APOLLO INVESTMENT CORP
Form 497
January 04, 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.

Filed Pursuant to Rule 497(e)

File No. 333-124007

Subject to completion, dated January 4, 2007

Prospectus Supplement

To the Prospectus dated September 20, 2006

16,000,000 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 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 16,000,000 shares of our common stock. We have granted the underwriters a 30-day option to purchase up to 2,400,000 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 January 3, 2007 was $22.71 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 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 4 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 $650,000)		

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

JPMorgan	**Citigroup**	**Banc of America Securities LLC**	**Bear, Stearns & Co. Inc.**
Wachovia Securities	**SunTrust Robinson Humphrey**	**RBC Capital Markets**	**BMO Capital Markets**
UBS Investment Bank	**Merrill Lynch & Co.**	**Stifel Nicolaus**	**Keefe, Bruyette & Woods**

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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 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.

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PROSPECTUS

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FEES AND EXPENSES

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

Stockholder transaction expenses:	
Sales load (as a percentage of offering price)	4.25%(1)
Offering expenses borne by us (as a percentage of offering price)	0.18%(2)
Total stockholder transaction expenses (as a percentage of offering price)	4.43%(3)
Estimated annual expenses (as percentage of net assets attributable to common shares) (4):	
Management fees	2.44%(5)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income and 20% of net realized capital gains, net of gross unrealized capital losses)	2.19%(6)
Other expenses	0.39%(7)
Total annual expenses as a percentage of net assets excluding interest (estimated)	5.02%
Interest and other credit facility related expenses on borrowed funds	2.34%(8)
Total annual expenses as a percentage of net assets including interest (estimated)	7.36%(5)(6)(7)(8)

(1) *Represents the underwriting discounts and commissions with respect to the shares to be sold by us in this offering. We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, total underwriting discounts and commissions would increase by $908,400 and the sales load and total stockholder transaction expenses as a percentage of the offering price would be equal to 4.5% and 4.68%, respectively.*

(2) *Assumes a public offering price of $22.71, which was the last reported sales price for our common stock on January 3, 2007.*

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

(4) *Net assets attributable to common shares equals net assets as of September 30, 2006 plus the anticipated net proceeds from this offering.*

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 September 30, 2006, 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%(5)
Incentive fees payable under investment advisory and management agreement (20% of pre-incentive fee net investment income and 20% of net realized capital gains, net of gross unrealized capital losses)	1.19%(6)
Other expenses	0.21%(7)
Total annual expenses as a percentage of total assets excluding interest (estimated)	3.40%
Interest and other credit facility related expenses on borrowed funds	1.27%(8)
Total annual expenses as a percentage of total assets including interest (estimated)	4.67%(5)(6)(7)(8)

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(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 Note 9 of our interim financial statements dated September 30, 2006 included in this prospectus supplement.*

(6) *These performance-based incentive fees are based on current fiscal year estimates. These fees are subject to change as they are based on our performance and will not be earned unless we achieve certain goals. For more detailed information about incentive fees previously incurred by us, please see Note 3 of our interim financial statements dated September 30, 2006 included in this prospectus supplement. For a more detailed discussion of the calculation of these fees, see Compensation of Directors and Officers Investment Advisory and Management Agreement in the accompanying prospectus.*

(7) *Includes our estimated overhead expenses, including payments under the administration agreement based on our estimated allocable portion of overhead and other expenses incurred by Apollo 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 $1.25 billion available under our credit facility, of which we had $660 million in borrowings outstanding as of September 30, 2006. 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.*

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) 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	$94	$192	$290	$534

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.

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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THE COMPANY

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 supplement and the accompanying prospectus. In this prospectus supplement and the accompanying prospectus, except where the context suggests otherwise, the terms we, us, our, Apollo Investment and the Company refer to Apollo Investment Corporation; Apollo Investment Management 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, is a closed-end, non-diversified management investment company that has elected to be treated as a business development company 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.

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 direct 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, warrants or options. Our targeted investment typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes. In this prospectus, we typically use the term middle-market to refer to companies with annual revenues between $50 million and $1 billion.

We believe that the size of the middle-market, coupled with the demands of these companies for flexible sources of capital, continue to create an attractive investment environment for Apollo Investment. We believe that traditional financing sources have de-emphasized their service and product offerings to middle-market businesses in recent years in favor of lending to large corporate clients and managing capital markets transactions. In addition, while many middle-market companies were formerly able to raise funds by issuing high-yield bonds, we believe this approach to financing has become more difficult as institutional investors have sought to invest in larger, more liquid offerings. As evidence of this trend, the average deal size in the high-yield market (including public and 144A debt (including add-ons)) has grown from approximately $164 million in 1997 to almost $452 million in the nine-month period ended September 30, 2006 and, in the nine-month period ended September 30, 2006, approximately 2% of the high-yield issues raised less than $100 million. Therefore, we believe that there is a continued opportunity to invest in mezzanine and senior secured loans of middle-market companies and that we are well positioned to serve this market.

Apollo Investment Management and its affiliates manage other funds that may have investment mandates that are similar, in whole or in part, with ours. Apollo Investment Management 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, Apollo Investment Management may determine that we should invest on a side-by-side basis with one or more other funds. We do not anticipate making an initial investment in any portfolio company in which Apollo or any affiliate has a pre-existing investment. 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.

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At September 30, 2006, our net portfolio consisted of 51 portfolio companies with a fair value of $2.0 billion and was invested 64% in subordinated debt, 3% in preferred equity, 8% in common equity and 25% in senior secured loans versus 39 portfolio companies invested 57% in subordinated debt, 5% in common equity and 38% in senior secured loans at September 30, 2005. As of September 30, 2006, our average investment size was approximately $40 million.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.8% and 13.3%, respectively, at September 30, 2006. Yields are computed using interest rates as of the balance sheet date and include amortization of loan origination fees, original issue discount and market premium or discount, weighted by their respective costs when averaged.

While our primary focus is to generate both current income and capital appreciation through investments in loans, we may invest a portion of the portfolio in opportunistic investments in order to seek to enhance returns to stockholders. Such investments may include investments in high-yield bonds, distressed debt, foreign securities, private equity or securities of public companies that are not thinly traded. We expect that these public companies generally will have debt securities that are not investment grade.

About Apollo

Founded in 1990, Apollo is a recognized leader in private equity investing, having invested more than $13 billion in over 150 companies since its founding. Since its inception, Apollo has raised in excess of $25 billion in capital, primarily from institutional investors. Apollo traditionally has focused on companies that it believes are undervalued yet have successful business models, strong cash flows and prospects for value creation. The Apollo investment professionals disciplined, value-oriented strategy has sought to identify opportunities in all investment environments, selecting from a range of approaches, such as traditional or corporate partner buyouts, distressed debt buyouts or more liquid, non-control distressed debt investments. The Apollo investment professionals have sought through this strategy to provide investors with attractive returns while minimizing the risk of capital loss throughout economic cycles.

Apollo s active private investment funds focus on making either control-oriented equity investments of $200 million or more or distressed debt investments, either for control or non-control positions. In contrast, we seek to capitalize on the significant investment opportunities emerging in the mezzanine segment of the lending market for middle-market companies, which we believe offers the potential for attractive risk-adjusted returns.

About Apollo Investment Management

Apollo Investment Management, our investment adviser, is led by a dedicated team of 13 investment professionals and is further supported by Apollo s team of over 60 investment professionals. This team has invested approximately $2.8 billion in 73 companies in transactions with 54 different financial sponsors since commencement of operations in April 2004. In addition, Apollo Investment Management expects to hire additional investment professionals in the future. Apollo Investment Management s investment committee currently consists of John J. Hannan, our Chairman and Chief Executive Officer and a managing partner of Apollo Investment Management; James Zelter, our President and Chief Operating Officer and a managing partner of Apollo s capital markets business, which includes Apollo Investment Management; Patrick J. Dalton, our Executive Vice President and a partner of Apollo Investment Management; Edward Tam, our Executive Vice President and a partner of Apollo Investment Management and Jose Briones, a partner of Apollo Investment Management. The composition of the investment committee of Apollo Investment Management may change from time to time.

Apollo Investment Management draws upon Apollo s 16-year history and benefits from the Apollo investment professionals significant capital markets, trading and research expertise developed through investments in 23 different industries and over 150 companies in the United States and Western Europe.

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About Apollo Investment Administration

In addition to furnishing us with office facilities, equipment, and clerical, bookkeeping and record keeping services, Apollo Investment Administration 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.

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RECENT DEVELOPMENTS

On October 25, 2006, the SEC adopted certain changes to the definition of eligible portfolio companies under the Investment Company Act of 1940, as amended. In light of the SEC s rule change, the risk factor included in the accompanying prospectus entitled Our ability to invest in private companies may be limited in certain circumstances no longer applies to the Company.

On November 2, 2006, John J. Suydam was elected Chief Legal Officer and Vice President of the Company.

On November 30, 2006, we announced that James Zelter, a member of the investment committee of Apollo Investment Management, was elected President and Chief Operating Officer of the Company, succeeding Arthur Penn. Arthur Penn, our former President and Chief Operating Officer, resigned from the Company, effective on November 30, 2006. Also, on November 30, 2006, we announced that Patrick Dalton and Edward Tam were elected Executive Vice Presidents of the Company.

On December 7, 2006, we announced that our Board of Directors had declared its third fiscal quarter dividend of $0.50 per share, which was payable on December 28, 2006 to shareholders of record as of December 21, 2006.

On December 29, 2006, we announced that Martin E. Franklin resigned from our Board of Directors as a result of the conflict created by his recent election as Chairman of the Board of Directors of Freedom Acquisitions Holding, Inc., a special purpose acquisition company. Mr. Franklin served as chairman of the Audit Committee of our Board and as a member of our Board s Nominating and Corporate Governance Committee prior to his resignation.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 16,000,000 shares of our common stock that we are offering, after deducting the underwriting discounts and commissions and estimated expenses of this offering payable by us, will be approximately $347.3 million (or $399.5 million, if the over-allotment is exercised in full), based upon a public offering price of $22.71 per share based on the closing price of our stock as of January 3, 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 $15.3 million. We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, the net proceeds of the offering to us will be approximately $346.4 million (or $398.4 million, if the over-allotment option is exercised in full). 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 September 30, 2006, we had approximately $660 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.

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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 January 3, 2007, the last reported closing price of our common stock was $22.71 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, 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	*	$23.27	$20.56	*	*	$0.500
Fourth Fiscal Quarter (through January 3, 2007)	*	$22.71	$22.71	*	*	
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 period ended 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. 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 six months ended September 30, 2006, are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2007. 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 Six Months Ended September 30, 2006	For the Year Ended March 31, 2006	For the Period April 8, 2004* through March 31, 2005
Statement of Operations Data:			
Total Investment Income	$ 119,775	$ 152,827	$ 47,833
Total Expenses	$ 54,219	$ 63,684	$ 22,380
Net Investment Income	$ 65,556	$ 89,143	$ 25,453
Net Realized and Unrealized Gains	$ 86,866	$ 31,244	$ 18,692
Net Increase in Net Assets Resulting from Operations	$ 152,422	$ 120,387	$ 44,145
Per Share Data:			
Net Asset Value	$ 16.14	$ 15.15	$ 14.27
Net Increase in Net Assets Resulting from Operations	$ 1.87	$ 1.90	$ 0.71
Distributions Declared	$ 0.92	$ 1.630	$ 0.485
Balance Sheet Data:			
Total Assets	$ 2,732,565	$ 2,511,074	$ 1,733,384
Borrowings Outstanding	$ 659,932	$ 323,852	$0
Total Net Assets	$ 1,323,359	$ 1,229,855	$ 892,886
Other Data:			
Total Return (1)	20.6%	12.9%	15.3%
Number of Portfolio Companies at Period End	51	46	35
Total Portfolio Investments for the Period	$ 780,599	$ 1,110,371	$ 894,335
Investment Sales and Prepayments for the Period	$ 411,444	$ 452,325	$ 71,730
Weighted Average Yield on Debt Portfolio at Period End (2)	13.3%	13.1%	10.5%

(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.

(2) Computed using interest rates as of the balance sheet date and including amortization of loan origination and commitment fees, original issue discount and market premium or discount, weighted by their respective costs when averaged.

* Commencement of operations.

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CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2006 (1) on an actual basis and (2) as adjusted to reflect the effects of the sale of 16,000,000 shares of our common stock in this offering at an assumed offering price of $22.71 per share, which was the last reported closing price of our common stock on January 3, 2007, and our receipt of the estimated net proceeds from that sale. 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 per share data

	As of September 30, 2006	
	Actual	As Adjusted for January 2007 Offering (1)
Cash and cash equivalents	$ 651,983	$ 999,250
Total assets	$ 2,732,565	$ 3,079,832
Borrowings under senior credit facility	$ 659,932	$ 659,932(3)
Common stock, par value $0.001 per share; 400,000 shares authorized, 82,005 shares issued and outstanding, 98,005 shares issued and outstanding, as adjusted, respectively	$ 82	$ 98
Capital in excess of par value	$ 1,214,110	$ 1,561,361
Distributable earnings (2)	$ 109,167	$ 109,167
Total stockholders equity	$ 1,323,359	$ 1,670,626
Total capitalization	$ 1,983,291	$ 2,330,558

(1) Does not include the underwriters over-allotment option of 2,400,000 shares.

(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 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 CONDITIONS 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 business development company 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. On March 22, 2006, the Company closed on its second public offering and sold 17,250,000 shares of its common stock at a price of $17.85 per share, receiving $294 million in total net proceeds from the offering.

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. Over the last twenty-four months, we believe that the availability of senior debt capital from banks for middle-market companies has generally increased and has put downward pressure on interest rate spreads at the same time that base interest rates have risen. We do not expect this increased availability of capital to impair our ability to make longer-term investment allocations with our capital.

As a business development company, we must not acquire any assets other than qualifying assets specified in the 1940 Act unless, at the time the acquisition is made, at least 70% of our total assets are qualifying assets (with certain limited exceptions). Qualifying assets include investments in eligible portfolio companies. 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. We are no longer required to determine the eligibility of a portfolio company by reference to whether or not it has outstanding margin 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 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

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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 dividends paid to us on equity investments as well as 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 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 Apollo Investment Management. We bear all other costs and expenses of our operations and transactions, including those relating to:

- investment advisory and management fees;
- expenses incurred by Apollo Investment Management 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 financial officer and chief compliance 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. Incentive fees, interest expense and costs relating to future offerings of securities, among others, would be additive.

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Portfolio and Investment Activity

During the quarter ended September 30, 2006, middle market activity remained robust as we continued to identify investment opportunities that met or exceeded our risk-reward standards. Strong originations and refinancings on some of our existing portfolio companies drove an active investment quarter. Investments totaled $493.8 million across 6 new and 6 existing portfolio companies during the three months ended September 30, 2006. This compares to investing $332.9 million in 8 new and 3 existing portfolio companies for the three months ended September 30, 2005. Investment sales and pre-payment proceeds totaled $287.3 million during the quarter versus $134.2 million for the three months ended September 30, 2005. The prepayment of N.E.W. Customer Service Companies in August generated an additional $28.1 million of gains on this investment. In addition, we also received a 19.1 million distribution on our 20 million investment from the recapitalization of Prysmian Cables & Systems (through our investment in GS Prysmian Co-Invest LP).

At September 30, 2006, our net portfolio consisted of 51 portfolio companies and was invested 64% in subordinated debt, 3% in preferred equity, 8% in common equity and 25% in senior secured loans versus 39 portfolio companies invested 57% in subordinated debt, 5% in common equity and 38% in senior secured loans at September 30, 2005. Our targeted investment size typically ranges between $20 million and $150 million, although this investment size may vary proportionately as the size of our capital base changes.

The weighted average yields on our subordinated debt portfolio, senior secured loan portfolio and total debt portfolio were 13.5%, 12.8% and 13.3%, respectively, at September 30, 2006 versus 13.4%, 10.4% and 12.2%, respectively, at September 30, 2005.

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 September 30, 2006, 57% or $1,071.6 million of our interest-bearing portfolio is fixed rate debt and 43% or $808.1 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 business development company, 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. 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 are valued at fair value as determined in good faith by or under the direction of our board of directors. Such determination of fair values may involve subjective judgments and estimates. Investments purchased within 60 days of maturity are valued at cost plus accreted discount, or minus amortized premium, which approximates

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value. With respect to unquoted securities, 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. 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, our board of directors has approved 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.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measurements, which clarifies 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 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.

Revenue Recognition

We record interest income on an accrual basis to the extent that we expect to collect such amounts. For loans and debt securities with contractual PIK interest, which represents contractual interest accrued and added to the loan balance that generally becomes due at maturity, we will not accrue PIK interest if the portfolio company valuation indicates that the PIK interest is not collectible. We do not accrue as a receivable interest on loans and debt securities if we have reason to doubt our ability to collect such interest. 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 and six months ended September 2006 and September 2005.

Investment Income

Gross investment income totaled $63.9 million and $119.8 million, respectively, for the three and six months ended September 30, 2006 compared to $35.0 million and $72.8 million, respectively, for the three and six months ended September 30, 2005. The increase in investment income for the three and six months ended September 30, 2006 was primarily due to the continued growth and asset mix of our investment portfolio as compared to the year-ago period. Notable events impacting investment income in the current period include dividend income of $2.7 million from GS Prysmian Co-Invest L.P. and $1.4 million from Sorenson Communications, Inc. 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 $30.1 million and $54.2 million, respectively, for the three and six months ended September 30, 2006 versus $14.3 million and $26.9 million, respectively, for the three and six months ended September 30, 2005. Of these totals, for the three and six months ended September 30, 2006, $10.8 million and $18.7 million, respectively, were performance-based incentive fees and $8.2 million and $13.8 million, respectively, were interest and other credit facility expenses. This compares to $5.2 million and $11.5 million in performance-based incentive fees and $2.3 million and $2.8 million in interest and other credit facility expenses for the three and six months ended September 30, 2005. Expenses net of performance-based incentive fees, interest, and other credit facility expenses for the three months and six months ended September 30, 2006 were $11.1 million and $21.7 million, respectively, versus $6.8 million and $12.6 million for the three and six months ended September 30, 2005. These net 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 expenses was driven primarily by an increase in base investment advisory and management fees resulting from the growth of our investment portfolio as well as from an accrual of $1.9 million in net realized gain incentive fees.

Net Investment Income

The Company s net investment income totaled $33.8 million and $65.6 million or $0.41 per share and $0.81 per share, respectively, for the three and six months ended September 30, 2006. For the three and six months ended September 30, 2005, the Company s net investment income totaled $20.7 million and $45.9 million or $0.33 per share and $0.73 per share, respectively.

Net Realized Gains/Losses

The Company had investment sales totaling $287.3 million and $411.4 million, respectively, for the three and six months ended September 30, 2006 versus $134.2 million and $258.7 million, respectively, for the three and six months ended September 30, 2005. Total net realized gains for the three and six months ended September 30, 2006 were $29.7 million and $26.7 million, respectively, versus total net realized losses and gains, respectively, for the three and six months ended September 30, 2005 of $0.6 million and $6.2 million. Realized gains were derived primarily from the prepayment of our investment in N.E.W. Customer Service Companies

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which contributed $28.1 million to net realized gains for the quarter ended September 30, 2006. Included in the

total net realized gains are currency losses of $0.3 million and $3.6 million, respectively, for the three and six months ended September 30, 2006 versus a currency loss and gain, respectively, of $0.7 million and $2.7 million for the three and six months ended September 30, 2005.

Net Unrealized Appreciation (Depreciation) on Investments and Foreign Currencies

For the three and six months ended September 30, 2006, the Company s investments, foreign currencies and other assets and liabilities had a net increase in appreciation of $17.7 million and $60.1 million, respectively, versus a net increase and decrease in appreciation, respectively, of $10.9 million and $7.6 million for the three and six months ended September 30, 2005. At September 30, 2006, net unrealized appreciation totaled $98.4 million, of which $107.6 million was attributable to net unrealized appreciation on our subordinated debt and private equity (after considering the effects of foreign currency borrowing/hedging for our non-U.S. investments) and $9.2 million was attributable to net unrealized depreciation on our bank debt/senior secured debt.

Net Increase in Net Assets from Operations

For the three and six months ended September 30, 2006, the Company had a net increase in net assets resulting from operations of $81.3 million and $152.4 million, respectively, versus an increase of $31.0 million and $44.6 million for the three and six months ended September 30, 2005, respectively. The net change in net assets from operations per share was $1.00 and $1.87, respectively, for the three and six months ended September 30, 2006 versus $0.49 and $0.71 for the three and six months ended September 30, 2005, respectively.

Liquidity and Capital Resources

The Company s liquidity and capital resources are generated primarily through its senior secured, multi-currency $1.25 billion, five-year 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 (which normally comprise of U.S. government securities and other high-quality debt investments that mature in one year or less). At September 30, 2006, the Company had $660 million in borrowings outstanding and $590 million available for its use. In the future, the Company may raise additional equity or debt capital off its shelf registration or may securitize a portion of its investments. It may also further access $750 million of additional credit commitments available under the terms of its current credit facility as the Company s equity capital base grows. The primary use of funds will be investments in portfolio companies, cash distributions to holders of common stock and for other general corporate purposes.

The following table shows our significant contractual obligations for the repayment of outstanding borrowings under our senior secured revolving credit facility as of September 30, 2006:

		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)	$ 660	$	$	$ 660	$

(1) At September 30, 2006, $590 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 Apollo Administration s overhead in

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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 included in this prospectus supplement for more information.

Off-balance Sheet Arrangements

At September 30, 2006, we did not have any 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.

Dividends

Dividends paid to stockholders for the three and six months ended September 30, 2006 totaled $38.4 million or $0.47 per share and $74.9 million or $0.92 per share, respectively. For the three and six months ended September 30, 2005, dividends paid totaled $27.0 million or $0.43 per share and $46.4 million or $0.74 per share, respectively. Tax characteristics of all dividends will be reported to shareholders on Form 1099 after the end of the calendar year.

We have elected to be taxed as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986. In order to maintain our status as a regulated investment company, we are required to distribute at least 90% of our investment company taxable income. We also intend to make distributions of net realized capital gains, if any, at least annually.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a business development company under the Investment Company Act of 1940 and due to provisions in our 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 status as a regulated investment company. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

With respect to the dividends paid to shareholders, 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. For the three and six months ended September 30, 2006, upfront fees totaling $0.8 million and $3.5 million, respectively, are being amortized into income over the lives of their respective loans. For the three and six months ended September 30, 2005, upfront fees totaled $2.0 million and $2.4 million, respectively.

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. We do not expect the FASB s issuance of FIN 48 to materially impact the Company s financial condition or results of operations.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to financial market risks, including changes in interest rates. During the three and six months ended September 30, 2006, 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 and six months ended September 30, 2006, we did not engage in interest rate hedging activities.

Beginning in December 2004 and concomitant with our investment in WDAC Intermediate Corp., we entered into a three-month forward foreign currency contract to hedge our exposure to the currency risk associated with this investment. Our hedging contract continues to roll forward every three months and remains outstanding at September 30, 2006. Realized and unrealized gains on these contracts are represented on our balance sheet and statement of operations, respectively, as of and for the three and six months ended September 30, 2006. The open contract is further described in footnote 7 within our financial statements included in this prospectus supplement.

Additionally, we currently have, and may continue to have, outstanding borrowings denominated in foreign currencies. These borrowings are primarily used to fund foreign investments. As a result of borrowing and subsequently investing in the same foreign currency denominated investments, we are able to effectively hedge our exposure to currency risk resulting from these foreign investments. Unrealized appreciation on these borrowings is reflected in the value of the outstanding liability for credit facility payable on our statement of assets and liabilities as of September 30, 2006 and described further in footnote 7 to the financial statements included in this prospectus supplement.

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, at the weighted average annual interest rate of 5.12% for the six months ended September 30, 2006 and assuming hypothetical annual returns on our portfolio of minus 10 to plus 10 percent. As can be seen, leverage generally increases the return to stockholders when the portfolio return is positive and decreases the return when the portfolio return is negative. Actual returns may be greater or less than those appearing in the table.

Assumed return on portfolio (net of expenses) (1)	**-10.0%**	**-5.0%**	**0%**	**5.0%**	**10.0%**
Corresponding Return to Common Stockholders (2)	-21.00%	-11.78%	-2.56%	6.66%	15.88%

(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

J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Banc of America Securities LLC and Bear, Stearns & Co. Inc. 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
J.P. Morgan Securities Inc.	
Citigroup Global Markets Inc.	
Banc of America Securities LLC	
Bear, Stearns & Co. Inc.	
Wachovia Capital Markets, LLC	
SunTrust Capital Markets, Inc.	
RBC Capital Markets Corporation	
BMO Capital Markets Corp.	
UBS Securities LLC	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Stifel, Nicolaus & Company, Incorporated	
Keefe, Bruyette & Woods, Inc.	
Total	16,000,000

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 2,400,000 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 must 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 Company (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. J.P. Morgan Securities 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 NASD 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

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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 .

Each underwriter has represented, warranted and agreed that:

It has not offered or sold and, prior to the expiry of a period of six months from the closing date, will not offer or sell any shares included in this offering to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which has not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of any shares included in this offering in circumstances in which section 21(1) of the FSMA does not apply to us;

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares included in this offering in, from or otherwise involving the United Kingdom; and

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 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.

	No Exercise(1)	Full Exercise(1)
Per share	$ 0.97	$ 0.97
Total	$ 15,442,800	$ 17,759,220

(1) We have agreed to pay the underwriters additional underwriting discounts and commissions, at our discretion, of up to 0.25% of the offering price. If we were to pay this incentive underwriting discount and commission in full, total underwriting discounts and commissions would be $1.02 per share, or $16,351,200 in total ($1.02 per share or $18,803,880 in total if the over-allotment option is exercised in full).

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.

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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 $650,000.

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 J.P. Morgan Securities Inc., Banc of America Securities LLC, Citigroup Global Markets Inc. and Bear, Stearns & Co., Inc., 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 NASD Rule 2710(h).

The underwriters have performed investment banking and advisory services for us 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 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. 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 have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

This offering is being conducted pursuant to Rule 2710 of the NASD Rules of Conduct.

The principal business address of J.P. Morgan Securities Inc. is 277 Park Avenue, 2nd Floor, New York, NY 10172. The principal business address of Citigroup Global Markets Inc. is 390 Greenwich Street, New York, NY 10013. The principal business address of Banc of America Securities LLC is 9 West 57th Street, 21st Floor, New York, NY 10019. The principal business address of Bear, Stearns & Co. Inc. is 383 Madison Avenue, New York, NY 10179.

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LEGAL MATTERS

Certain legal matters regarding the securities offered by this prospectus will be passed upon for Apollo Investment by Willkie Farr & Gallagher LLP, New York, NY, and Venable LLP, Baltimore, MD. Certain legal matters will be passed upon for the underwriters by Sutherland Asbill & Brennan LLP, Washington, D.C.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The consolidated financial statements as of March 31, 2006 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)

	September 30, 2006 (unaudited)	March 31, 2006
Assets		
Investments, at fair value (cost $1,932,797 and $1,520,025, respectively) (1)	$ 2,039,165	$ 1,556,698
Cash equivalents, at fair value (cost $648,072 and $898,374, respectively)	648,072	898,374
Cash	1,661	5,506
Foreign currency	2,250	1,079
Interest receivable*	32,438	24,827
Receivable for investments sold		17,261
Receivable for commitment fee		812
Dividends receivable	3,071	173
Unrealized appreciation on forward foreign currency contract (see note 7)	425	
Prepaid expenses and other assets	5,483	6,344
Total assets	**$ 2,732,565**	**$ 2,511,074**
Liabilities		
Payable for investments and cash equivalents purchased	$ 724,657	$ 940,874
Credit facility payable*	659,932	323,852
Management and performance-based net investment income incentive fees payable (see note 3)	18,584	12,850
Interest payable	3,007	1,300
Accrued performance-based net realized gain incentive fee (see note 3)	1,852	
Accrued administrative expenses	412	453
Unrealized depreciation on forward foreign currency contract		363
Other accrued expenses	762	1,527
Total liabilities	**$ 1,409,206**	**$ 1,281,219**
Net Assets		
Common stock, par value $.001 per share, 400,000 and 400,000 common shares authorized, respectively, and 82,005 and 81,192 issued and outstanding, respectively	$ 82	$ 81
Paid-in capital in excess of par	1,214,110	1,198,137
Distributions in excess of net investment income (see note 2f)	(16,988)	(7,653)
Accumulated net realized gain	27,753	1,014
Net unrealized appreciation	98,402	38,276
Total Net Assets	**$ 1,323,359**	**$ 1,229,855**
Total liabilities and net assets	**$ 2,732,565**	**$ 2,511,074**
Net Asset Value Per Share	**$ 16.14**	**$ 15.15**

(1) None of our portfolio companies are controlled by or affiliated with the Company as defined by the Investment Company Act of 1940.

* Interest receivable includes net unrealized depreciation of $54 (in 000 s) at September 30, 2006 and net unrealized appreciation at March 31, 2006 of $17 (in 000 s). Credit facility payable includes net unrealized depreciation totaling $8,334 at September 30, 2006 and net unrealized appreciation totaling $1,949 at March 31, 2006 (in 000 s).

See note 7.

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 September 30, 2006	Three Months Ended September 30, 2005*	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005*
INVESTMENT INCOME:				
Interest	$ 57,473	$ 33,594	$ 106,496	$ 60,328
Dividends	5,945		12,301	3,484
Other income	496	1,419	978	8,995
Total investment income	63,914	35,013	119,775	72,807
EXPENSES:				
Management fees	$ 9,668	$ 5,310	$ 18,144	$ 9,801
Performance-based incentive fees (see note 3)	10,768	5,173	18,704	11,484
Interest and other credit facility expenses	8,185	2,277	13,816	2,775
Administrative services expenses	533	403	1,501	715
Other general and administrative expenses	998	1,157	2,119	2,095
Total expenses	30,152	14,320	54,284	26,870
Expense offset arrangement (see note 8)	(50)		(65)	
Net expenses	30,102	14,320	54,219	26,870
Net investment income	$ 33,812	$ 20,693	$ 65,556	$ 45,937
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, CASH EQUIVALENTS AND FOREIGN CURRENCIES:				
Net realized gain (loss):				
Investments and cash equivalents	30,095	156	30,290	3,508
Foreign currencies	(348)	(716)	(3,551)	2,723
Net realized gain (loss)	29,747	(560)	26,739	6,231
Net change in unrealized gain (loss):				
Investments and cash equivalents	14,206	7,456	69,696	(10,589)
Foreign currencies	3,501	3,420	(9,569)	2,991
Net change in unrealized gain (loss)	17,707	10,876	60,127	(7,598)
Net realized and unrealized gain (loss) from investments, cash equivalents and foreign currencies	47,454	10,316	86,866	(1,367)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$ 81,266**	**$ 31,009**	**$ 152,422**	**$ 44,570**
EARNINGS PER COMMON SHARE (see note 5)	**$ 1.00**	**$ 0.49**	**$ 1.87**	**$ 0.71**

* Certain amounts have been reclassified to conform to the current period s presentation.

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF CHANGES IN NET ASSETS

(in thousands, except per share amounts)

	Six Months Ended September 30, 2006 (unaudited)	Year Ended March 31, 2006
Increase in net assets from operations:		
Net investment income	$ 65,556	$ 89,143
Net realized gains	26,739	11,165
Net change in unrealized gain	60,127	20,079
Net increase in net assets resulting from operations	**152,422**	**120,387**
Dividends and distributions to shareholders	**(74,891)**	**(102,735)**
Capital share transactions:		
Net proceeds from shares sold		294,056
Less offering costs related to public share offerings	(139)	(396)
Reinvestment of dividends	16,112	25,657
Net increase in net assets resulting from capital share transactions	**15,973**	**319,317**
Total increase in net assets:	**93,504**	**336,969**
Net assets at beginning of period	1,229,855	892,886
Net assets at end of period	$ 1,323,359	$ 1,229,855
Capital share activity:		
Shares sold		17,250,000
Shares issued from reinvestment of dividends	812,549	1,386,978
Net increase in capital share activity	**812,549**	**18,636,978**

See notes to financial statements.

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APOLLO INVESTMENT CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Six Months Ended September 30, 2006	Six Months Ended September 30, 2005
Cash Flows from Operating Activities:		
Net Increase in Net Assets Resulting from Operations	$ 152,422	$ 44,570
Adjustments to reconcile net increase:		
Purchase of investment securities	(807,004)	(598,063)
Proceeds from disposition of investment securities	424,585	255,727
Decrease (increase) from foreign currency transactions	(3,551)	2,722
Increase in interest and dividends receivable	(10,580)	(5,189)
Decrease (increase) in prepaid expenses and other assets	1,674	(3,370)
Increase in management and performance-based incentive fees payable	5,734	5,991
Increase in interest payable	1,707	1,490
Increase in accrued expenses	1,046	590
Decrease in payable for investments and cash equivalents purchased	(216,280)	(336,207)
Decrease in receivables for securities sold	17,261	
Net change in unrealized (appreciation)/depreciation on investments, cash equivalents, foreign currencies and other assets and liabilities	(60,126)	7,591
Net realized gain on investments and cash equivalents	(26,739)	(6,231)
Net Cash Used by Operating Activities	(519,851)	(630,379)
Cash Flows from Financing Activities:		
Offering costs from the issuance of common stock	(139)	
Dividends paid in cash	(58,779)	(36,149)
Borrowings under credit facility	690,213	377,207
Repayments under credit facility	(364,416)	(86,000)
Net Cash Provided by Financing Activities	$ 266,879	$ 255,058
NET DECREASE IN CASH AND CASH EQUIVALENTS	**$ (252,972)**	**$ (375,321)**
Effect of exchange rates on cash balances	(4)	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**904,959**	**878,264**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 651,983**	**$ 502,943**

Non-cash financing activities consist of the reinvestment of dividends totaling $16,112 and $10,233, respectively (in thousands).

See notes to financial statements.

APOLLO INVESTMENT CORPORATION

SCHEDULE OF INVESTMENTS (UNAUDITED)

September 30, 2006

(in thousands)

Portfolio Company (1)	Industry	Par Amount*	Cost	Fair Value (2)
Subordinated Debt/Corporate Notes 99.3%				
Advantage Sales & Marketing, Inc., 12.00%, 3/29/14	Grocery	$ 30,311	$ 29,734	$ 30,311
ALM Media Holdings, Inc., 13.00%, 3/15/13♦	Publishing	18,796	18,656	18,796
Altice France Est SAS (Numericable), E+912.5, 6/15/16	Cable TV	21,701	27,773	27,363
AMH Holdings II, Inc. (Associated Materials), 13.625%, 12/1/14♦	Building Products	$ 47,675	46,760	46,483
Anthony, Inc., 13.50%, 9/1/12♦	Manufacturing	9,780	9,664	9,780
API Heat Transfer, Inc., 13.75%, 12/31/12	Manufacturing	19,386	19,089	19,386
Applied Systems, Inc., 13.50%, 6/19/14	Business Services	22,000	21,890	22,000
Arbonne Intermediate Holdco Inc. (Natural Products Group LLC), 13.50%, 6/19/14	Direct Marketing	55,227	55,029	55,227
Associated Materials, Inc., 0%/11.25%, 3/1/14	Building Products	58,415	34,010	33,151
Audatex Holdings III, B.V., E+900, 10/13/14	Business Services	15,000	18,463	19,571
Brenntag Holding GmbH & Co. KG, E+900, 1/25/16	Chemicals	15,303	18,140	20,015
Collect America, Ltd., 13.50%, 8/5/12♦	Consumer Finance	$ 36,320	35,671	36,320
Delta Educational Systems, Inc., 13.00%, 5/12/13	Education	18,482	17,814	18,482
DSI Renal Inc., 14.00%, 3/31/14	Healthcare	10,097	10,097	10,097
Eurofresh, Inc., 0%/14.50%, 1/15/14♦	Agriculture	26,504	16,956	15,041
Eurofresh, Inc., 11.50%, 1/15/13♦	Agriculture	50,000	50,000	49,250
European Directories (DH5) B.V., 15.735%, 7/1/16	Publishing	2,015	2,430	2,617
European Directories (DH7) B.V., E+950, 7/1/15	Publishing	14,771	18,035	19,179
FCI International S.A.S., E+875, 11/3/15(3)	Electronics	22,500	27,206	29,767
Fidji Luxembourg (BC2) S.A.R.L. (FCI International S.A.S.), E+1125, 8/3/16(4)	Electronics	17,500	20,999	23,498
FleetPride Corporation, 11.50%, 10/1/14♦	Transportation	$ 47,500	47,500	47,737
FPC Holdings, Inc. (FleetPride Corporation), 0%/14.00%, 6/30/15♦	Transportation	37,846	26,013	25,073
Hanley Wood LLC, 12.25%, 8/1/2013♦	Media	60,000	59,455	60,000
Language Line Holdings, Inc., 0%/14.125%, 6/15/13	Business Services	27,678	19,803	17,576
Language Line Inc., 11.125%, 6/15/12	Business Services	27,081	26,797	26,709
Latham Manufacturing Corp., 14.00%, 6/30/11	Leisure Equipment	33,954	33,402	33,954
Lexicon Marketing (USA), Inc., 13.25%, 5/11/13	Direct Marketing	28,216	28,216	28,216
LVI Services, Inc., 13.25%, 11/16/12	Environmental	43,000	42,209	43,000
Nielsen Finance LLC, 0%/12.50%, 8/1/16♦	Market Research	91,000	50,200	53,500
OTC Investors Corporation, 13.50%, 1/31/15	Direct Marketing	20,000	20,000	20,000
PBM Holdings, Inc., 13.50%, 9/29/13	Beverage, Food & Tobacco	17,500	17,500	17,500
Playpower Holdings Inc., 15.50%, 11/30/12♦	Leisure Equipment	76,029	76,029	76,029
Pro Mach Merger Sub, Inc., 12.50%, 6/15/12	Machinery	14,471	14,237	14,471
QHB Holdings LLC (Quality Home Brands), 13.50%, 12/20/13	Consumer Products	36,326	35,298	36,326
RSA Holdings Corp. of Delaware (American Safety Razor), 13.50%, 7/31/15	Consumer Products	35,801	35,801	35,801
Safety Products Holdings LLC, 11.75%, 1/1/12♦	Manufacturing	28,684	28,210	28,846
Sigmakalon Holdco B.V., E+1000, 12/31/15	Chemicals			