and monitors our investments. Our future success depends on the continued service of the senior management team of AIM. The departure of any directors or any senior managers of AIM, or of a significant number of the investment professionals or partners of Apollo, could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that AIM will remain our investment adviser or that we will continue to have access to Apollo s partners and investment professionals or its information and deal flow.

Our financial condition and results of operation depend on our ability to manage future growth effectively.

Our ability to achieve our investment objective depends, in part, on our ability to grow, which depends, in turn, on AIM s ability to identify, invest in and monitor companies that meet our investment criteria. Accomplishing this result on a cost-effective basis is largely a function of AIM s structuring of the investment process, its ability to provide competent, attentive and efficient services to us and our access to financing on acceptable terms. The senior management team of AIM has substantial responsibilities under the investment advisory and management agreement, as well as in connection with their roles as officers of other Apollo funds.

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They may also be called upon to provide managerial assistance to our portfolio companies as principals of our administrator. These demands on their time may distract them or slow the rate of investment. In order to grow, we and AIM need to hire, train, supervise and manage new employees. Any failure to manage our future growth effectively could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly competitive market for investment opportunities.

A number of entities compete with us to make the types of investments that we make. We compete with public and private funds, commercial and investment banks, commercial financing companies, and, to the extent they provide an alternative form of financing, private equity funds. Additionally, because competition for investment opportunities generally has increased among alternative investment vehicles, such as hedge funds, those entities have begun to invest in areas they have not traditionally invested in. As a result of these new entrants, competition for investment opportunities has intensified and we expect that trend to continue. Some of our existing and potential competitors are substantially larger and have considerably greater financial, technical and marketing resources than we do. For example, some competitors may have a lower cost of funds and access to funding sources that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, many of our competitors are not subject to the regulatory restrictions that the 1940 Act imposes on us as a BDC. We cannot assure you that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this existing and increasing competition, we may not be able to take advantage of attractive investment opportunities from time to time, and we can offer no assurance that we will be able to identify and make investments that are consistent with our investment objective.

We do not seek to compete primarily based on the interest rates we offer, and we believe that some of our competitors make loans with interest rates that are comparable to or lower than the rates we offer.

We may lose investment opportunities if we do not match our competitors pricing, terms and structure. If we match our competitors pricing, terms and structure, we may experience decreased net interest income and increased risk of credit loss.

Any failure on our part to maintain our status as a BDC would reduce our operating flexibility.

If we do not remain a BDC, we might be regulated as a closed-end investment company under the 1940 Act, which would subject us to substantially more regulatory restrictions under the 1940 Act and correspondingly decrease our operating flexibility.

We will be subject to corporate-level income tax if we are unable to qualify as a RIC.

To qualify as a RIC under the Code, we must meet certain source-of-income, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders on an annual basis. To the extent we use debt financing, we are subject to certain asset coverage ratio requirements under the 1940 Act and financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to corporate-level income tax. To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each calendar quarter. Failure to meet these tests may result in our having to dispose of certain investments quickly in order to prevent the loss of RIC status. Because most of our investments are in private companies, any such dispositions could be made at disadvantageous prices and may result in substantial losses. If we fail to qualify as a RIC for any reason and become subject to corporate-level income tax, the resulting corporate-level taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our distributions. Such a failure would have a material adverse effect on us and our stockholders.

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We may have difficulty paying our required distributions if we recognize income before or without receiving cash representing such income.

For federal income tax purposes, we include in income certain amounts that we have not yet received in cash, such as original issue discount, which may arise if we receive warrants in connection with the making of a loan or possibly in other circumstances, or payment-in-kind interest, which represents contractual interest added to the loan balance and due at the end of the loan term. Such original issue discount, which could be significant relative to Apollo Investment s overall investment activities, or increases in loan balances as a result of payment-in-kind arrangements are included in income before we receive any corresponding cash payments. We also may be required to include in income certain other amounts that we do not receive in cash.

That part of the incentive fee payable by us that relates to our net investment income is computed and paid on income that may include interest that has been accrued but not yet received in cash. If a portfolio company defaults on a loan that is structured to provide accrued interest, it is possible that accrued interest previously used in the calculation of the incentive fee will become uncollectible.

Since in certain cases we may recognize income before or without receiving cash representing such income, we may have difficulty meeting the tax requirement to distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to maintain our status as a RIC. Accordingly, we may have to sell some of our investments at times we would not consider advantageous, raise additional debt or equity capital or reduce new investment originations to meet these distribution requirements. See Material U.S. Federal Income Tax Considerations Taxation as a RIC.

Regulations governing our operation as a BDC affect our ability to, and the way in which we raise additional capital.

We may issue debt securities or preferred stock and/or borrow money from banks or other financial institutions, which we refer to collectively as senior securities, up to the maximum amount permitted by the 1940 Act. Under the provisions of the 1940 Act, we are permitted, as a BDC, to issue senior securities only in amounts such that our asset coverage, as defined in the 1940 Act, equals at least 200% after each issuance of senior securities. If the value of our assets declines, we may be unable to satisfy this test. If that happens, we may be required to sell a portion of our investments and, depending on the nature of our leverage, repay a portion of our indebtedness at a time when such sales may be disadvantageous.

We are not generally able to issue and sell our common stock at a price below net asset value per share. We may, however, sell our common stock at a price below the current net asset value of the common stock, or sell warrants, options or rights to acquire such common stock at a price below the current net asset value of the stock, if our board of directors determines that such sale is in the best interests of Apollo Investment and its stockholders, and our stockholders approve Apollo Investment s policy and practice of making such sales. In any such case, the price at which our securities are to be issued and sold may not be less than a price which, in the determination of our board of directors, closely approximates the market value of such securities (less any distributing commission or discount).

In addition to issuing securities to raise capital as described above, we may in the future seek to securitize our loans to generate cash for funding new investments. To securitize loans, we may create a wholly owned subsidiary and contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who we would expect to be willing to accept a substantially lower interest rate than the loans earn. We would retain all or a portion of the equity in the securitized pool of loans. Our retained equity would be exposed to any losses on the portfolio of loans before any of the debt securities would be exposed to such losses. Accordingly, if the pool of loans experienced a low level of losses due to defaults, we would earn an incremental amount of income on our retained equity but we would be exposed, up to the amount of equity we retained, to that proportion of any losses we would have experienced if we had continued to hold the loans in our portfolio. We would not treat the debt issued by such a subsidiary as senior securities. An inability to

successfully securitize our loan portfolio could limit our ability to grow our business and fully execute our business strategy, and could decrease our earnings, if any. Moreover, the successful securitization of our loan portfolio might expose us to losses as the residual loans in which we do not sell interests may tend to be those that are riskier and more apt to generate losses.

We currently use borrowed funds to make investments and are exposed to the typical risks associated with leverage.

We are exposed to increased risk of loss due to our use of debt to make investments. A decrease in the value of our investments will have a greater negative impact on the value of our common stock than if we did not use debt. Our ability to pay dividends will be restricted if our asset coverage ratio falls below at least 200% and any amounts that we use to service our indebtedness are not available for dividends to our common stockholders.

Our current and future debt securities are and may be governed by an indenture or other instrument containing covenants restricting our operating flexibility. We, and indirectly our stockholders, bear the cost of issuing and servicing such securities. Any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock.

We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us.

Borrowings, also known as leverage, magnify the potential for gain or loss on amounts invested and, therefore, increase the risks associated with investing in our securities. Our lenders have fixed dollar claims on our consolidated assets that are superior to the claims of our common stockholders or any preferred stockholders. If the value of our consolidated assets increases, then leveraging would cause the net asset value to increase more sharply than it would have had we not leveraged. Conversely, if the value of our consolidated assets decreases, leveraging would cause net asset value to decline more sharply than it otherwise would have had we not leveraged. Similarly, any increase in our consolidated income in excess of consolidated interest payable on the borrowed funds would cause our net income to increase more than it would without the leverage, while any decrease in our consolidated income would cause net income to decline more sharply than it would have had we not borrowed. Such a decline could negatively affect our ability to make common stock dividend payments. Leverage is generally considered a speculative investment technique.

We may in the future determine to fund a portion of our investments with preferred stock, which would magnify the potential for gain or loss and the risks of investing in us in the same way as our borrowings.

Preferred stock, which is another form of leverage, has the same risks to our common stockholders as borrowings because the dividends on any preferred stock we issue must be cumulative. Payment of such dividends and repayment of the liquidation preference of such preferred stock must take preference over any dividends or other payments to our common stockholders, and preferred stockholders are not subject to any of our expenses or losses and are not entitled to participate in any income or appreciation in excess of their stated preference.

Changes in interest rates may affect our cost of capital and net investment income.

Because we borrow money, and may issue preferred stock to finance investments, our net investment income will depend, in part, upon the difference between the rate at which we borrow funds or pay dividends on preferred stock and the rate at which we invest these funds. As a result, we can offer no assurance that a significant change in market interest rates will not have a material adverse effect on our net investment income. In periods of rising interest rates, our cost of funds would increase except to the extent we issue fixed rate debt or preferred stock, which could reduce our net investment income. Our long-term fixed-rate investments are financed primarily with equity and long-term debt. We may use interest rate risk management techniques in an

effort to limit our exposure to interest rate fluctuations. Such techniques may include various interest rate hedging activities to the extent permitted by the 1940 Act. We have analyzed the potential impact of changes in interest rates on interest income net of interest expense. Assuming that the balance sheet were to remain constant and no actions were taken to alter the existing interest rate sensitivity, a hypothetical immediate 1% change in interest rates would have adversely affected our net income over a one-year horizon. Although management believes that this is indicative of our sensitivity to interest rate changes, it does not adjust for potential changes in credit quality, size and composition of the assets on the balance sheet and other business developments that could affect net increase in net assets resulting from operations, or net income. Accordingly, no assurances can be given that actual results would not differ materially from the potential outcome simulated by this estimate.

You should also be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates we receive on many of our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase in the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income.

We need to raise additional capital to grow because we must distribute most of our income.

We may need additional capital to fund growth in our investments. We have issued equity securities and have borrowed from financial institutions. A reduction in the availability of new capital could limit our ability to grow. We must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, to our stockholders to maintain our regulated investment company status. As a result, such earnings are not available to fund investment originations. We expect to continue to borrow from financial institutions and issue additional debt and equity securities. If we fail to obtain funds from such sources or from other sources to fund our investments, it could limit our ability to grow, which may have an adverse effect on the value of our securities. In addition, as a BDC, we are generally required to maintain a ratio of at least 200% of total assets to total borrowings and preferred stock, which may restrict our ability to borrow or issue additional preferred stock in certain circumstances.

Many of our portfolio investments are recorded at fair value as determined in good faith by or under the direction of our board of directors and, as a result, there is uncertainty as to the value of our portfolio investments.

A large percentage of our portfolio investments are not publicly traded. The fair value of these investments may not be readily determinable. We value these investments quarterly 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 our investment adviser, independent valuation firms and the audit committee. Our board of directors utilizes the services of several independent valuation firms to aid it in determining the fair value of these investments. The types of factors that may be considered in fair value pricing of these investments include the nature and realizable value of any collateral, the portfolio company s ability to make payments and its earnings, the markets in which the portfolio company does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, our determinations of fair value may differ materially from the values that would have been used if a readily available market for these investments existed and may differ materially from the amounts we realize on any disposition of such investments. Our net asset value could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon the disposal of such investments.

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The lack of liquidity in our investments may adversely affect our business.

We generally make investments in private companies. Substantially all of these securities are subject to legal and other restrictions on resale or are otherwise less liquid than publicly traded securities. The illiquidity of our investments may make it difficult for us to sell such investments if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our investments. In addition, we may face other restrictions on our ability to liquidate an investment in a portfolio company to the extent that we or an affiliated manager of Apollo has material non-public information regarding such portfolio company.

We may experience fluctuations in our periodic results.

We could experience fluctuations in our periodic operating results due to a number of factors, including the interest rates payable on the debt securities we acquire, the default rate on such securities, the level of our expenses (including the interest rates payable on our borrowings, the dividends rates on preferred stock we issue, variations in and the timing of the recognition of realized and unrealized gains or losses, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, results for any period should not be relied upon as being indicative of performance in future periods.

There are significant potential conflicts of interest which could adversely affect our investment returns.

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 a related line of business as we do or of investment funds managed by our affiliates. Accordingly, they may have obligations to investors in those entities, the fulfillment of which might not be in the best interests of us or our stockholders. Moreover, we note that, notwithstanding the difference in principal investment objectives between us and other Apollo funds, such other Apollo sponsored funds, including new affiliated potential pooled investment vehicles or managed accounts not yet established, have and may from time to time have overlapping investment objectives with us and, accordingly, invest in, whether principally or secondarily, asset classes similar to those targeted by us. To the extent such other investment vehicles have overlapping investment objectives, the scope of opportunities otherwise available to us may be adversely affected and/or reduced. As a result, the partners of AIM may face conflicts in their time management and commitments as well as in the allocation of investment opportunities to other Apollo funds. In addition, in the event such investment opportunities are allocated among ourselves and other investment vehicles affiliated with AIM, our desired investment portfolio may be adversely affected. Although AIM endeavors to allocate investment opportunities in a fair and equitable manner, it is possible that we may not be given the opportunity to participate in certain investments made by investment funds managed by investment managers affiliated with AIM.

There are no information barriers amongst Apollo and certain of its affiliates. If AIM were to receive material non-public information about a particular company, or have an interest in investing in a particular company, Apollo or certain of its affiliates may be prevented from investing in such company. Conversely, if Apollo or certain of its affiliates were to receive material non-public information about a particular company, or have an interest in investing in a particular company, we may be prevented in investing in such company.

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

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In the course of our investing activities, we pay management and incentive fees to AIM, and reimburse AIM for certain expenses it incurs. As a result, investors in our common stock invest on a gross basis and receive distributions on a net basis after expenses, resulting in, among other things, a lower rate of return than one might achieve through direct investments. As a result of this arrangement, there may be times when the management team of AIM has interests that differ from those of our common stockholders, giving rise to a conflict.

AIM receives a quarterly incentive fee based, in part, on our pre-incentive fee income, if any, for the immediately preceding calendar quarter. This incentive fee is subject to a quarterly hurdle rate before providing an incentive fee return to the investment adviser. To the extent we or AIM are able to exert influence over our portfolio companies, the quarterly pre-incentive fee may provide AIM with an incentive to induce our portfolio companies to accelerate or defer interest or other obligations owed to us from one calendar quarter to another.

We have entered into a royalty-free license agreement with Apollo, pursuant to which Apollo has agreed to grant us a non-exclusive license to use the name Apollo. Under the license agreement, we have the right to use the Apollo name for so long as AIM or one of its affiliates remains our investment adviser. In addition, we rent office space from AIA, an affiliate of AIM, and pay Apollo Administration our allocable portion of overhead and other expenses incurred by AIA in performing its obligations under the administration agreement, including our allocable portion of the cost of our Chief Financial Officer and Chief Compliance Officer and their respective staffs, which can create conflicts of interest that our board of directors must monitor.

Changes in laws or regulations governing our operations may adversely affect our business.

We and our portfolio companies are subject to regulation by laws at the local, state and federal levels. These laws and regulations, as well as their interpretation, may be changed from time to time. Accordingly, any change in these laws or regulations could have a material adverse affect on our business.

Provisions of the Maryland General Corporation Law and of our charter and bylaws could deter takeover attempts and have an adverse impact on the price of our common stock.

The Maryland General Corporation Law, our charter and our bylaws contain provisions that may discourage, delay or make more difficult a change in control of Apollo Investment or the removal of our directors. We are subject to the Maryland Business Combination Act, subject to any applicable requirements of the 1940 Act. Our board of directors has adopted a resolution exempting from the Business Combination Act any business combination between us and any other person, subject to prior approval of such business combination by our board of directors, including approval by a majority of our disinterested directors. If the resolution exempting business combinations is repealed or our board of directors does not approve a business combination, the Business Combination Act may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. Our bylaws exempt from the Maryland Control Share Acquisition Act acquisitions of our common stock by any person. If we amend our bylaws to repeal the exemption from the Control Share Acquisition Act, the Control Share Acquisition Act also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer.

We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our charter classifying our board of directors in three classes serving staggered three-year terms, and provisions of our charter authorizing our board of directors to classify or reclassify shares of our stock in one or more classes or series, to cause the issuance of additional shares of our stock, and to amend our charter, without stockholder approval, to increase or decrease the number of shares of stock that we have authority to issue. These provisions, as well as other provisions of our charter and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our stockholders.

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RISKS RELATED TO OUR INVESTMENTS

We may not realize gains from our equity investments.

When we invest in mezzanine or senior secured loans, we have and may continue to acquire warrants or other equity securities as well. In addition, we may invest directly in the equity securities of portfolio companies. Our goal is ultimately to dispose of such equity interests and realize gains upon our disposition of such interests. However, the equity interests we receive may not appreciate in value and, in fact, may decline in value. Accordingly, we may not be able to realize gains from our equity interests, and any gains that we do realize on the disposition of any equity interests may not be sufficient to offset any other losses we experience.

Our ability to invest in public companies may be limited in certain circumstances.

As a BDC, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). If we invest in an issuer that, at the time we make the investment, has outstanding securities listed on a national securities exchange, these acquired assets cannot in certain circumstances be treated as qualifying assets. This treatment results from the definition of eligible portfolio company under the 1940 Act, which in part looks to whether a company has outstanding securities that are listed on a national securities exchange.

Our portfolio is concentrated in a limited number of portfolio companies, which subject us to a risk of significant loss if any of these companies defaults on its obligations under any of its debt securities.

A consequence of the limited number of investments in our portfolio is that the aggregate returns we realize may be significantly adversely affected if a small number of investments perform poorly or if we need to write down the value of any one investment. Beyond our income tax diversification requirements, we do not have fixed guidelines for diversification, and our investments could be concentrated in relatively few portfolio companies.

Our investments in prospective portfolio companies may be risky, and you could lose all or part of your investment.

Investment in middle-market companies involves a number of significant risks. Middle-market companies may have limited financial resources and may be unable to meet their obligations under their debt securities that we hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of us realizing any guarantees we may have obtained in connection with our investment. In addition, they typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors actions and market conditions, as well as general economic downturns. Middle-market companies are more likely to depend on the management talents and efforts of a small group of persons; therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on our portfolio company and, in turn, on us. Middle-market companies also generally have less predictable operating results, may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence, and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. In addition, our executive officers, directors and our investment adviser may, in the ordinary course of business, be named as defendants in litigation arising from our investments in the portfolio companies.

Economic recessions or downturns could impair our portfolio companies and harm our operating results.

Many of our portfolio companies may be susceptible to economic slowdowns or recessions and may be unable to repay our loans during these periods. Therefore, our non-performing assets are likely to increase and the value of our portfolio is likely to decrease during these periods. Adverse economic conditions also may decrease the value of collateral securing some of our loans and the value of our equity investments. Economic

slowdowns or recessions could lead to financial losses in our portfolio and a decrease in revenues, net income and assets. Unfavorable economic conditions also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. These events could prevent us from increasing investments and harm our operating results.

A portfolio company s failure to satisfy financial or operating covenants imposed by us or other lenders could lead to defaults and, potentially, termination of its loans and foreclosure on its secured assets, which could trigger cross-defaults under other agreements and jeopardize our portfolio company s ability to meet its obligations under the debt securities that we hold. We may incur expenses to the extent necessary to seek recovery upon default or to negotiate new terms with a defaulting portfolio company. In addition, if one of our portfolio companies were to go bankrupt, even though we or one of our affiliates may have structured our interest as senior debt, depending on the facts and circumstances, including the extent to which we actually provided managerial assistance to that portfolio company, a bankruptcy court might re-characterize our debt holding and subordinate all or a portion of our claim to that of other creditors.

Our failure to make follow-on investments in our portfolio companies could impair the value of our portfolio.

Following an initial investment in a portfolio company, we may make additional investments in that portfolio company as follow-on investments, in order to: (1) increase or maintain in whole or in part our equity ownership percentage; (2) exercise warrants, options or convertible securities that were acquired in the original or subsequent financing or (3) attempt to preserve or enhance the value of our investment.

We may elect not to make follow-on investments or otherwise lack sufficient funds to make those investments. We have the discretion to make any follow-on investments, subject to the availability of capital resources. The failure to make follow-on investments may, in some circumstances, jeopardize the continued viability of a portfolio company and our initial investment, or may result in a missed opportunity for us to increase our participation in a successful operation. Even if we have sufficient capital to make a desired follow-on investment, we may elect not to make a follow-on investment because we may not want to increase our concentration of risk, because we prefer other opportunities, or because we are inhibited by compliance with BDC requirements or the desire to maintain our tax status.

When we do not hold controlling equity interests in our portfolio companies, we may not be in a position to exercise control over our portfolio companies or to prevent decisions by management of our portfolio companies that could decrease the value of our investments.

As of March 31, 2007, we had not taken controlling equity positions in our portfolio companies. Subsequently we have taken a controlling interest in one portfolio company representing more than 5% of our net assets. To the extent that we do not hold a controlling equity interest in a portfolio company, we are subject to the risk that a portfolio company may make business decisions with which we disagree, and the stockholders and management of a portfolio company may take risks or otherwise act in ways that are adverse to our interests. Due to the lack of liquidity for the debt and equity investments that we typically hold in our portfolio companies, we may not be able to dispose of our investments in the event we disagree with the actions of a portfolio company, and may therefore suffer a decrease in the value of our investments.

An investment strategy focused primarily on privately-held companies presents certain challenges, including the lack of available information about these companies, a dependence on the talents and efforts of only a few key portfolio company personnel and a greater vulnerability to economic downturns.

We have invested and will continue to invest primarily in privately-held companies. Generally, little public information exists about these companies, and we are required to rely on the ability of AIM s investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies.

If we are unable to uncover all material information about these companies, we may not make a fully informed investment decision, and we may lose money on our investments. Also, privately-held companies frequently have less diverse product lines and smaller market presence than public company competitors, which often are larger. These factors could affect our investment returns.

Our portfolio companies may incur debt that ranks equally with, or senior to, our investments in such companies.

We have invested and intend to invest primarily in mezzanine and senior debt securities issued by our portfolio companies. The portfolio companies usually have, or may be permitted to incur, other debt that ranks equally with, or senior to, the debt securities in which we invest. By their terms, such debt instruments may provide that the holders are entitled to receive payment of interest or principal on or before the dates on which we are entitled to receive payments in respect of the debt securities in which we invest. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a portfolio company, holders of debt instruments ranking senior to our investment in that portfolio company would typically be entitled to receive payment in full before we receive any distribution in respect of our investment. After repaying such senior creditors, such portfolio company may not have any remaining assets to use for repaying its obligation to us. In the case of debt ranking equally with debt securities in which we invest, we would have to share on an equal basis any distributions with other creditors holding such debt in the event of an insolvency, liquidation, dissolution, reorganization or bankruptcy of the relevant portfolio company. In addition, we may not be in a position to control any portfolio company by investing in its debt securities. As a result, we are subject to the risk that a portfolio company in which we invest may make business decisions with which we disagree and the management of such company, as representatives of the holders of their common equity, may take risks or otherwise act in ways that do not serve our interests as debt investors.

Our incentive fee may induce AIM to make certain investments, including speculative investments.

The incentive fee payable by us to AIM may create an incentive for AIM to make investments on our behalf that are risky or more speculative than would be the case in the absence of such compensation arrangement. The way in which the incentive fee payable to AIM is determined, which is calculated as a percentage of the return on invested capital, may encourage our investment adviser to use leverage to increase the return on our investments. Under certain circumstances, the use of leverage may increase the likelihood of default, which would disfavor the holders of our common stock, including investors in offerings of common stock, securities convertible into our common stock or warrants representing rights to purchase our common stock or securities convertible into our common stock pursuant to this prospectus. In addition, AIM receives the incentive fee based, in part, upon net capital gains realized on our investments. Unlike the portion of the incentive fee based on income, there is no hurdle rate applicable to the portion of the incentive fee based on net capital gains. As a result, AIM may have a tendency to invest more in investments that are likely to result in capital gains as compared to income producing securities. Such a practice could result in our investing in more speculative securities than would otherwise be the case, which could result in higher investment losses, particularly during economic downturns.

The incentive fee payable by us to AIM also may create an incentive for AIM to invest on our behalf in instruments that have a deferred interest feature. Under these investments, we would accrue the interest over the life of the investment but would not receive the cash income from the investment until the end of the term. Our net investment income used to calculate the income portion of our investment fee, however, includes accrued interest. Thus, a portion of this incentive fee would be based on income that we have not yet received in cash.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds, and, to the extent we so invest, will bear our ratable share of any such investment company s expenses, including management and performance fees. We will also remain obligated to pay management and incentive fees to AIM with respect to the assets invested in the securities and instruments of other investment companies. With respect to each of these investments, each of our common stockholders will

bear his or her share of the management and incentive fee of AIM as well as indirectly bearing the management and performance fees and other expenses of any investment companies in which we invest.

Our investments in foreign securities may involve significant risks in addition to the risks inherent in U.S. investments.

Our investment strategy contemplates that a portion of our investments may be in securities of foreign companies. Investing in foreign companies may expose us to additional risks not typically associated with investing in U.S. companies. These risks include changes in exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of our investments are denominated in U.S. dollars, our investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency may change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation, and political developments. We may employ hedging techniques to minimize these risks, but we can offer no assurance that we will, in fact, hedge currency risk or, that if we do, such strategies will be effective.

If we engage in hedging transactions, we may expose ourselves to risks associated with such transactions. We may utilize instruments such as forward contracts, currency options and interest rate swaps, caps, collars and floors to seek to hedge against fluctuations in the relative values of our portfolio positions from changes in currency exchange rates and market interest rates. Hedging against a decline in the values of our portfolio positions does not eliminate the possibility of fluctuations in the values of such positions or prevent losses if the values of such positions decline. However, such hedging can establish other positions designed to gain from those same developments, thereby offsetting the decline in the value of such portfolio positions. Such hedging transaction may also limit the opportunity for gain if the values of the underlying portfolio positions should increase. Moreover, it may not be possible to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that we are not able to enter into a hedging transaction at an acceptable price.

While we may enter into transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency exchange rates or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss. In addition, it may not be possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of factors not related to currency fluctuations.

RISKS RELATED TO ISSUANCE OF OUR PREFERRED STOCK

An investment in our preferred stock should not constitute a complete investment program.

If we issue preferred stock, the net asset value and market value of our common stock may become more volatile.

We cannot assure that the issuance of preferred stock would result in a higher yield or return to the holders of the common stock. The issuance of preferred stock would likely cause the net asset value and market value of the common stock to become more volatile. If the dividend rate on the preferred stock were to approach the net rate of return on our investment portfolio, the benefit of leverage to the holders of the common stock would be reduced. If the dividend rate on the preferred stock were to exceed the net rate of return on our portfolio, the leverage would result in a lower rate of return to the holders of common stock than if we had not issued preferred stock. Any decline in the net asset value of our investments would be borne entirely by the holders of common stock. Therefore, if the market value of our portfolio were to decline, the leverage would result in a greater decrease in net asset value to the holders of common stock than if we were not leveraged through the issuance of preferred stock. This greater net asset value decrease would also tend to cause a greater decline in the market price for the common stock. We might be in danger of failing to maintain the required asset coverage of the preferred stock or of losing our ratings on the preferred stock or, in an extreme case, our current investment income might not be sufficient to meet the dividend requirements on the preferred stock. In order to counteract such an event, we might need to liquidate investments in order to fund a redemption of some or all of the preferred stock. In addition, we would pay (and the holders of common stock would bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred stock, including higher advisory fees if our total return exceeds the dividend rate on the preferred stock. Holders of preferred stock may have different interests than holders of common stock and may at times have disproportionate influence over our affairs.

Holders of any preferred stock we might issue would have the right to elect members of the board of directors and class voting rights on certain matters.

Holders of any preferred stock we might issue, voting separately as a single class, would have the right to elect two members of the board of directors at all times and in the event dividends become two full years in arrears would have the right to elect a majority of the directors until such arrearage is completely eliminated. In addition, preferred stockholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion to open-end status, and accordingly can veto any such changes. Restrictions imposed on the declarations and payment of dividends or other distributions to the holders of our common stock and preferred stock, both by the 1940 Act and by requirements imposed by rating agencies, might impair our ability to maintain its qualification as a RIC for federal income tax purposes. While we would intend to redeem our preferred stock to the extent necessary to enable us to distribute our income as required to maintain our qualification as a RIC, there can be no assurance that such actions could be effected in time to meet the tax requirements.

RISKS RELATING TO AN INVESTMENT IN OUR COMMON STOCK

Investing in our securities may involve an above average degree of risk.

The investments we make in accordance with our investment objective may result in a higher amount of risk than alternative investment options and volatility or loss of principal. Our investments in portfolio companies may be highly speculative and aggressive, therefore, an investment in our securities may not be suitable for someone with a low risk tolerance.

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There is a risk that investors in our equity securities may not receive dividends or that our dividends may not grow over time and that investors in our debt securities may not receive all of the interest income to which they are entitled.

We intend to make distributions on a quarterly basis to our stockholders out of assets legally available for distribution. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions. In addition, due to the asset coverage test applicable to us as a BDC, we may be limited in our ability to make distributions. Finally, if more stockholders opt to receive cash dividends rather than participate in our dividend reinvestment plan, we may be forced to liquidate some of our investments and raise cash in order to make dividend payments.

Our shares may trade at discounts from net asset value or at premiums that are unsustainable over the long term.

Shares of business development companies may trade at a market price that is less than the net asset value that is attributable to those shares. The possibility that our shares of common stock will trade at a discount from net asset value or at a premium that is unsustainable over the long term are separate and distinct from the risk that our net asset value will decrease. It is not possible to predict whether the shares offered hereby will trade at, above, or below net asset value.

The market price of our securities may fluctuate significantly.

The market price and liquidity of the market for our securities may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include:

- volatility in the market price and trading volume of securities of business development companies or other companies in our sector, which are not necessarily related to the operating performance of these companies;
- changes in regulatory policies or tax guidelines, particularly with respect to RICs or business development companies;
- loss of RIC status;
- changes in earnings or variations in operating results;
- changes in the value of our portfolio of investments;
- any shortfall in revenue or net income or any increase in losses from levels expected by investors or securities analysts;
- departure of AIM s key personnel;
- operating performance of companies comparable to us;
- general economic trends and other external factors; and
- loss of a major funding source.

We may allocate the net proceeds from this offering in ways with which you may not agree.

We have significant flexibility in investing the net proceeds of this offering and may use the net proceeds from this offering in ways with which you may not agree or for purposes other than those contemplated at the time of the offering.

We may be unable to invest the net proceeds raised from offerings on acceptable terms, which would harm our financial condition and operating results.

Until we identify new investment opportunities, we intend to either invest the net proceeds of future offerings in interest-bearing deposits or other short-term instruments or use the net proceeds from such offerings to reduce then-outstanding obligations under our credit facility. We cannot assure you that we will be able to find enough appropriate investments that meet our investment criteria or that any investment we complete using the proceeds from an offering will produce a sufficient return.

Sales of substantial amounts of our securities may have an adverse effect on the market price of our securities.

Sales of substantial amounts of our securities, or the availability of such securities for sale, could adversely affect the prevailing market prices for our securities. If this occurs and continues, it could impair our ability to raise additional capital through the sale of securities should we desire to do so.

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USE OF PROCEEDS

We intend to use the net proceeds from selling securities pursuant to this prospectus for general corporate purposes, which include investing in portfolio companies in accordance with our investment objective and strategies and, pending such investments, either investing the net proceeds of an offering in cash equivalents, U.S. government securities and other high-quality debt instruments that mature in one year or less from the date of investment, to reduce then-outstanding obligations under our credit facility, or for other general corporate purposes. The supplement to this prospectus relating to an offering will more fully identify the use of the proceeds from such offering.

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

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DIVIDENDS

We intend to continue to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

We have elected to be taxed as a RIC under Subchapter M of the Internal Revenue Code of 1986. To maintain our RIC status, we must distribute at least 90% of our ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any, out of the assets legally available for distribution. In order to avoid certain excise taxes we must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98% of our capital gains in excess of capital losses for the one-year period ending on October 31st and (3) any ordinary income and net capital gains for preceding years that were not distributed during such years. In addition, although we currently intend to distribute realized net capital gains (i.e., realized net long-term capital gains in excess of realized net short-term capital losses), if any, at least annually, out of the assets legally available for such distributions, we may in the future decide to retain such capital gains for investment. In such event, the consequences of our retention of net capital gains are as described under Material U.S. Federal Income Tax Considerations.

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

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

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

The following table lists the quarterly dividends per share since shares of our common stock began being regularly quoted on The Nasdaq Global Select Market.

	Declared Dividends	
Fiscal Year Ending March 31, 2007		
Fourth Fiscal Quarter	$	0.510
Third Fiscal Quarter	$	0.500
Second Fiscal Quarter	$	0.470
First Fiscal Quarter	$	0.450
Fiscal Year Ending March 31, 2006		
Fourth Fiscal Quarter	$	0.450
Third Fiscal Quarter	$	0.440
Second Fiscal Quarter	$	0.430
First Fiscal Quarter	$	0.310
Fiscal Year Ending March 31, 2005		
Fourth Fiscal Quarter	$	0.260
Third Fiscal Quarter	$	0.180
Second Fiscal Quarter	$	0.045
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)		

* Commencement of operations

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SELECTED CONDENSED CONSOLIDATED FINANCIAL DATA

The Statement of Operations, Per Share and Balance Sheet data for the fiscal years ended March 31, 2007, March 31, 2006 and March 31, 2005 are derived from our financial statements which have been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm. This data should be read in conjunction with our financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus.

	For the Year Ended March 31, 2007 (dollar amounts in thousands, except per share data)	For the Year Ended March 31, 2006 (dollar amounts in thousands, except per share data)	For the Period April 8, 2004* through March 31, 2005 (dollar amounts in thousands, except per share data)
Statement of Operations Data:			
Total Investment Income	$ 266,101	$ 152,827	$ 47,833
Total Expenses	$ 140,783	$ 63,684	$ 22,380
Net Investment Income	$ 125,318	$ 89,143	$ 25,453
Net Realized and Unrealized Gains	$ 186,848	$ 31,244	$ 18,692
Net Increase in Net Assets Resulting from Operations	$ 312,166	$ 120,387	$ 44,145
Per Share Data:			
Net Asset Value	$ 17.87	$ 15.15	$ 14.27
Net Increase in Net Assets Resulting from Operations	$ 3.64	$ 1.90	$ 0.71
Distributions Declared	$ 1.930	$ 1.630	$ 0.485
Balance Sheet Data:			
Total Assets	$ 3,523,218	$ 2,511,074	$ 1,733,384
Borrowings Outstanding	$ 492,312	$ 323,852	$ 0
Total Net Assets	$ 1,849,748	$ 1,229,855	$ 892,886
Other Data:			
Total Return[(1)]	31.7%	12.9%	15.3%
Number of Portfolio Companies at Period End	57	46	35
Total Portfolio Investments for the Period	$ 1,446,730	$ 1,110,371	$ 894,335
Investment Sales and Prepayments for the Period	$ 845,485	$ 452,325	$ 71,730
Weighted Average Yield on Debt Portfolio at Period End	13.1%	13.1%	10.5%

* Commencement of operations

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

Investments

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to middle market companies, the level of merger and acquisition activity, the general economic environment and the competitive environment for the types of investments we make.

As a BDC, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. The SEC recently adopted new rules under the 1940 Act to expand the definition of eligible portfolio company to include companies whose securities are not listed on a national securities exchange. The new rules also will permit us to include as qualifying assets certain follow-on investments in companies that were eligible portfolio companies at the time of initial investment but that no longer meet the definition. The new rules became effective November 30, 2006. Due to this new rule, we will no longer be required to determine the eligibility of a portfolio company by reference to whether or not it has outstanding marginable securities.

In addition to the adoption of the rules described above, the SEC also proposed for comment a rule that would include as eligible portfolio companies certain public companies that have listed their securities on a national securities exchange, as long as their public float and/or market capitalization are below a specified level. We will continue to monitor closely any developments with respect to the definition of eligible portfolio company, and intend to adjust our investment focus as needed to comply with and/or take advantage of the new rules as well as any other regulatory, legislative, administrative or judicial actions in this area.

Revenue

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

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Expenses

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

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

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

organization and offering; and

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

We expect our general and administrative operating expenses related to our ongoing operations to remain generally stable or decline slightly as a percentage of our assets in future periods. Incentive fees, interest expense and costs relating to future offerings of securities would be additive.

The SEC requires that Total annual expenses be calculated as a percentage of net assets in the above chart rather than as a percentage of total assets. Total assets includes assets that have been funded with borrowed monies (leverage). For reference, the below chart illustrates our Total annual expenses as a percentage of total assets:

Estimated annual expenses (as percentage of total assets):	
Management fees	2.00%[1]
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income in excess of hurdle and 20% of net realized capital gains net of gross unrealized capital losses)	1.64%[2]
Other expenses	0.23%[3]
Interest and other credit facility related expenses on borrowed funds	0.97%[4]
Total annual expenses as a percentage of total assets	4.84%[1][2][3][4]

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(1) The contractual management fee is calculated at an annual rate of 2.00% of our average gross total assets. Annual expenses are based on current fiscal year estimates. For more detailed information about our computation of average total assets, please see Note 3 and Note 9 of our financial statements dated March 31, 2007 included in this prospectus.

(2) Assumes that annual incentive fees earned by our investment advisor, AIM, remain consistent with the incentive fees earned by AIM for the fiscal year ended March 31, 2007. AIM earns incentive fees consisting of two parts. The first part, which is payable quarterly in arrears, is based on our pre-incentive fee net investment income for the immediately preceding calendar quarter. Pre-incentive fee net investment income, expressed as a rate of return on the value of our net assets at the end of the immediately preceding calendar quarter, is compared to the hurdle rate of 1.75% quarterly (7% annualized). Our net investment income used to calculate this part of the incentive fee is also included in the amount of our gross assets used to calculate the 2% base management fee (see footnote 5 above). Accordingly, we pay AIM an incentive fee as follows: (1) no incentive fee in any calendar quarter in which our pre-incentive fee net investment income does not exceed the hurdle rate; (2) 100% of our pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter; and (3) 20% of the amount of our pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter. These calculations are appropriately pro rated for any period of less than three months and adjusted for any share issuances or repurchases during the relevant quarter. You should be aware that a rise in the general level of interest rates can be expected to lead to higher interest rates applicable to our debt investments. Accordingly, an increase in interest rates would make it easier for us to meet or exceed the incentive fee hurdle rate and may result in a substantial increase of the amount of incentive fees payable to our investment adviser with respect to pre-incentive fee net investment income. The second part of the incentive fee will equal 20% of our realized capital gains for the calendar year, if any, computed net of all realized capital losses and unrealized capital depreciation (and incorporating unrealized depreciation on a gross investment-by-investment basis) and is payable in arrears at the end of each calendar year. For a more detailed discussion of the calculation of this fee, see Management Investment Advisory and Management Agreement.

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

(4) Our interest and other credit facility expenses are based on current fiscal year estimates. As of March 31, 2007, we had $1.208 billion available and $492 million in borrowings outstanding under our $1.7 billion credit facility. For more information, see Risk Factors We fund a portion of our investments with borrowed money, which magnifies the potential for gain or loss on amounts invested and may increase the risk of investing in us in this prospectus and Interim Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources in this prospectus.

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Portfolio and Investment Activity

For the fiscal years ended March 31, 2007, March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005:

During our fiscal year ended March 31, 2007, we invested $1.4 billion, across 24 new and several existing portfolio companies. This compares to investing $1.1 billion in 26 new and several existing portfolio companies for the previous fiscal year ended March 31, 2006 and $894.3 million in 37 portfolio companies for the period of April 8, 2004 (commencement of operations) through March 31, 2005. Investments sold or prepaid during the fiscal year ended March 31, 2007 totaled $845 million versus $452 million for the fiscal year ended March 31, 2006 and $71.7 million for the period of April 8, 2004 through March 31, 2005.

At March 31, 2007, our net portfolio consisted of 57 portfolio companies and was invested 61% in subordinated debt, 4% in preferred equity, 9% in common equity and warrants and 26% in senior secured loans versus 46 portfolio companies invested 60% in subordinated debt, 2% in preferred equity, 7% in common equity and 31% in senior secured loans at March 31, 2006. At March 31, 2005, our net portfolio consisted of 35 portfolio companies and was invested 51% in subordinated debt/corporate notes, 42% in senior secured loans, 3% in common stock/warrants and 4% in cash equivalents.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.3% and 13.1%, respectfully at March 31, 2007 versus 13.6%, 12.2%, and 13.1%, respectfully, at March 31, 2006 and 13.7%, 8.2% and 10.5%, respectively, at March 31, 2005.

At March 31, 2007, 64% or $1,364.2 million of our interest-bearing portfolio was fixed rate debt and 36% or $783.6 million was floating rate debt. At March 31, 2006, 53% or $764.5 million of our interest-bearing portfolio was fixed rate debt and 47% or $683.3 million was floating rate debt. At March 31, 2005, 53% or $433.4 million of our interest bearing portfolio was fixed rate debt and 47% or $380.6 million was floating rate debt.

CRITICAL ACCOUNTING POLICIES

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

Valuation of Portfolio Investments

As a BDC, we generally invest in illiquid securities including debt and equity securities of middle market companies. Under procedures established by our board of directors, we value investments, including certain subordinated debt, senior secured debt and other debt securities with maturities greater than 60 days, for which market quotations are readily available at such market quotations unless they are not deemed to represent fair value. We obtain these market values from an independent pricing service or at the mean between the bid and ask prices obtained from at least two brokers or dealers (if available, otherwise by a principal market maker or a primary market dealer). Debt and equity securities that are not publicly traded or whose market prices are not readily available or whose market quotations are not deemed to represent fair value are valued 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 our investment adviser, independent valuation firms and the audit committee. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized

premium, which approximates value. With respect to unquoted securities (or when market quotations are not deemed to represent fair value), our board of directors, together with our independent valuation adviser, values each investment considering, among other measures, discounted cash flow models, comparisons of financial ratios of peer companies that are public and other factors. Market quotations may be deemed not to represent fair value in certain circumstances where AIM believes that facts and circumstances applicable to an issuer, a seller or purchaser or the market for a particular security causes current market quotes to not reflect the fair value of the security. Examples of these events could include cases in which material events are announced after the close of the market on which a security is primarily traded, when a security trades infrequently causing a quoted purchase or sale price to become stale or in the event of a fire sale by a distressed seller.

When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, our board will use the pricing indicated by the external event to corroborate and/or assist us in our valuation. Because we expect that there will not be a readily available market for many of the investments in our portfolio, we expect to value many of our portfolio investments at fair value as determined in good faith by or under the direction of our board of directors using a documented valuation policy and a consistently applied valuation process. 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 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 undertakes a multi-step valuation process each quarter, as described below:

- Our quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment;
- Preliminary valuation conclusions are then documented and discussed with our senior management;
- Independent valuation firms engaged by our board of directors conduct independent appraisals and review management s preliminary valuations and their own independent assessment;
- 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
- 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.

For more information, see Business Investment selection Valuation process.

Revenue Recognition

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

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

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

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

RESULTS OF OPERATIONS

Results of operations comparisons are for the fiscal years ended March 31, 2007, March 31, 2006 and for the period of April 8, 2004 through March 31, 2005.

Investment Income

For the fiscal years ended March 31, 2007, March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, gross investment income totaled $266.1 million, $152.8 million and $47.8 million, respectively. Our significantly lower gross investment income for the period April 8, 2004 (commencement of operations) through March 31, 2005 reflects income earned primarily from short-term U.S. Government securities and other temporary investments held during the ramp-up period of our portfolio since our initial public offering. The continued increase in gross investment income for fiscal years 2006 and 2007 was primarily due to the growth of our investment portfolio as compared to previous fiscal periods. Origination, closing and/or commitment fees associated with investments in portfolio companies are accreted into interest income over the respective terms of the applicable loans.

Expenses

Net expenses totaled $139.7 million, $63.7 million and $22.4 million, respectively, for the fiscal years ended March 31, 2007, March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, of which $57.9 million, $22.3 million and $0.0 million, respectively, were performance-based incentive fees and $34.4 million, $13.0 million and $0.0 million, respectively, were interest and other credit facility expenses. Expenses exclusive of performance-based incentive fees and interest and other credit facility expenses for the years ended March 31, 2007, March 31, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005 were $47.4 million, $28.4 million and $22.4 million, respectively. Of these expenses, general and administrative expenses totaled $6.8 million, $5.0 million and $5.1 million, respectively, for the fiscal years ended March 31, 2007, 2006 and 2005. Excise tax expense totaled $1.1 million for the fiscal year ended March 31, 2007. There was no excise tax expense for the fiscal year ended March 2006 and for the period of April 8, 2004 to March 31, 2005. Expenses consist of base investment advisory and management fees, insurance expenses, administrative services fees, professional fees, directors fees, audit and tax services expenses, and other general and administrative expenses. The increase in net expenses from fiscal year 2006 to fiscal year 2007 was primarily related to an accrual of $21.3 million in net realized capital gain incentive fees and an increase in base management fees and other general and administrative expenses related to the growth of our investment portfolio as compared to the previous period.

Net Investment Income

Our net investment income totaled $125.3 million, $89.1 million and $25.5 million, respectively, for the fiscal years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005.

Net Realized Gains/Losses

We had investment sales and prepayments totaling $845 million, $452 million and $72 million, respectively, for the fiscal years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005. Net realized gains for the fiscal years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005 were $132.9 million, $11.2 million and $0.5 million, respectively. The increase in net realized gains from fiscal year 2006 to fiscal year 2007 was primarily due to a gain of $107.6 million realized from GS Prysmian Co-Invest L.P. (pursuant to a sale and purchase agreement dated as of January 24, 2007, along with the GS Funds, GS Prysmian Co-Invest L.P. agreed to sell its remaining equity securities it owned in Prysmian (Lux) Sarl to a newly created entity for cash and equity securities consideration totaling 85.6 million).

Net Unrealized Appreciation on Investments and Foreign Currency Contracts and Translations

For the fiscal years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, net unrealized appreciation on the Company s investments, foreign currencies and other assets and liabilities increased $54.0 million, $20.1 million and $18.2 million, respectively. At March 31, 2007, net unrealized appreciation totaled $92.2 million of which $21.6 million was attributable to net unrealized depreciation on our bank debt/senior secured debt and $113.8 million was attributable to net unrealized appreciation on our subordinated debt, preferred stock and private equity (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments).

Net Increase in Net Assets From Operations

For the fiscal years ended March 31, 2007, 2006, and for the period April 8, 2004 (commencement of operations) through March 31, 2005, the Company had a net increase in net assets resulting from operations of $312.2 million, $120.4 million and $44.1 million, respectively. The net change in net assets from operations per share was $3.64, $1.90 and $0.71, respectively, for the years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital resources are generated primarily through our senior secured, multi-currency $1.7 billion, five-year, revolving credit facility maturing in April 2011 as well as from cash flows from operations, including investment sales and prepayments of senior and subordinated loans and income earned from investments and cash equivalents. At March 31, 2007, we had $492 million in borrowings outstanding and had $1.208 billion available for its use. We closed on a follow-on equity offering and issued 18 million shares of common stock on January 18, 2007, receiving $386 million in net proceeds after deducting underwriting discounts and commissions. In addition, on February 7, 2007, we issued 2.7 million shares of common stock to cover the underwriter s over-allotment option on the January 18, 2007 equity offering, receiving approximately $58 million in net proceeds after deducting underwriting discounts and commissions. In the future, we may raise additional equity or debt capital off our shelf registration or may securitize a portion of our investments. We may also further access $300 million of additional credit commitments available to us under the terms of our existing credit facility and as our equity capital base grows. The primary use of funds will be investments in portfolio companies, cash distributions to our stockholders and for other general corporate purposes.

	Payments due by Period (dollars in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Senior Secured Revolving Credit Facility[1]	$ 492	$	$	$ 492	$

(1) At March 31, 2007, $1,208 million remained unused under our senior secured revolving credit facility.

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Contractual Obligations

We have entered into two contracts under which we have future commitments: the investment advisory and management agreement, pursuant to which AIM has agreed to serve as our investment adviser, and the administration agreement, pursuant to which Apollo Administration has agreed to furnish us with the facilities and administrative services necessary to conduct our day-to-day operations and provide on our behalf managerial assistance to those portfolio companies to which we are required to provide such assistance. Payments under the investment advisory and management agreement are equal to (1) a percentage of the value of our gross assets and (2) a two-part incentive fee. Payments under the administration agreement are equal to an amount based upon our allocable portion of Apollo Administration s overhead in performing its obligations under the administration agreement, including rent, technology systems, insurance and our allocable portion of the costs of our chief financial officer and chief compliance officer and their respective staffs. Either party may terminate each of the investment advisory and management agreement and administration agreement without penalty upon not more than 60 days written notice to the other. Please see Note 3 within our financial statements for more information.

Off-Balance Sheet Arrangements

On February 28, 2007, the Company entered into Senior Secured Term Loan agreements with Gray Wireline Service Inc., resulting in investments of $40 million in a First Out Term Loan and $70 million in a Second Out Term Loan. In connection with the transaction, the Company also committed to $27.5 million of additional delay draw commitments under the term loans subject to various contingencies and draw down tests.

At March 31, 2007, we did not have any additional off-balance sheet liabilities or other contractual obligations that are reasonably likely to have a current or future material effect on our financial condition, other than the investment advisory and management agreement and the administration agreement described above.

Dividends

Dividends paid to stockholders for the fiscal years ended March 31, 2007, 2006 and for the period April 8, 2004 (commencement of operations) through March 31, 2005, totaled $168.4 million or $1.93 per share, $102.7 million or $1.63 per share, and $30.2 million or $0.485 per share, respectively. The following table summarizes our quarterly dividends paid to shareholders for the fiscal years ended March 31, 2007, 2006 and for the period of April 8, 2004 through March 31, 2005, respectively:

	Declared Dividends
Fiscal Year Ending March 31, 2007	
Fourth Fiscal Quarter	$ 0.510
Third Fiscal Quarter	$ 0.500
Second Fiscal Quarter	$ 0.470
First Fiscal Quarter	$ 0.450
Fiscal Year Ending March 31, 2006	
Fourth Fiscal Quarter	$ 0.450
Third Fiscal Quarter	$ 0.440
Second Fiscal Quarter	$ 0.430
First Fiscal Quarter	$ 0.310
Fiscal Year Ending March 31, 2005	
Fourth Fiscal Quarter	$ 0.260
Third Fiscal Quarter	$ 0.180
Second Fiscal Quarter	$ 0.045
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)	

* Commencement of operations

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Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year.

We expect to continue to distribute quarterly dividends to our stockholders. Our quarterly dividends, if any, will be determined by our board of directors.

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

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

We may not be able to achieve operating results that will allow us to make dividends and distributions at a specific level or to increase the amount of these dividends and distributions from time to time. In addition, we may be limited in our ability to make dividends and distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in current or future credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our RIC status. We cannot assure stockholders that they will receive any dividends and distributions or dividends and distributions at a particular level.

With respect to the dividends paid to stockholders, income from origination, structuring, closing, commitment and other upfront fees associated with investments in portfolio companies is treated as taxable income and accordingly, distributed to stockholders. For the fiscal years ended March 31, 2007 and 2006, upfront fees totaling $8.3 million and $5.8 million, respectively, are being amortized into income over the lives of their respective loans. For the period from April 8, 2004 (commencement of operations) through March 31, 2005, upfront fees totaling $4.5 million are being amortized into income over the lives of their respective loans.

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PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ Global Select Market under the symbol AINV. The following table lists the high and low closing sale price for our common stock, the closing sale price as a percentage of net asset value, or NAV, and quarterly dividends per share since shares of our common stock began being regularly quoted on NASDAQ.

		Closing Sales Price		Premium of High Sales Price to	Premium of Discount of Low Sales Price to	
	NAV(1)	High	Low	NAV(2)	NAV(2)	Declared Dividends
Fiscal Year Ending March 31, 2007						
Fourth Fiscal Quarter	$ 17.87	$ 24.12	$ 20.30	135%	114%	$ 0.510
Third Fiscal Quarter	$ 16.36	$ 23.27	$ 20.56	142%	126%	$ 0.500
Second Fiscal Quarter	$ 16.14	$ 20.81	$ 17.96	129%	111%	$ 0.470
First Fiscal Quarter	$ 15.59	$ 19.39	$ 17.74	124%	114%	$ 0.450
Fiscal Year Ending March 31, 2006						
Fourth Fiscal Quarter	$ 15.15	$ 19.51	$ 17.81	129%	118%	$ 0.450
Third Fiscal Quarter	$ 14.41	$ 19.97	$ 17.92	139%	124%	$ 0.440
Second Fiscal Quarter	$ 14.29	$ 20.40	$ 17.63	143%	123%	$ 0.430
First Fiscal Quarter	$ 14.19	$ 18.75	$ 15.66	132%	110%	$ 0.310
Fiscal Year Ending March 31, 2005						
Fourth Fiscal Quarter	$ 14.27	$ 17.62	$ 14.93	123%	105%	$ 0.260
Third Fiscal Quarter	$ 14.32	$ 15.13	$ 13.43	106%	94%	$ 0.180
Second Fiscal Quarter	$ 14.10	$ 14.57	$ 13.06	103%	93%	$ 0.045
First Fiscal Quarter (period from April 8, 2004* to June 30, 2004)	$ 14.05	$ 15.25	$ 12.83	109%	91%	

(1) NAV per share is determined as of the last day in the relevant quarter and therefore may not reflect the NAV per share on the date of the high and low sales prices. The NAVs shown are based on outstanding shares at the end of each period.

(2) Calculated as of the respective high or low closing sales price divided by the quarter end NAV.

* Commencement of operations

While our common stock currently trades in excess of our net asset value, there can be no assurance, however, that our shares will continue to trade at such a premium (to net asset value). The last reported closing market price of our common stock on August 23, 2007 was $21.90 per share. As of August 23, 2007, we had 86 shareholders of record.

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BUSINESS

Apollo Investment

Apollo Investment Corporation, 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 BDC under the 1940 Act. In addition, for tax purposes we have elected to be treated as a RIC.

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

We commenced operations on April 8, 2004, at which time we closed our initial public offering and sold 62 million shares of our common stock at a price of $15.00 per share, receiving $870 million in total net proceeds from the offering.

During our fiscal year ended March 31, 2007, we invested $1.4 billion, across 24 new and several existing portfolio companies. This compares to investing $1.1 billion in 26 new and several existing portfolio companies for the previous fiscal year ended March 31, 2006. Investments sold or prepaid during the fiscal year ended March 31, 2007 totaled $845 million versus $452 million for the fiscal year ended March 31, 2006. Total invested capital since the IPO through March 31, 2007 was $3.4 billion. Of this amount, $2.9 billion were investments in U.S. companies and $527 million was invested in non-U.S. companies. At March 31, 2007, the weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.3% and 13.1%, respectively. At March 31, 2006, the yields were 13.6%, 12.2%, and 13.1%, respectively.

Our targeted investment size typically ranges between $20 million and $250 million, although this investment size may vary proportionately as the size of our capital base changes. At March 31, 2007, our net portfolio consisted of 57 portfolio companies and was invested 61% in subordinated debt, 4% in preferred equity, 9% in common equity and warrants and 26% in senior secured loans versus 46 portfolio companies invested 60% in subordinated debt, 2% in preferred equity, 7% in common equity and 31% in senior secured loans at March 31, 2006.

At March 31, 2007, 64% or $1,364.2 million of our interest-bearing portfolio was fixed rate debt and 36% or $783.6 million was floating rate debt. At March 31, 2006, 53% or $764.5 million of our interest-bearing portfolio was fixed rate debt and 47% or $683.3 million was floating rate debt.

About Apollo

Founded in 1990, Apollo is a leading global alternative asset manager with a proven track record of successful private equity, distressed debt and mezzanine investing. Apollo raises, invests and manages private equity and capital markets funds on behalf of some of the world s most prominent pension and endowment funds as well as other institutional and individual investors. As of June 30, 2007, Apollo had assets under management of approximately $27 billion in its private equity and capital markets businesses.

Apollo s investment approach is value-oriented, focusing on industries in which it has considerable knowledge, and emphasizing downside protection and the preservation of capital. Apollo has successfully applied its investment philosophy in flexible and creative ways over its 17-year history, allowing it to consistently find attractive investment opportunities, deploy capital up and down the balance sheet of industry leading, or franchise, businesses and create value throughout economic cycles.

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Apollo s active private investment funds focus on making either control-oriented equity investments or distressed debt investments, either for control or non-control positions. In contrast, Apollo Investment seeks to capitalize primarily on the significant investment opportunities emerging in the mezzanine segment of the lending market primarily for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo Investment Management

AIM, our investment adviser, is led by a dedicated and growing team of investment professionals and is further supported by Apollo s team of 125 professionals as of June 30, 2007. AIM has now invested more than $3.4 billion in 86 companies with more than 55 financial sponsors since commencement of operations in April 2004. In addition, AIM expects to hire additional investment professionals in the future. AIM s investment committee currently consists of John J. Hannan, the Chairman of our board of directors, our Chief Executive Officer and Chairman of AIM s Investment Committee, James C. Zelter, our President and Chief Operating Officer and a Vice President of the general partner of AIM, Patrick J. Dalton, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM, Edward Tam, an Executive Vice President of Apollo Investment and a Vice President of the general partner of AIM and José Briones, a Vice President of the general partner of AIM. The composition of the Investment Committee of AIM may change from time to time. AIM draws upon Apollo s 17 year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in a multitude of different industries and over 150 companies in the United States and Western Europe.

About Apollo Investment Administration

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

Operating and Regulatory Structure

Our investment activities are managed by AIM and supervised by our board of directors, a majority of whom are independent of Apollo and its affiliates. AIM is an investment adviser that is registered under the Advisers Act. Under our investment advisory and management agreement, we pay AIM an annual base management fee based on our gross assets as well as an incentive fee based on our performance.

As a BDC, we are required to comply with certain regulatory requirements. Also, while we are permitted to finance investments using debt, our ability to use debt is limited in certain significant respects. We have elected to be treated for federal income tax purposes as a RIC under Subchapter M of the Code.

Investments

We seek to create a portfolio that includes primarily mezzanine, senior secured loans and private equity by generally investing approximately $20 million to $250 million of capital, on average, in the securities of middle-market companies. The average investment size will vary as the size of our capital base varies. Our target portfolio will generally be more heavily weighted toward mezzanine loans. Structurally, mezzanine loans usually rank subordinate in priority of payment to senior debt, such as senior bank debt, and are often unsecured. As such, other creditors may rank senior to us in the event of an insolvency. However, mezzanine loans rank senior to common and preferred equity in a borrowers capital structure. Mezzanine loans may have a fixed or floating

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interest rate. Additional upside can be generated from upfront fees, call protection including call premiums, equity co-investments or warrants. We believe that mezzanine loans offer an attractive investment opportunity based upon their historic returns and resilience during economic downturns. Additionally, we may acquire investments in the secondary market.

Our principal focus is to provide capital to middle-market companies in a variety of industries. We generally seek to target companies that generate positive free cash flows. We also generally seek to invest in companies from the broad variety of industries in which Apollo s investment professionals have direct expertise.

The following is a representative list of the industries in which Apollo has invested:

- Building materials
- Business services
- Cable television
- Chemicals
- Communications
- Consumer products
- Distribution
- Education
- Energy/Utilities
- Environmental services
- Financial services
- Food
- Healthcare

Lodging/Leisure/Resorts

Manufacturing/Basic industry

Media

Packaging

Printing and publishing

Restaurants

Retail

Transportation

We may also invest in other industries if we are presented with attractive opportunities.

In an effort to increase our returns and the number of loans that we can make, we may in the future seek to securitize our loans. To securitize loans, we may create a wholly owned subsidiary contribute a pool of loans to the subsidiary and have the subsidiary issue primarily investment grade debt securities to purchasers who would expect to be willing to accept a substantially lower interest rate than the loans earn. We may use the proceeds of such sales to pay down bank debt or to fund additional investment.

We may invest, to the extent permitted by law, in the securities and instruments of other investment companies, including private funds. AIM and its affiliates manage other funds that may have investment

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

Listed below are our top ten portfolio companies and industries represented as a percentage of total assets as of March 31, 2007 and 2006:

TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF MARCH 31, 2007

PORTFOLIO COMPANY	% of Total Assets	INDUSTRY	% of Total Assets
Gray Wireline Service, Inc.	3.2%	Oil & Gas	8.5%
Sorenson Communications, Inc.	2.8%	Business Services	5.4%
Varel Holdings, Inc.	2.5%	Consumer Services	4.8%
ALM Media Holdings, Inc.	2.4%	Publishing	4.7%
Associated Materials, Inc.	2.3%	Direct Marketing	4.2%
Quality Home Brands Holdings	2.2%	Manufacturing	3.4%
Fleetpride Corporation	2.2%	Consumer Products	3.4%
N.E.W. Customer Service Cos.	2.0%	Leisure Equipment	2.9%
SigmaKalon Holdco B.V.	2.0%	Building Products	2.7%
GS Prysmian Co-Invest L.P.	1.9%	Chemicals	2.6%

TOP TEN PORTFOLIO COMPANIES AND INDUSTRIES AS OF MARCH 31, 2006

PORTFOLIO COMPANY	% of Total Assets	INDUSTRY	% of Total Assets
Associated Materials, Inc.	3.2%	Publishing	5.2%
Hanley Wood LLC	2.8%	Consumer Services	4.8%
Playpower Holdings Inc.	2.8%	Leisure Equipment	4.7%
N.E.W. Customer Service Cos.	2.8%	Direct Marketing	3.6%
Eurofresh, Inc.	2.6%	Building Products	3.6%
SigmaKalon Holdco B.V.	2.3%	Environmental	3.4%
Deluxe Corp.	2.3%	Media	3.2%
Sorenson Communications, Inc.	2.0%	Chemicals	3.1%
FCI International S.A.S.	2.0%	Healthcare	2.8%
WDAC Intermediate Corp.	1.9%	Manufacturing	2.8%

Investment Selection

We are committed to the same value oriented philosophy used by the investment professionals of Apollo in Apollo s private investment funds and will commit resources to managing downside exposure.

Prospective portfolio company characteristics

We have identified several criteria that we believe are important in identifying and investing in prospective portfolio companies. These criteria provide general guidelines for our investment decisions; however, we caution

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you that not all of these criteria will be met by each prospective portfolio company in which we choose to invest. Generally, we seek to utilize our access to information generated by our investment professionals to identify investment candidates and to structure investments quickly and effectively.

Value orientation/positive cash flow

Our investment philosophy places a premium on fundamental analysis from an investor s perspective and has a distinct value orientation. We focus on companies in which we can invest at relatively low multiples of operating cash flow and that are profitable at the time of investment on an operating cash flow basis. Typically, we do not expect to invest in start-up companies or companies having speculative business plans.

Experienced management

We generally require that our portfolio companies have an experienced management team. We also require the portfolio companies to have in place proper incentives to induce management to succeed and to act in concert with our interests as investors, including having significant equity interests.

Strong competitive position in industry

We seek to invest in target companies that have developed leading market positions within their respective markets and are well positioned to capitalize on growth opportunities. We seek companies that demonstrate significant competitive advantages versus their competitors, which should help to protect their market position and profitability.

Exit strategy

We seek to invest in companies that we believe will provide a steady stream of cash flow to repay our loans. We expect that such internally generated cash flow, leading to the payment of interest on, and the repayment of the principal of, our investments in portfolio companies to be a key means by which we exit from our investments over time. In addition, we seek to invest in companies whose business models and expected future cash flows offer attractive exit possibilities. These companies include candidates for strategic acquisition by other industry participants and companies that may repay our investments through an initial public offering of common stock or another capital market transaction.

Liquidation value of assets

The prospective liquidation value of the assets, if any, collateralizing loans in which we invest is an important factor in our credit analysis. We emphasize both tangible assets, such as accounts receivable, inventory, equipment and real estate, and intangible assets, such as intellectual property, customer lists, networks and databases.

Due diligence

Our investment adviser conducts diligence on prospective portfolio companies consistent with the approach adopted by the investment professionals of Apollo. We believe that Apollo s investment professionals have a reputation for conducting extensive due diligence investigations in their investment activities. In conducting their due diligence, Apollo s investment professionals use publicly available information as well as information from their extensive relationships with former and current management teams, consultants, competitors and investment bankers and the direct experience of the senior partners of Apollo.

Our due diligence will typically include:

- review of historical and prospective financial information;

- on-site visits;
- interviews with management, employees, customers and vendors of the potential portfolio company;
- review of senior loan documents;
- background checks; and
- research relating to the company s management, industry, markets, products and services, and competitors.

Additional due diligence with respect to any investment may be conducted on our behalf by attorneys and independent accountants prior to the closing of the investment, as well as other outside advisers, as appropriate.

Upon the completion of due diligence and a decision to proceed with an investment in a company, the professionals leading the investment present the investment opportunity to our investment adviser s investment committee, which determines whether to pursue the potential investment.

The investment committee

All new investments by us must be approved by the investment committee of AIM. The members of the investment committee receive no compensation from us. Such members are employees or partners of AIM and receive compensation or profit distributions from AIM, and in certain instances, from other Apollo affiliates. The members of the investment committee are listed below.

John J. Hannan *Chairman of the board of directors, Chief Executive Officer and Director of Apollo Investment Corporation and a Vice President of AIM.* Mr. Hannan became a director of Apollo Investment 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. Mr. Hannan also is a partner of a number of other Apollo affiliates that advise the Apollo investment entities referenced below under the *caption Compensation of Directors and Officers Investment Advisory and Management Agreement Management Services.* Mr. Hannan serves on several boards of directors, including the board of Vail Resorts, Inc. and Goodman Global, Inc.

Patrick J. *Dalton* *Vice President of AIM and Executive Vice President of Apollo Investment*. Mr. Dalton joined Apollo Investment Management LP (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 *Vice President of AIM and Executive Vice President of Apollo Investment*. Mr. Tam joined Apollo Investment in June 2004 as a partner and as a member of AIM s investment committee. Before joining Apollo, Mr. Tam was in the corporate finance group at Donaldson Lufkin & Jenrette from 1991 to 1999. In 1999, Mr. Tam joined DLJ Investment Partners, a mezzanine fund as a Vice President and was promoted to Director in 2002.

Jose A. Briones *Vice President of AIM*. Mr. Briones joined Apollo in 2006 as a partner and as a member of AIM s investment committee. Before joining Apollo, Mr. Briones was a Managing Director with UBS Securities LLC in the Financial Sponsors and Leveraged Finance Group. Prior to joining UBS, from 1999 to 2001, Mr. Briones was a Vice President with JP Morgan where he worked in the Global Leveraged Finance Group. Prior to joining JP Morgan, from 1992 to 1999, Mr. Briones was a Vice President at BT Securities and BT Alex Brown Incorporated in the Corporate Finance Department.

James Zelter *managing partner of Apollo s Capital Markets Business (which includes AIM) and President and Chief Operating Officer of Apollo Investment*. Mr. Zelter joined Apollo in 2006 and has served on AIM s investment committee since such time. Previously, Mr. Zelter had been with Citigroup and its predecessor companies since 1994, where he 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 Investment, and prior to that he was responsible for the firm s global high yield and leveraged finance business. Mr. Zelter is also a partner of a number of another Apollo affiliates that advise the Apollo investment entities referenced below under the caption *Compensation of Directors and Officers Investment Advisory and Management Agreement Management Services.*

Investment structure

Once we have determined that a prospective portfolio company is suitable for investment, we work with the management of that company and its other capital providers, including senior, junior and equity capital providers, to structure an investment.

We seek to structure our mezzanine investments primarily as unsecured, subordinated loans that provide for relatively high interest rates that provide us with significant current interest income. These loans typically have interest-only payments in the early years, with amortization of principal deferred to the later years of the mezzanine loans. In some cases, we may enter into loans that, by their terms, convert into equity or additional debt securities or defer payments of interest after our investment. Also, in some cases our mezzanine loans may be collateralized by a subordinated lien on some or all of the assets of the borrower. Typically, our mezzanine loans have maturities of five to ten years.

We also seek to invest in portfolio companies in the form of senior secured loans. We expect these senior secured loans to have terms of three to ten years and may provide for deferred interest payments over the term of the loan. We generally seek to obtain security interests in the assets of our portfolio companies that serve as collateral in support of the repayment of these loans. This collateral may take the form of first or second priority liens on the assets of a portfolio company. We expect that the interest rate on our senior secured loans generally will range between 2% and 10% over the London Interbank Offer Rate, or LIBOR.

In the case of our mezzanine and senior secured loan investments, we seek to tailor the terms of the investment to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that protects our rights and manages our risk while creating incentives for the portfolio company to achieve its business plan and improve its profitability. For example, in addition to seeking a senior position in the capital structure of our portfolio companies, we seek to limit the downside potential of our investments by:

- requiring an expected total return on our investments (including both interest and potential equity appreciation) that compensates us for credit risk;

- generally incorporating call protection into the investment structure; and

- negotiating covenants and information rights in connection with our investments that afford our portfolio companies as much flexibility in managing their businesses as possible, consistent with our goal of preserving our capital. Such restrictions may include affirmative and negative covenants, default penalties, lien protection, change of control provisions and board rights, including either observation or participation rights.

Our investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. Any warrants we receive with our debt securities generally require only a nominal cost to exercise, and thus, as a portfolio company appreciates in value, we may achieve additional investment return from this equity interest. We may structure the warrants to provide provisions protecting our rights as a minority-

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interest holder, as well as puts, or rights to sell such securities back to the company, upon the occurrence of specified events. In many cases, we may also seek to obtain registration rights in connection with these equity interests, which may include demand and piggyback registration rights.

We expect to hold most of our investments to maturity or repayment, but we may sell certain of our investments earlier, including, if a liquidity event takes place such as the sale or recapitalization or worsening of credit quality of a portfolio company.

Managerial assistance

As a BDC, we offer, and must provide upon request, managerial assistance to our portfolio companies. This assistance could involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. We may receive fees for these services. AIA provides such managerial assistance on our behalf to portfolio companies that request this assistance.

Ongoing relationships with portfolio companies

Monitoring

AIM monitors our portfolio companies on an ongoing basis. AIM monitors the financial trends of each portfolio company to determine if each is meeting its respective business plans and to assess the appropriate course of action for each company.

AIM has several methods of evaluating and monitoring the performance and fair value of our investments, which can include, but are not limited to, the following:

- Assessment of success in adhering to portfolio company s business plan and compliance with covenants;
- Periodic and regular contact with portfolio company management and, if appropriate, the financial or strategic sponsor, to discuss financial position, requirements and accomplishments;
- Comparisons to other portfolio companies in the industry;
- Attendance at and participation in board meetings; and
- Review of monthly and quarterly financial statements and financial projections for portfolio companies.

In addition to various risk management and monitoring tools, AIM also uses an investment rating system to characterize and monitor our expected level of returns on each investment in our portfolio.

We use an investment rating scale of 1 to 5. The following is a description of the conditions associated with each investment rating: