LENNOX INTERNATIONAL INC
Form 4
December 16, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
RUMBOUGH ROY A

(Last) (First) (Middle)

2140 LAKE PARK BLVD

(Street)

RICHARDSON, TX 75080

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LENNOX INTERNATIONAL INC [LII]

3. Date of Earliest Transaction (Month/Day/Year)
12/12/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
VP, CAO & Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, Par Value $0.01 Per Share	12/12/2014		A		879	A	$ 0	8,362	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amo Underlying Secu (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nu of Sh
Non-qualified Stock Appreciation Right	$ 92.64	12/12/2014		A		2,642		12/12/2015 (1)	12/12/2021	Common Stock, Par Value $0.01 Per Share	2

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
RUMBOUGH ROY A 2140 LAKE PARK BLVD RICHARDSON, TX 75080			VP, CAO & Controller	

Signatures

/s/ James K. Markey, attorney-in-fact for Roy Rumbough, Jr.	12/16/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) One third of the Stock Appreciation Rights will become exercisable on 12/12/15 and each year thereafter. The entire grant will become fully exercisable on 12/12/17.

Remarks:
Attorney-in-fact pursuant to Power of Attorney dated December 7, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ying dividends or profits directly or indirectly to a Mexican taxpayer entity may be credited in proportion to the Mexican taxpayer s ownership, subject to certain ownership thresholds and other rules. In such case, the Mexican taxpayer must consider as tax base the dividend or profit received and the income tax paid abroad related to that dividend or profit.

Credits claimed by a Mexican taxpayer are subject to certain limitations and other rules.

Transfer of Shares

Capital Gains for Entities. Gain derived from the transfer of shares is included in the determination of provisional payments and annual income tax. Gain is calculated by subtracting the average price paid for the shares by the transferor (tax basis) from the purchase price paid by the acquiror. The general corporate rate (30%) is applicable to such gain.

The average price paid for shares issued by a non-resident entity is the proven price paid less any reimbursement derived from capital reductions.

For a transfer of shares issued by an entity subject to the preferential tax regimes regulations, gain may be determined according to the rules applicable to a transfer of shares issued by a Mexican entity. These rules require specific calculations and vary depending on the period in which the Mexican company owned the shares.

Deduction of losses incurred in the transfer of stock is limited by the MITL, and some formal requirements must be met in order to take the corresponding deduction.

Capital Gains for Individuals. Individuals must make a provisional payment of 20% of the consideration received for the shares.

If shares are transferred to another Mexican taxpayer, the acquiror must withhold the tax and pay it to the Mexican tax authorities. If the shares are transferred to a non-Mexican, the Mexican transferor must pay the tax directly.

The tax payment may be reduced by complying with certain requirements and filing an auditor s report in connection with the calculation of the tax. This releases the acquiror from the withholding obligation.

Individuals transferring shares governed by the provisions of preferential tax regimes may determine the corresponding capital gain by applying the tax basis rules for shares issued by Mexican companies.

Exemptions. Income realized by Mexican individuals in relation to the transfer of stock issued by a foreign entity listed in a Mexican stock house authorized under the Mexican Law of Securities Markets is exempt as long

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as holders or group of interest does not own directly or indirectly 10% or more of the shares of the entity. In case of equity derivatives referred to shares listed in a Mexican Stock house authorized under the Mexican Law of Securities Market, an exemption applies to income realized by individuals provided certain requirements are satisfied.

Tax Credit on Transfer of Shares. The use of credits by a Mexican entity or individual in connection with income tax paid abroad is subject to certain limitations and other rules.

Material Singapore Tax Considerations

The following summary describes the material Singapore tax considerations relating to an investment in Class A shares by persons resident in Singapore. This summary is based on the tax laws of Singapore as currently applied by the Singapore courts and on published practice of the Inland Revenue Authority of Singapore (IRAS) as of the date of this prospectus. This summary does not purport to be a complete discussion of all Singapore tax considerations that may be relevant to holders of Class A shares. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor.

Prospective holders who are resident or may otherwise be subject to tax in Singapore should consult their own tax advisors with regard to the Singapore income tax consequences to them of acquiring, holding and disposing of Class A shares, as well as eligibility for any reduced withholding benefits.

Income Tax

In General. Singapore imposes income tax on income accruing in or derived from Singapore (sourced in Singapore) and income received in Singapore from outside Singapore (remitted to Singapore).

Foreign sourced income is considered received or deemed received in Singapore whether or not the source from which the income is derived has ceased if it is: (i) remitted to, transmitted to or brought into Singapore; (ii) applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore; or (iii) applied to the purchase of any movable property which is brought into Singapore.

Foreign-sourced income not remitted to Singapore is generally not subject to Singapore income tax.

Foreign-sourced income received by an individual resident in Singapore is tax exempt (unless such income is received through a partnership registered in Singapore). Foreign-sourced dividend income, branch profits and service income received by a person (other than an individual) resident in Singapore may be tax exempt subject to satisfaction of certain conditions.

An individual is considered resident in Singapore in any year if he resides in Singapore (except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such person to be resident in Singapore) or if he is physically present or is employed (other than as a director of a company) in Singapore for 183 days or more in the particular year. A company or body of persons is considered resident in Singapore in any year if the control and management of its business is exercised in Singapore.

The current corporate tax rate in Singapore is 17%. Singapore resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 20%.

Taxation of Holders of Class A Shares

There is no regime in Singapore that provides for a limited liability company to be taxed as a partnership.

Where a limited liability company established in the United States (LLC) (which is not resident in Singapore and neither carries on any business operations or activities nor has any office or any form of

permanent establishment in Singapore) qualifies to be taxed as a partnership for U.S. Federal income tax purposes, the IRAS presently does not have any published or official position as to whether distributions made by such LLC would be treated for Singapore income tax purposes either as dividend income arising from the holding of shares in such LLC or as partnership distributions. Accordingly, both characterizations are set forth below.

Tax Treatment of Foreign-sourced Dividend Income Received by any Singapore-resident Person

If distributions by us are deemed to be foreign-sourced dividend income, then such income would generally not be subject to Singapore income tax if not remitted to or received in Singapore.

Foreign-sourced dividend income remitted to or received by an individual resident in Singapore is tax exempt (unless such income is remitted or received through a partnership registered in Singapore).

Foreign-sourced dividend income remitted to or received by a person (other than an individual) resident in Singapore is prima facie entitled to tax exemption if such dividend is subject to tax in the jurisdiction from which the dividend is paid and the highest corporate tax rate of such jurisdiction at the time of remittance is at least 15%.

Tax Treatment of Distributions from Foreign Partnership Sourced Outside Singapore

If distributions by us are deemed to be distributions paid by a foreign partnership the following would apply:

As a general rule, a partnership is not a taxable legal entity and partnership income is allocated to each partner in accordance with the partner s respective interest in the partnership and taxed solely at the hands of the respective partner level.

Whether any portion of a partner s allocated partnership income is subject to tax in Singapore depends on (i) the source of such income (*i.e.,* whether the income is sourced in Singapore or foreign-sourced), (ii) the character of such income (*i.e.,* whether the income consists of dividends, interest, trading income, etc.) and (iii) the form of legal entity of the partner (*i.e.,* whether it is a corporation, an individual or any other form of legal entity).

Partnership distributions consisting of foreign-sourced income are not subject to Singapore income tax if not remitted to or received in Singapore.

In the case of an individual partner resident in Singapore, all partnership distributions consisting of foreign-sourced income are tax exempt even if remitted to or received in Singapore by such individual (provided that such foreign-sourced income is not remitted or received through a partnership registered in Singapore).

In the case of a partner (other than an individual) resident in Singapore, partnership distributions consisting of, inter alia, foreign-sourced interest income and trading income/sale proceeds are potentially subject to Singapore income tax if remitted to or received in Singapore, whereas partnership distributions consisting of foreign-sourced dividend income are prima facie entitled to tax exemption if such dividend is subject to tax in the jurisdiction from which the dividend is paid and the highest corporate tax rate of such jurisdiction at the time of remittance is at least 15%.

The tax treatment of foreign partnership distributions is currently under review by the IRAS and the tax treatment set forth above may change.

Tax Credit

Singapore does not have a comprehensive double tax treaty with the United States. However, Singapore domestic income tax legislation provides for unilateral tax credits to be given to Singapore residents in respect of

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remittances of offshore income derived from prescribed foreign countries with which Singapore does not have a double tax treaty (non-treaty country). The United States is such a non-treaty country. Where Singapore tax is payable on the remittance of any type of income, including dividends, the resident taxpayer may be entitled to claim unilateral tax credits subject to the fulfillment of certain conditions. The amount of tax credit given is restricted to the tax charged on the same income in Singapore or the actual foreign tax paid, whichever is less. Any excess credit will be disregarded and can not be set off against Singapore tax payable on other income or carried forward for future set-off.

If a resident taxpayer holds at least 25% of the total number of issued shares of the foreign dividend paying company, the tax credit shall take into account any foreign tax paid by such company in such foreign jurisdiction in which the company is resident in respect of its income out of which the dividend is paid.

Unilateral tax credit is not available to any non-resident person.

Taxation on Disposal of Class A Shares

Singapore does not impose capital gains tax. Hence, gains arising from disposal of assets that are held as capital assets for long term investment purposes will not be subject to Singapore income tax.

However, gains derived from the disposal of the Class A shares may be regarded as income and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore. Such gains may also be considered income and subject to Singapore income tax even if they do not arise from an activity in the ordinary course of trade or business or an ordinary incident of some other business activity if the holders of such Class A shares have the intention or purpose to make a profit at the time of acquisition and the Class A shares are not intended to be held as long term capital investments.

Foreign sourced gains derived from the disposal of shares and which are revenue in nature, may also be subject to Singapore income tax if they are remitted or deemed remitted to Singapore by persons (other than an individual) in Singapore.

Stamp Duty

Singapore stamp duty is not payable on the subscription of the Class A shares by any holder resident in Singapore.

If a register of the Class A shares is kept in Singapore and an instrument of transfer is executed in respect of such shares, stamp duty may be payable on such instrument at the rate of 0.2%, based on the higher of the consideration or market value of the shares.

Goods and Services Tax (GST)

The subscription of shares by and the sale of shares to Singapore investors are not subject to GST in Singapore.

Material Spanish Tax Considerations

The following summary describes the material Spanish tax considerations relating to an investment in Class A shares by holders resident in Spain. This summary does not purport to be a comprehensive discussion of all Spanish tax considerations that may be relevant to a holder resident in Spain. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on Spanish laws and regulations currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive effect. Prospective Spanish holders of Class A shares should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing of Class A shares.

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For the purpose of the material Spanish tax consequences described herein, it is assumed that a prospective holder of Class A shares will hold, either directly or indirectly, less than 5% of the share capital in Apollo, and that such holder is not subject to any special tax regime in relation to Class A shares, such as the Spanish Holding Companies (Entidades de Tenencia de Valores Extranjeros) regime. Also, in the case of Spanish corporate holders (Corporate Holders), it is assumed that the financial year of Corporate Holders has started after 31 December 2009.

Income Tax

The Spanish income tax treatment applicable to Spanish resident holders of Class A shares depends upon Apollo s characterization for Spanish tax purposes. In this respect, Apollo could be characterized legally as either (i) a corporation or (ii) a foreign entity with a similar or analogous nature to that of a Spanish pass-through entity (Entidad en Regimen de Atribución de Rentas).

In the following paragraphs, both of the above mentioned possible characterizations of Apollo will be considered because Apollo s tax characterization for Spanish tax purposes is unclear. This lack of clarity is caused by the absence of (i) specific provisions of law regarding the legal characteristics that a foreign entity must have to be characterized as a pass-through entity for Spanish tax purposes; (ii) interpretations by the tax administration as to whether the nature of a U.S. limited liability company is similar, in all circumstances, to that of a pass-through for Spanish tax purposes; and (iii) clear guidance as to whether the tax treatment in a foreign entity s state of incorporation would prevail over its legal classification under Spanish law the entity for Spanish tax purposes.

Characterization of Apollo as a Corporation Dividend Taxation. If Class A shares are characterized as shares in a corporation for Spanish tax purposes, profits distributed on Class A shares received by Spanish tax residents would be subject to the following regime:

Dividends paid by us to Corporate Holders and duly recognized for accounting purposes in the P&L account will form part of the aggregate taxable income of such holders, subject to corporate income tax (CIT) currently at a 30% rate.

If dividends paid by us to Corporate Holders are subject to U.S. withholding tax, such Corporate Holders would be allowed to deduct from their annual CIT liability the lower of (i) the actual amount paid at source due to a tax of identical or analogous nature to CIT or to Spanish Non Resident Income Tax (NRIT) (*i.e.,* withholding tax), which shall not exceed the maximum amount allowed to be taxed in the United States under the U.S.-Spain Double Tax Treaty (the U.S.-Spain Treaty) or (ii) the amount of tax which would have been payable had such income been realized in Spain.

If the dividends are paid through a Spanish paying agent, such agent must withhold from such dividend payments an 19% withholding tax as prepayment of the Spanish Corporate Holder s final CIT liability.

Dividends paid by a non-resident company, such as Apollo, to Spanish tax resident individuals holding Class A shares (Individual Holders) would be subject to Individual Income Tax (IIT) at a rate of 19% (in respect of the first 6,000 of any income received by the Individual Holder) and of 21% (in respect of the income exceeding such 6,000). The first 1,500 of any dividends received annually may be exempt under certain circumstances.

If dividends paid by us to Individual Holders are subject to U.S. withholding tax, such Individual Holder would be allowed to deduct from his or her annual IIT liability the lower of (i) the actual amount paid at source due to a tax of identical or analogous nature to IIT or to NRIT (*i.e.,* withholding tax), which shall not exceed the maximum amount allowed to be taxed in the United States under the U.S.-Spain Treaty; or (ii) the result of applying the Spanish effective average tax rate to the portion of the net tax base taxed abroad.

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If the dividends are paid through a Spanish paying agent, such agent must withhold from such dividend payments an 19% withholding tax as prepayment of the Spanish Individual Holder s final IIT liability.

Characterization of Apollo as a Corporation Capital Gain Taxation. If Class A shares are characterized as shares in a corporation for Spanish tax purposes, capital gains derived from Class A shares would be subject to the following regime:

Capital gains realized by a Corporate Holder upon holding or disposing of Class A shares will be regarded as taxable income on an accrual basis based on the income recognized in its P&L account adjusted in accordance with the rules contained in the CIT Law and, therefore, subject to CIT and taxed at the ordinary CIT 30% rate.

If the capital gains are subject to U.S. withholding tax, the Corporate Holder would be allowed to deduct from its annual CIT liability the lower of (i) the actual amount paid at source due to a tax of identical or analogous nature to CIT or to NRIT (*i.e.,* withholding tax), which shall not exceed the maximum amount allowed to be taxed in the United States under the U.S.-Spain Treaty or (ii) the amount of tax which would have been payable had such income had been realized in Spain.

Capital losses incurred by the Corporate Holder in relation to Class A shares based on the loss recognized in its P&L account adjusted in accordance with the rules contained in the CIT Law would be deductible for CIT purposes.

Disposal of Class A shares by an Individual Holder may give rise to a taxable capital gain or a tax deductible capital loss to be included in such Individual Holder s IIT taxable income.

Such gain or loss shall be calculated by reference to the difference between the transfer value of Class A shares, as established under IIT Law, and their acquisition value.

Capital gains obtained by an Individual Holder upon disposal of Class A shares will be taxed at a rate of 19% (in respect of the first 6,000 of any income received by the Individual Holder) and of 21% (in respect of the income exceeding such 6,000).

Capital losses may be offset against capital gains arising in the same taxable year. Outstanding capital losses can be carried forward and offset against capital gains arising in the same part of the taxable income base during the following four years.

If the capital gains are subject to U.S. withholding tax, the Individual Holder would be allowed to deduct from its IIT liability the lower of (i) the actual amount paid at source due to a tax of identical or analogous nature to IIT or to NRIT (*i.e.,* withholding tax), which shall not exceed the maximum amount allowed to be taxed in the United States under the U.S.-Spain Treaty or (ii) the result of applying the Spanish effective average tax rate to the portion of the net tax base taxed abroad.

Characterization of Apollo as a Foreign Pass-Through Entity (Entidad en Regimen de Atribución de Rentas). If Apollo is characterized as a foreign pass-trough entity for Spanish tax purposes, Spanish holders of Class A shares would be treated as follows:

Any items of income or capital gains realized by Apollo would be allocated to Spanish holders of Class A shares in proportion to such holders interests in Apollo, even if such holders have not received any distributions. Therefore, the amount of the taxable income of Spanish holders of Class A shares may exceed the cash distributions. In particular (i) cash distributions made by Apollo would not be taxable to Spanish holders of Class A shares; and (ii) in the case of Corporate Holders, amounts which may be recognized in the P&L account as a result of a change in value of the Class A shares should not

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be included in the CIT taxable income; in both cases, to the extent that such amounts (the cash distributions or the changes in value, respectively) correspond to allocated income.

The characterization of the items of income and capital gains realized by Apollo would be maintained upon allocation to Spanish holders of Class A shares. Determination of the taxable income to be allocated to Spanish holders of Class A shares would generally be made according to the IIT rules, regardless of whether such holders are individuals or corporations.

The tax rate applicable to income and capital gain allocated to Corporate Holders would be 30%, while the tax rate applicable to income allocated to Individual Holders would depend on the nature of the income allocated. If the income allocated to Individual Holders qualifies as dividend, interest or capital gain income, the applicable tax rate would be 19% (in respect of the first 6,000 of any income received by the Individual Holder) and of 21% (in respect of the income exceeding such 6,000).

If the income or capital gain allocated to Spanish holders of Class A shares is subject to withholding tax outside of Spain, such holders would be allowed to deduct this withholding tax from their Spanish income tax liability, subject to the terms and restrictions set forth in the above paragraphs regarding Corporate Holders and Individual Holders.

Disposal of Class A shares by Spanish holders may give rise to taxable capital gain or tax-deductible capital loss to be included in such holders taxable income, in accordance with the rules established under CIT Law (in the case of Corporate Holders) or under IIT Law (in the case of Individual Holders).

In the case of Corporate Holders, we believe that the capital gains should be calculated by reference to the difference between the transfer value and the acquisition value of Class A shares, and that for these purposes the acquisition value of transferred Class A shares should be increased by the amount of the previous undistributed income allocations during the transferring holder s holding period that are allocable to such transferred Class A shares, although this is an unclear issue which is not expressly stated in the law. Capital gains realized by Corporate Holders would be taxed at a flat rate of 30%. Capital losses would be deductible in accordance with the rules established under CIT Law.

In the case of Individual Holders, such gain or loss would be calculated by reference to the difference between the transfer value and the acquisition value of Class A shares. For these purposes, we also believe that the acquisition value of transferred Class A shares should be increased by the amount of the previous undistributed income allocations during the transferring holder s holding period that are allocable to such transferred Class A shares, although this is not expressly stated in the law. Capital gains realized by Individual Holders would be taxed at a rate of 19% (in respect of the first 6,000 of any income received by the Individual Holder) and of 21% (in respect of the income exceeding such 6,000). Capital losses would be deductible in accordance with the rules established under IIT Law.

If the capital gain realized upon the disposal of Class A shares is subject to withholding tax outside of Spain, Spanish holders would be allowed to deduct this withholding tax from their Spanish income tax liability, subject to the terms and restrictions set forth in the above paragraphs regarding Corporate Holders and Individual Holders.

Prospective holders of Class A shares should be aware of the risk that, for Spanish tax purposes, the Spanish tax authorities could disregard Apollo and any of the companies, partnerships or entities in which Apollo owns an interest, and could try to allocate to Spanish holders of Class A shares any income or capital gain obtained by such a lower-tier entity before such entity makes distributions to Apollo if (i) the lower-tier entity is characterized as a foreign pass-through entity for Spanish tax purposes and (ii) the interest in the lower-tier entity is held by Apollo directly or through another lower-tier entity which is also deemed a foreign pass-through entity for Spanish tax purposes.

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Transfer Tax, Stamp Duty and Capital Duty

Transfers of Class A shares will be exempt from any Spanish Transfer Tax or Value Added Tax. Additionally, no Stamp Duty will be levied on such transfers.

Material Swiss Tax Considerations

The following summary describes the material Swiss tax considerations relating to an investment in Class A shares by holders resident in Switzerland. This summary does not purport to be a comprehensive discussion of all Swiss tax considerations that may be relevant to a holder resident in Switzerland. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on Swiss laws and regulations currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive effect. Prospective holders of Class A shares should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing of the Class A shares.

In General

Under Swiss tax regulations, an investment in a U.S. limited liability company, such as Apollo, is typically treated as an investment in a company (rather than in a partnership). This is the case without regard to whether a U.S. election is made to treat the limited liability company as a partnership for U.S. tax purposes. However, according to guidelines issued on March 5, 2009 by the Swiss federal tax administration, investments in companies such as Apollo may, from a Swiss tax perspective, be treated in a similar manner as an investment in Swiss collective investment schemes.

In light of the above, Swiss resident holders of Class A shares will be treated in the following manner for Swiss tax purposes:

Income Tax

In General. Capital gains realized by a Swiss resident upon disposal of Class A shares and dividends distributed to our Class A shareholders would be treated differently depending on the qualification of the Swiss resident holder of Class A shares as a private or business investor.

Private Investors. Swiss resident investors who do not qualify as so-called professional securities dealers (commerçants professionnels de titres) and who hold Class A shares as part of their private (as opposed to business) assets are hereby defined as Private Investors.

Capital gains realized upon disposal of Class A shares by a Private Investor is generally treated as tax exempt capital gain. Such exemption would, however, not be available if the Class A shares are redeemed by the company or its affiliates in order to cancel them for at least the amount corresponding to the share of accumulated ordinary income as opposed to the accumulated capital gains.

Business Investors. Swiss resident individuals holding Class A shares as part of their business assets as well as Swiss resident legal entities would be liable to income or profit taxes on the gain realized upon disposal of the Class A shares as well as on income generated by distributions to our Class A shareholders. For capital gains, the difference between book value and market value would be included in the taxable income or profits and taxed as such.

Foreign Tax Credit. Persons who are residents in Switzerland may be subject to certain U.S. taxes (e.g., withholding taxes) as a result of an investment in Class A shares. Such taxes may be, subject to certain requirements (such as the securing of a partial relief from U.S. taxes under the U.S. Switzerland double tax treaty) and limitations, creditable against the Swiss income tax liability.

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Cantonal Wealth Tax

Class A shares held by Swiss resident individuals are included in the taxable net wealth and are subject to Cantonal/Communal wealth taxes.

Swiss Transfer Stamp Duty

The issuance of Class A shares will be subject to a Swiss Transfer stamp duty (at the current rate of 0.3%) if a Swiss securities dealer is involved in the transaction either as a party to the transaction or as an intermediary. The notion of Swiss securities dealer is very broad and encompasses Swiss and Liechtenstein banks, securities brokers, and even companies holding in their books taxable securities for an amount exceeding CHF 10 million.

The purchase or sale of Class A shares is subject to a Swiss transfer stamp duty at the current rate of 0.30% if a Swiss securities dealer is involved in the transaction either as a party to the transaction or as an intermediary. Certain exceptions apply.

If the securities dealer is a party to the transaction it will have to settle half of the stamp duty for itself and the other half for the counterparty to the extent that the latter does not qualify as a securities dealer or as an exempt investor (*e.g.*, Swiss or foreign investment schemes). If the bank acts as an intermediary, it will be liable for half of the stamp duty for each party to the transaction that does qualify as a securities dealer or an exempt investor.

Material United Kingdom Tax Considerations

The following summary describes the material United Kingdom (UK) tax considerations relating to an investment in Class A shares by holders resident in the UK for UK tax purposes (UK holders). This summary does not purport to be a comprehensive discussion of all UK tax considerations that may be relevant to a UK holder. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on UK laws and the published practices of HM Revenue and Customs (HMRC) currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive effect. Prospective holders of Class A shares should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing of Class A shares.

The following summary applies only to holders who are the beneficial owners of Class A shares and hold such shares for investment purposes, and may not apply to dealers in shares, insurance companies, trustees, collective investment schemes or tax-exempt entities.

General

For UK tax purposes, assuming HMRC maintains its current practice, we should be treated as a company and not as a partnership or other tax transparent entity. Accordingly, UK holders of Class A shares would not generally be subject to UK tax in respect of income or gains that we accrue, or be entitled to relief in respect of losses or expenses that we realize, incur or suffer. Instead, UK holders would be subject to UK tax on distributions which we make to them, which would generally be treated as dividends for UK tax purposes.

Taxes that we or holders of Class A shares incur in respect of income or gains that we accrue may in most cases be regarded for UK double taxation relief purposes as underlying tax. Therefore, except in relation to a UK company holding 10% or more of our voting power, no credit would be available against UK taxation on distributions by us, under UK national tax law or under any double tax arrangements, for any taxes that we or holders of Class A shares pay in respect of the income, profits or gains out of which we pay such distributions. Any withholding tax levied in respect of such distributions, however, would generally be creditable.

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Taxation of Distributions

An individual UK holder who is liable to UK income tax at no more than the basic rate would be liable to income tax on the distributions at the dividend ordinary rate (10% in 2010 and 2011). An individual UK holder who is liable to UK income tax at the higher rate would be subject to income tax on the dividend income at the dividend upper rate (32.5% in 2010 and 2011). However, individual UK holders should be entitled to a UK tax credit of 1/9 of the dividend income which would reduce the effective rate of tax on gross dividend distributions to 25% for higher rate taxpayers and eliminating the tax liabilities for basic rate taxpayers. From April 6, 2010 the UK Government has proposed the introduction of a new dividend rate of tax of 42.5% for individuals who are liable to UK tax with taxable earnings in excess of £150,000. For these individuals the UK tax credit will reduce the effective rate of tax on gross distributions to 36.1%.

An individual holder who is resident in the UK but is not ordinarily resident, or is not domiciled, in the UK and who has made an election for the remittance basis of taxation in the UK for the relevant tax year would generally be subject to UK income tax on distributions received in that tax year to the extent that sums are remitted in the UK in respect of those distributions. Remittance is interpreted broadly and is extended further under certain anti-avoidance legislation.

Corporate holders of Class A shares within the charge to UK corporation tax should generally expect to be exempt from United Kingdom taxation in respect of distributions that we pay on Class A shares where such shares are held for investment purposes.

Taxation of Chargeable Gains

A disposal of Class A shares by a holder who is either resident or, in the case of an individual, ordinarily resident for UK tax purposes in the UK, may, depending on the holder s circumstances, give rise to a chargeable gain or an allowable loss (including by reference to changes in the U.S. dollar/UK sterling exchange rate) for the purposes of UK taxation of chargeable gains (subject to any available exemptions or relief). A holder who is an individual and who has ceased to be resident or ordinarily resident for UK tax purposes in the UK for a period of less than five years, and who disposes of Class A shares during that period, may, depending on certain further conditions relating to tax years prior to the tax year of his departure, be liable on his return to UK taxation of chargeable gains (subject to any available exemptions or relief).

For a holder within the charge to UK corporation tax, the corporation tax rate will apply to any chargeable gains (28% for large companies in 2010 and 2011), although an indexation allowance on the cost apportioned to Class A shares should be available to reduce the amount of any chargeable gain realized on a subsequent disposal. An individual holder will be subject to tax on any chargeable gain at the capital gains tax rate (18% for 2010 and 2011) and may also be entitled to set all or part of his gains against his annual capital gains exemption.

UK Stamp Duty and Stamp Duty Reserve Tax (SDRT)

As long as no register of our members or of the holders of any class of our shares is kept in the UK by us or on our behalf, the following position in respect of UK transfer taxes would apply. No UK stamp duty or stamp duty reserve tax (SDRT) would be payable in respect of the issue of Class A shares or any certificate representing Class A shares. Transfers of Class A shares or of interest in Class A shares under the system operated by DTC would not be subject to UK SDRT. Stamp duty would also not be payable on a transfer of Class A shares or of interests in Class A shares under the system operated by DTC provided that the instrument of transfer is not executed in the UK nor relates to any property situate, or any matter or thing done or to be done, in the UK. No UK stamp duty or SDRT would be payable in respect of the issue of Class A shares to Euroclear or Clearstream or on the transfer of Class A shares within Euroclear or Clearstream.

Other UK Tax Considerations

Individual holders ordinarily resident in the UK should be aware of the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007 (ITA). These anti-avoidance provisions deal with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of our undistributed profits. More generally, individual holders should also be aware of the provisions of Chapter 1 of Part 13 of the ITA and the corresponding provisions applicable to holders within the charge to UK corporation tax in sections 703-709 of the Income and Corporation Taxes Act 1988 that give powers to HM Revenue and Customs to cancel tax advantages derived from certain transactions in securities.

Companies resident in the UK should be aware of the fact that the controlled foreign companies provisions contained in sections 747-756 of the Income and Corporation Taxes Act 1988 could be material to any company so resident that holds alone, or together with certain other associated persons, 25%, or more of the Class A shares, if at the same time we are controlled by companies or any other persons who are resident in the UK for taxation purposes. Persons who may be treated as associated with each other for these purposes include two or more companies one of which controls the other(s) or all of which are under common control. The effect of such provisions could be to render such companies liable to UK corporation tax in respect of our undistributed income profits.

UK resident or ordinarily resident (and if an individual, resident or ordinarily resident and not taxed in the UK on a remittance basis) holders should be aware of the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances where we would, if UK resident, be a close company, a portion of capital gains realized by us can be attributed to an investor who, alone or together with associated persons, has more than a 10% interest in us.

Material Venezuelan Tax Considerations

The following summary describes the material Venezuelan tax considerations relating to an investment in Class A shares by holders resident in Venezuela. This summary does not purport to be a comprehensive discussion of all Venezuelan tax considerations that may be relevant to a holder resident in Venezuela. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular investor. This summary is based on Venezuelan laws currently in force and as applied on the date of this prospectus, which are subject to change (change in the tax law cannot be applied retroactively. Under the Venezuelan Constitution and the Master Tax Code, any change in the income tax law must be applied only to the fiscal year that follows the date when law is enacted). Prospective holders of Class A shares should consult their own tax advisors to determine the tax consequences to them of acquiring, holding and disposing of Class A shares.

For the purpose of the material Venezuelan tax consequences described herein, we assume that, according to the Venezuelan Income Tax Law, tax residents in Venezuela are: (i) Venezuelan citizens; (ii) individuals who are present in Venezuela for more than 183 days in a tax period or during a former tax period; (iii) companies incorporated or domiciled in Venezuela; (iv) companies that have a permanent establishment (*e.g.,* fixed place of business, office, branch, workshop, factory or natural resource extraction site) in Venezuela.

We also assume that, according to the Venezuelan Income Tax Law, any income derived from Class A shares shall be regarded as income from a foreign (Non-Venezuelan) source for Venezuelan tax purposes.

The treaty to avoid double taxation executed between the United States and Venezuela (the U.S. Venezuela Treaty) would be applicable to any income (dividends/interest), received by Venezuelan tax residents in respect of an investment in Class A shares.

The U.S. Venezuela Treaty establishes that dividends paid from the United States to a Venezuelan tax resident are subject to income tax in Venezuela. Hence, the Venezuelan income tax rules for dividends would apply to dividends paid by us on Class A shares. According to the Venezuelan Income Tax Law dividends received from abroad are subject to income tax at a 34% proportional rate on the gross amount of such dividend.

The U.S. Venezuela Treaty also establishes that such dividends may be subject to tax in the United States, but that such U.S. tax must not exceed 15% of the gross amount of the dividends. According to the Venezuelan Income Tax Law, the aforementioned tax paid in the United States on dividend income may be credited to the tax payable in Venezuela on the same dividend income.

According to Venezuelan Income Tax Law, interests from Class A shares are subject to tax in Venezuela. The taxable base of such tax will be the net profit of the interests. The applicable tax rate imposed on such profit would vary depending on whether the investor is an individual or a corporate entity as follows:

For individuals, the following progressive rates would apply depending on the amount of the profit:

Taxable Income (in Tax Units) (1)	Tax Rate
Up to 2,000	15.00%
Over 2,000 up to 3,000	22.00
Over 3,000	34.00

(1) 1 Tax Unit 2008 = Bs. F 46 (approx. US $21.40).
1 Tax Unit 2009 = Bs. F 55 (approx. US $25.58).
1 Tax Unit 2010 = Bs. F 65 (approx. US $15.12).

For corporate entities, the following progressive rates would apply depending on the amount of the profit:

Taxable Income (in Tax Units)	Tax Rate
Up to 2,000	15.00%
Over 2,000 up to 3,000	22.00
Over 3,000	34.00

Interests derived from Class A shares may also be subject to tax in the United States according to the U.S. Venezuela Treaty. However, such tax must not exceed a 10% rate over the gross amount of the interest earned. Under Venezuelan Income Tax Law, such tax paid in the U.S. for interests may be credited against the Venezuelan tax on income and is not limited to the tax payable in Venezuela with respect to the same interests all subject to the tax credit rules established under the Venezuelan Income Tax Law.

Under the U.S. Venezuela Treaty, capital gain realized on the transfer of Class A shares would only be taxable in Venezuela. Such gain would be treated as ordinary income and, therefore, the same taxable base and the same rates as for interests will apply to individuals and corporate entities.

Any loss realized in connection with an investment in Class A shares could only be allocated to income derived from a foreign (Non-Venezuelan) source.

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PLAN OF DISTRIBUTION

We are registering the Class A shares covered by this prospectus to permit the selling shareholders to conduct public secondary trading of these shares from time to time after the date of this prospectus. Under the registration rights agreement covering the Class A shares held by the selling shareholders, we agreed to, among other things, bear all expenses, other than brokers or underwriters discounts and commissions, in connection with the registration and sale of the Class A shares covered by this prospectus. We will not receive any of the proceeds of the sale of the Class A shares offered by this prospectus. The aggregate proceeds to the selling shareholders from the sale of the Class A shares will be the purchase price of the Class A shares less any discounts and commissions. Each selling shareholder reserves the right to accept and, together with their respective agents, to reject, any proposed purchases of Class A shares to be made directly or through agents. If any successor to the selling shareholders named in this prospectus wishes to sell under this prospectus, the company will file a prospectus supplement identifying such successors as selling shareholders.

The Class A shares offered by this prospectus may be sold from time to time to purchasers:

- directly by the selling shareholders and their successors, which includes their donees, pledges or transferees or their successors-in-interest, or

- through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent s commissions from the selling shareholders or the purchasers of the Class A shares. These discounts, concessions, or commissions may be in excess of those customary in the types of transaction involved.

The selling shareholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the Class A shares may be deemed to be underwriters within the meaning of the Securities Act. The selling shareholders identified as registered broker-dealers in the selling shareholders table above (see Selling Shareholders) are deemed to be underwriters. As a result, any profits on the sale of the Class A shares by such selling shareholders and any discounts, commissions or agent s commissions or concessions received by any such broker-dealer or agents may be deemed to be underwriting discounts and commissions under the Securities Act. Selling shareholders who are deemed to be underwriters within the meaning of Section 2(11) of the Securities Act will be subject to the prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The Class A shares may be sold in one or more transactions at:

- fixed prices;

- prevailing market prices at the time of sale;

- prices related to such prevailing market prices;

- varying prices determined at the time of sale; or

- negotiated prices.

These sales may be effected in one or more transactions:

- on any national securities exchange or quotation on which the Class A shares may be listed or quoted at the time of sale

in the over-the-counter market;

in transactions on such exchanges or services or in the over-the-counter market;

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- through the writing of options (including the issuance by the selling shareholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;

- through the settlement of short sales; or

- through any combination of the foregoing.

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade. In connection with the sales of the Class A shares, the selling shareholders may enter into hedging transactions with broker-dealers or other financial institutions that in turn may:

- engage in short sales of the Class A shares in the course of hedging their positions;

- sell the Class A shares short and deliver the Class A shares to close out short positions;

- loan or pledge the Class A shares to broker-dealers or other financial institutions that in turn may sell the Class A shares;

- enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the Class A shares, which the broker-dealer or other financial institution may resell under the prospectus; or

- enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, there are currently no plans, arrangements or understandings between any selling shareholders and any underwriter, broker-dealer or agent regarding the sale of the Class A shares by the selling shareholders.

Pursuant to a requirement by the Financial Industry Regulatory Authority (FINRA), the maximum commission or discount to be received by any FINRA member or independent broker-dealer may not be greater than 8% of the gross proceeds received by the selling shareholders for the sale of any Class A shares being offered by this prospectus.

We intend to apply to list the Class A shares on the NYSE under the symbol . The listing is subject to approval of our application. We can give no assurances as to the development of liquidity or trading market for the Class A shares.

There can be no assurance that any selling shareholder will sell any or all of the Class A shares under this prospectus. Further, we cannot assure you that any such selling shareholder will not transfer, devise or gift the Class A shares by other means not described in this prospectus. In addition, any Class A shares covered by this prospectus that qualifies for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The Class A shares covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The Class A shares may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the Class A shares may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The selling shareholders and any other person participating in the sale of the Class A shares will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the Class A shares by the selling shareholders and any other person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the Class A shares to engage in market-making activities with respect to the particular Class A shares being distributed. This may affect the marketability of the Class A shares and the ability of any person or entity to engage in market-making activities with respect to the Class A shares.

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We have agreed to indemnify the selling shareholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the Class A shares to the public, including the payment of federal securities law and state blue sky registration fees, except that we will not bear any underwriting discounts or commissions or transfer taxes relating to the sale of Class A shares.

The Class A shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the Class A shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirements is available and complied with.

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LEGAL MATTERS

The validity of the Class A shares being offered hereby will be passed upon for us by O Melveny & Myers LLP, New York, New York. O Melveny & Myers LLP has provided a tax opinion in connection with the Class A shares being offered hereby.

EXPERTS

The consolidated and combined financial statements of Apollo Global Management, LLC as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the consolidated and combined financial statements and includes an explanatory paragraph related to the adjustments made to retrospectively apply guidance for non-controlling interests issued by the Financial Accounting Standards Board). Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the Class A shares offered in this prospectus. This prospectus, filed as part of the registration statement, does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and the Class A shares, we refer you to the registration statement and to its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and, in each instance, we refer you to the copy of such contract, agreement or document filed as an exhibit to the registration statement.

Anyone may inspect the registration statement and its exhibits and schedules without charge at the public reference facilities the SEC maintains at 100 F Street, N.E., Washington, D.C. 20549. You may obtain copies of all or any part of these materials from the SEC upon the payment of certain fees prescribed by the SEC. You may obtain further information about the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect these reports and other information without charge at the website maintained by the SEC. The address of this website is http://www.sec.gov.

Upon effectiveness of the registration statement, we will become subject to the informational requirements of the Exchange Act and will be required to file reports and other information with the SEC. You will be able to inspect and copy these reports and other information at the public reference facilities maintained by the SEC at the address noted above. You also will be able to obtain copies of this material from the Public Reference Room as described above, or inspect them without charge at the SEC s website. We intend to furnish our shareholders with annual reports containing consolidated financial statements audited by our independent registered public accounting firm. We maintain a website at *www.agm.com*. **Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which this prospectus forms a part, and you should not rely on any such information in making your decision whether to purchase our Class A shares.**

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

JUNE 30, 2010 AND DECEMBER 31, 2009

(dollars in thousands, except share data)

	June 30, 2010 (Unaudited)	December 31, 2009
Assets:		
Cash and cash equivalents	$ 436,152	$ 366,226
Cash and cash equivalents at Consolidated Funds	47,351	
Restricted cash	6,460	6,818
Investments	1,630,877	1,554,155
Assets of consolidated variable interest entities		
Cash and cash equivalents	86,271	
Investments, at fair value	1,374,367	
Other assets	43,775	
Carried interest receivable	384,695	483,854
Due from affiliates	144,580	133,678
Fixed assets, net	63,703	67,794
Deferred tax assets	630,738	644,395
Other assets	13,485	11,329
Goodwill	48,894	47,897
Intangible assets, net	62,700	69,051
Total Assets	**$ 4,974,048**	**$ 3,385,197**
Liabilities and Shareholders Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 33,095	$ 35,944
Accrued compensation and benefits	65,728	30,388
Deferred revenue	271,315	321,424
Due to affiliates	543,546	548,593
Profit sharing payable	143,275	174,536
Debt	933,031	933,834
Liabilities of consolidated variable interest entities		
Debt, at fair value	1,006,548	
Other liabilities	89,995	
Other liabilities	30,690	41,368
Total Liabilities	**3,117,223**	**2,086,087**
Commitments and Contingencies (see note 13)		
Shareholders Equity:		
Apollo Global Management, LLC shareholders equity:		
Class A shares, no par value, unlimited shares authorized, 96,346,032 and 95,624,541 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively		
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at June 30, 2010 and December 31, 2009		
Additional paid in capital	1,906,281	1,729,593
Accumulated deficit	(2,166,138)	(2,029,541)

Appropriated partners deficit	(3,584)	
Accumulated other comprehensive loss	(2,483)	(4,088)
Total Apollo Global Management, LLC shareholders deficit	(265,924)	(304,036)
Non-Controlling Interests in consolidated entities	1,791,362	1,283,262
Non-Controlling Interests in Apollo Operating Group	331,387	319,884
Total Shareholders Equity	**1,856,825**	**1,299,110**
Total Liabilities and Shareholders Equity	**$ 4,974,048**	**$ 3,385,197**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

THREE AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(dollars in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Advisory and transaction fees from affiliates	$ 26,844	$ 7,427	$ 37,913	$ 15,898
Management fees from affiliates	106,112	94,442	209,916	189,538
Carried interest (loss) income from affiliates	(53,676)	39,840	55,045	92,998
Total Revenues	**79,280**	**141,709**	**302,874**	**298,434**
Expenses:				
Compensation and benefits	313,997	342,646	688,874	684,216
Interest expense	9,502	12,748	20,324	26,105
Professional fees	9,539	8,811	22,404	14,383
General, administrative and other	16,990	11,930	31,503	22,788
Placement fees	680	1,417	4,541	3,765
Occupancy	5,361	7,296	10,808	13,370
Depreciation and amortization	6,041	6,109	12,146	12,098
Total Expenses	**362,110**	**390,957**	**790,600**	**776,725**
Other (Loss) Income:				
Net (losses) gains from investment activities	(11,005)	279,666	100,716	113,068
Net losses from investment activities of consolidated variable interest entities	(19,432)		(265)	
Gain from repurchase of debt		36,193		36,193
(Loss) income from equity method investments	(1,712)	32,572	6,168	23,134
Interest income	300	293	662	701
Other income, net	25,264	23,218	21,906	39,151
Total Other (Loss) Income	**(6,585)**	**371,942**	**129,187**	**212,247**
(Loss) income before income tax provision	(289,415)	122,694	(358,539)	(266,044)
Income tax provision	(12,727)	(945)	(16,782)	(7,116)
Net (Loss) Income	**(302,142)**	**121,749**	**(375,321)**	**(273,160)**
Net loss (income) attributable to Non-Controlling Interests in consolidated entities	23,744	(257,232)	(107,398)	(117,161)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	203,274	98,108	346,913	276,767
Net Loss Attributable to Apollo Global Management, LLC	**$ (75,124)**	**$ (37,375)**	**$ (135,806)**	**$ (113,554)**
Dividends Declared per Class A Share	$ 0.07	$	$ 0.07	$ 0.05

Net Loss Per Class A Share:				
Net Loss Per Class A Share Basic and Diluted	$ (0.79)	$ (0.39)	$ (1.42)	$ (1.18)
Weighted Average Number of Class A Shares Basic and Diluted	96,346,032	95,624,541	96,065,452	96,011,763

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(dollars in thousands, except share data)

	Apollo Global Management, LLC Shareholders									
	Class A Shares	Class B Shares	Additional Paid In Capital	Accumulated Deficit	Appropriated Partners Deficit	Accumulated Other Compre-hensive (Loss) Income	Apollo Global Management, LLC Total Shareholders Deficit	Non-Controlling Interests in Consolidated Entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders Equity
Balance at January 1, 2009	**97,324,541**	**1**	**$ 1,384,143**	**$ (1,874,365)**	**$**	**$ (6,836)**	**$ (497,058)**	**$ 822,843**	**$**	**$ 325,785**
Capital increase related to equity-based compensation			177,695				177,695		369,011	546,706
Cash distributions								(6,922)		(6,922)
Dividends			(4,866)				(4,866)		(12,000)	(16,866)
Non-cash distributions			(4,572)				(4,572)	4,273		(299)
Non-cash contribution			(102)				(102)	3,162		3,060
Net transfers of AAA ownership interest to (from) Non-Controlling Interest in consolidated entities			(3,943)				(3,943)	3,943		
Satisfaction of liability related to AAA RDUs			6,762				6,762			6,762
Repurchase of Class A shares	(1,700,000)		(3,485)				(3,485)			(3,485)
Comprehensive (loss) income:										
Net (loss) income				(113,554)			(113,554)	117,161	(276,767)	(273,160)
Net unrealized gain on interest rate swaps (net of taxes of $1,035 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)						1,387	1,387		6,028	7,415
Total comprehensive (loss) income				(113,554)		1,387	(112,167)	117,161	(270,739)	(265,745)
Balance at June 30, 2009	**95,624,541**	**1**	**$ 1,551,632**	**$ (1,987,919)**	**$**	**$ (5,449)**	**$ (441,736)**	**$ 944,460**	**$ 86,272**	**$ 588,996**
Balance at January 1, 2010	**95,624,541**	**1**	**$ 1,729,593**	**$ (2,029,541)**	**$**	**$ (4,088)**	**$ (304,036)**	**$ 1,283,262**	**$ 319,884**	**$ 1,299,110**

Transition adjustments relating to consolidation of variable interest entity								411,885		411,885
Capital increase related to equity-based compensation			182,898				182,898		368,966	551,864
Purchase of AAA shares								(740)		(740)
Capital contributions								15		15
Cash distributions								(11,527)		(11,527)
Dividends			(7,704)				(7,704)	(6,602)	(16,800)	(31,106)
Distributions related to deliveries of Class A shares for RSUs	721,491			(773)			(773)			(773)
Non-cash contributions								57		57
Non-cash distributions				(18)			(18)	(575)		(593)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities			(4,605)				(4,605)	4,605		
Satisfaction of liability related to AAA RDUs			6,099				6,099			6,099
Comprehensive loss (income):										
Net (loss) income				(135,806)	(3,584)		(139,390)	110,982	(346,913)	(375,321)
Net income on available-for-sale securities (from equity method investment)						123	123			123
Net unrealized gain on interest rate swaps (net of taxes of $1,021 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)						1,482	1,482		6,250	7,732
Total comprehensive (loss) income				(135,806)	(3,584)	1,605	(137,785)	110,982	(340,663)	(367,466)
Balance at June 30, 2010	**96,346,032**	**1**	**$ 1,906,281**	**$ (2,166,138)**	**$ (3,584)**	**$ (2,483)**	**$ (265,924)**	**$ 1,791,362**	**$ 331,387**	**$ 1,856,825**

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(dollars in thousands, except share data)

	Six Months Ended June 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net loss	$ (375,321)	$ (273,160)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Equity-based compensation	553,606	549,508
Depreciation	5,795	5,772
Amortization of intangible assets	6,351	6,326
Amortization of debt issuance costs	28	14
Income from equity method investments	(6,168)	(23,134)
Waived management fees	(14,631)	(17,969)
Non-cash compensation related to waived management fees	14,631	17,969
Deferred taxes, net	12,550	3,156
Loss related to general partner commitments		9,739
Loss on disposal of assets		5
Gain from repurchase of debt		(36,193)
Changes in assets and liabilities:		
Carried interest receivable	99,159	(34,280)
Due from affiliates	(11,226)	(18,613)
Other assets	(2,110)	18,865
Accounts payable and accrued expenses	(3,801)	(10,542)
Accrued compensation and benefits	39,698	9,761
Deferred revenue	(50,109)	(43,157)
Due to affiliates	(4,850)	12,694
Profit sharing payable	(31,261)	16,073
Other liabilities	(600)	1,128
Apollo Funds related:		
Net realized (gains) losses from investment activities	(186)	213
Net realized gains on debt	(1,679)	
Net unrealized gains from investment activities	(85,569)	(123,020)
Net unrealized losses on debt	339	
Dividends from investment activities	16,991	
Cash transferred in from Metals Trading Fund	38,033	
Change in cash held at consolidated variable interest entities	(86,271)	
Purchases of investments	(371,583)	
Sales of investments	82,972	4,441
Change in other assets	(14,986)	
Change in other liabilities	77,006	
Net cash (used in) provided by operating activities	(113,192)	75,596
Cash Flows from Investing Activities:		
Purchases of fixed assets	(2,169)	(12,665)
Business acquisition	(1,354)	
Cash contributions to equity method investments	(42,023)	(9,640)
Cash distributions from equity method investments	17,676	8,635

Change in restricted cash	358	(21,091)
Net cash used in investing activities	$ (27,512)	$ (34,761)

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(dollars in thousands, except share data)

(continued)

	Six Months Ended June 30,	
	2010	**2009**
Cash Flows from Financing Activities:		
Principal repayments on debt	$ (803)	$ (607)
Repurchase of debt		(54,521)
Repurchase of Class A shares		(3,485)
Distributions related to deliveries of Class A shares for RSUs	(773)	
Distributions to Non-Controlling Interests in consolidated entities	(11,527)	(6,922)
Contributions from Non-Controlling Interests in consolidated entities	15	
Dividends paid	(7,704)	(4,866)
Dividends paid to Non-Controlling Interests in Apollo Operating Group	(16,800)	(12,000)
Apollo Funds related:		
Issuance of debt	320,154	
Repayment of term loans	(17,239)	
Purchase of AAA shares	(740)	
Dividends paid to Non-Controlling Interests in consolidated entities	(6,602)	
Net cash provided by (used in) financing activities	257,981	(82,401)
Net Increase (Decrease) in Cash and Cash Equivalents	117,277	(41,566)
Cash and Cash Equivalents, Beginning of Period	366,226	381,367
Cash and Cash Equivalents, End of Period	$ 483,503	$ 339,801
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 22,540	$ 26,763
Interest paid by consolidated variable interest entities	4,330	
Income taxes paid	4,539	2,435
Supplemental Disclosure of Non-Cash Investing Activities:		
Change in accrual for purchase of fixed assets	749	4,495
Non-cash disposal of fixed assets		405
Supplemental Disclosure of Non-Cash Financing Activities:		
Non-cash distributions	(18)	(4,572)
Non-cash distributions to Non-Controlling Interests in consolidated entities	(575)	4,273
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group for equity-based compensation	368,966	369,011
Unrealized gain on interest rate swaps attributable to Non-Controlling Interests in Apollo Operating Group	6,250	6,028
Satisfaction of liability related to AAA RDUs	(6,099)	(6,762)
Net transfers of AAA ownership interest to Non-Controlling Interests in consolidated entities	4,605	
Net transfers of AAA ownership interest to AGM	(4,605)	
Unrealized gain on interest rate swaps	2,503	2,423
Unrealized gain on available-for-sale securities	123	
Capital increase related to equity-based compensation	182,898	177,695

Net transfers to and from Non-Controlling Interests in consolidated entities		3,943
Non-cash contribution		102
Non-cash contribution from Non-Controlling Interests in consolidated entities	57	3,162
Deferred tax asset related to interest rate swaps	(1,021)	(1,036)

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(dollars in thousands, except share data)

(continued)

	Six Months Ended June 30, 2010	2009
Net Assets Transferred from Metals Trading Fund:		
Cash	38,033	
Other assets	443	
Net Assets Transferred from Variable Interest Entities:		
Investments	1,102,114	
Other assets	28,789	
Debt	(706,027)	
Other liabilities	(12,991)	

See accompanying notes to condensed consolidated financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

Apollo Global Management, LLC and its consolidated subsidiaries (the Company or Apollo), is a global alternative asset manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, capital markets and real estate funds on behalf of pension and endowment funds, as well as other institutional and high net worth individual investors. For these investment and management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees for the investments made and carried interest income related to the performance of the respective funds that it manages. Apollo has three primary business segments:

Private equity primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;

Capital markets primarily invests in non-control debt and non-control equity investments, including distressed debt securities; and

Real estate primarily invests in legacy commercial mortgage-backed securities. The Company may seek to sponsor additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and Rule 10-01 of Regulation S-X under the Exchange Act. The condensed consolidated financial statements, including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of normal recurring items) so that the condensed consolidated financial statements are presented fairly and that any related estimates made are reasonable and prudent. Intercompany accounts and transactions have been eliminated upon consolidation. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements of the Company for the year ended December 31, 2009.

Reorganization of the Company

The Company was formed as a Delaware limited liability company on July 3, 2007 and completed a reorganization of its predecessor businesses on July 13, 2007 (the Reorganization). The Company is managed and operated by its manager, AGM Management, LLC, which in turn is wholly owned and controlled by Leon Black, Joshua Harris and Marc Rowan (the Managing Partners).

As of June 30, 2010, the Company owned, through three intermediate holding companies that include APO Corp. (APO Corp), a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC (APO Asset), a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC (APO (FC)), an Anguilla limited liability company that is treated as a corporation for U.S Federal income tax purpose (collectively, the Intermediate Holding Companies), 28.6% of the economic interests of, and operated and controlled all of the businesses and affairs of, the Apollo Operating Group as general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (Holdings), is the entity through which its Managing Partners and other contributing partners (the Contributing Partners) hold Apollo

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

Operating Group Units (AOG Units) that represent 71.4% of the economic interests in the Apollo Operating Group as of June 30, 2010. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying condensed consolidated financial statements.

Apollo also entered into an exchange agreement with Holdings that allows the partners in Holdings, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Apollo Operating Group, to exchange their AOG Units for the Company s Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to effect an exchange for one Class A share.

In April 2010, the Company began to consolidate Apollo Metals Trading Fund, L.P. The Company consolidates Apollo Metals Trading Fund, L.P. as the Company is the sole investor in the master and feeder fund structure of Apollo Metals Trading Fund, L.P. and the Apollo Commodities Trading Fund, L.P., respectively. There were no net open investment positions at June 30, 2010. Additionally, subsequent to June 30, 2010 the Company made a strategic decision to wind down the activities of Apollo Metals Trading Fund, L.P.

Business Acquisition

On February 1, 2010, the Company acquired substantially all of the assets of a limited company incorporated under the laws of Hong Kong and related entities thereto. The Company paid cash consideration of $1.4 million for identifiable assets with a combined fair value of $0.4 million, which resulted in $1.0 million of additional goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying condensed consolidated financial statements are prepared in accordance with U.S. GAAP under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) as the source of authoritative accounting principles in the preparation of financial statements.

Principles of Consolidation Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds in which the general partner is presumed to have control over them. Apollo also consolidates entities that are variable interest entities (VIEs) for which Apollo is the primary beneficiary. Under the amended consolidation rules, an enterprise is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity s business and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE.

Certain of our subsidiaries hold equity interests in and/or receive fees qualifying as variable interests from the funds that the Company manages. The amended consolidation rules require an analysis to (a) determine whether an entity in which Apollo holds a variable interest is a VIE and (b) whether Apollo s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would give it a controlling financial interest. Where the VIEs have qualified for the deferral of the amended consolidation rules as discussed in Recent Accounting

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

Pronouncements, the analysis is based on previous consolidation rules, which require an analysis to (a) determine whether an entity in which Apollo holds a variable interest is a VIE and (b) whether Apollo s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the variability of the entity.

Under both guidelines, the determination of whether an entity in which Apollo holds a variable interest is a VIE requires judgments which include determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, determining whether two or more parties equity interests should be aggregated, and determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity. Under both guidelines, Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion continuously. The consolidation analysis can generally be performed qualitatively. However, if it is not readily apparent that Apollo is not the primary beneficiary, a quantitative expected losses and expected residual returns calculation will be performed. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective Apollo fund may affect an entity s status as a VIE or the determination of the primary beneficiary.

At each reporting date, Apollo assesses whether it is the primary beneficiary and will consolidate or deconsolidate the entity accordingly. Performance of that assessment requires the exercise of judgment. Where the variable interests have qualified for the deferral, judgments are made in estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected profits or losses of the VIE. Where the variable interests have not qualified for the deferral, judgments are made in determining whether a member in the equity group has a controlling financial interest including power to direct activities that most significantly impact the VIEs economic performance and rights to receive benefits or obligations to absorb losses that are potentially significant to the VIE. Under both guidelines, judgment is made in evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE. The use of these judgments has a material impact to certain components of Apollo s condensed consolidated financial statements.

Upon adoption of the amended consolidation guidance on January 1, 2010, the Company determined that it was the primary beneficiary of one VIE and recorded a cumulative effect adjustment to Non-Controlling Interest in consolidated entities equal to the difference between the fair value of the VIE assets and liabilities. Assets and liability amounts of consolidated VIEs are shown in separate sections within the condensed consolidated statement of financial condition as of June 30, 2010. Changes in the fair value of the consolidated VIE assets and liabilities and related interest, dividend and other income and expenses subsequent to consolidation are presented within net losses from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interest in consolidated entities in the condensed consolidated statement of operations. In addition, the Company also consolidated an additional VIE upon its formation during the second quarter of 2010, whose gains or losses are recorded within appropriated partners deficit.

Refer to additional disclosures regarding VIEs in note 4. Intercompany transactions and balances have been eliminated in the condensed consolidated financial statements.

Non-Controlling Interest For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interest in the

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

condensed consolidated financial statements. Subsequent to the Reorganization, the Non-Controlling Interest relating to Apollo Global Management, LLC primarily includes the 71.4% (after March 2010 delivery of Class A shares in respect of certain vested RSUs) ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their partnership interests in Holdings, other ownership interests in consolidated entities, which primarily consists of the approximate 97% ownership interest held by limited partners in AAA and effective January 1, 2010, limited partner interests of Apollo managed funds in a consolidated VIE.

The authoritative guidance for Non-Controlling Interest in condensed consolidated financial statements requires reporting entities to present Non-Controlling (minority) Interests as equity and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. According to the guidance, (1) Non-Controlling Interest is presented as a separate component of shareholders equity on the Company s condensed consolidated statements of financial condition, (2) net loss includes the net loss attributed to the Non-Controlling Interest holders on the Company s condensed consolidated statements of operations, (3) the primary components of Non-Controlling Interest are separately presented in the Company s condensed consolidated financial statements to clearly distinguish the interest in the Apollo Operating Group and other ownership interests in the consolidated entities and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

Cash and Cash Equivalents Held at Consolidated Funds Cash held at Consolidated Funds is not available to fund general liquidity needs of Apollo.

Investments, at Fair Value The Company follows U.S. GAAP attributable to fair value measurements, which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. Investments, at fair value, represent investments in consolidated funds and investments of the consolidated VIEs with unrealized gains and losses resulting from changes in the fair value reflected as net gains (losses) from investment activities in the condensed consolidated statement of operations. In accordance with U.S. GAAP, investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments that are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives where the fair value is based on observable inputs.

Level III Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations where the fair value is based on observable inputs as well as unobservable inputs.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment s level within the fair value hierarchy is based on the lowest level of

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment when the fair value is based on unobservable inputs.

Private Equity Investments

The value of liquid investments, where the primary market is an exchange (whether foreign or domestic) is determined using period end market prices. Such prices are generally based on the last sales price on the date of determination.

Valuation approaches used to estimate the fair value of investments that are less liquid include the income approach and the market approach. The income approach provides an indication of fair value based on the present value of cash flows that a business or security is expected to generate in the future. The most widely used methodology used in the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate. The market approach provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry. The market approach is driven more by current market conditions of actual trading levels of similar companies and actual transaction data of similar companies. Consideration may also be given to such factors as the Company s historical and projected financial data, valuations given to comparable companies, the size and scope of the Company s operations, the Company s strengths, weaknesses, expectations relating to the market s receptivity to an offering of the Company s securities, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. As part of management s process, the Company utilizes a valuation committee to review and approve the valuations. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Capital Markets Investments

The majority of the investments in Apollo s capital markets funds are valued using quoted market prices. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services, market participants or other sources. The capital markets funds also enter into foreign currency exchange contracts, credit default swap contracts, and other derivative contracts, which may include options, caps, collars and floors. Foreign currency exchange contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. If securities are held at the end of this period, the changes in value are recorded in income as unrealized. Realized gains or losses are recognized when contracts are settled. Credit default swap contracts are recorded at fair value as an asset or liability with changes in fair value recorded as unrealized appreciation or depreciation. Realized gains or losses are recognized at the termination of the contract based on the difference between the close-out price of the credit default contract and the original contract price.

Forward contracts are valued based on market rates obtained from counterparties or prices obtained from recognized financial data service providers. When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at 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. Valuation approaches used to estimate the fair value of illiquid investments included in Apollo s capital markets funds also may use the income approach or market approach. The valuation approaches used consider, as applicable, market risks, credit risks, counterparty risks and foreign currency risks.

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

Fair Value of Financial Instruments

U.S. GAAP guidance requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Except for the Company s debt obligation related to the AMH Credit Agreement (as defined in note 9), Apollo s financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See Investments, at Fair Value above. While Apollo s valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Other financial instruments carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings. As disclosed in note 9, the Company s long term debt obligation related to the AMH Credit Agreement is believed to have an estimated fair value of approximately $835.9 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. However, the carrying value that is recorded on the condensed consolidated statement of financial condition is the amount for which we expect to settle the long term debt obligation.

Fair Value Option Apollo has elected the fair value option for the assets and liabilities of the consolidated VIEs. Such election is irrevocable and is applied to financial instruments on an individual basis at initial recognition. Apollo has applied the fair value option for certain corporate loans, other investments and debt obligations held by these entities that otherwise would not have been carried at fair value. Refer to note 4 for further disclosure on financial instruments of the consolidated VIEs for which the fair value option has been elected.

Valuation of Financial Instruments held by Consolidated VIEs

The consolidated VIEs hold investments that are traded over-the-counter. Investments in securities that are traded on a securities exchange or comparable over-the-counter quotation systems are valued based on the last reported sale price at that date. If no sales of such investments are reported on such date, and in the case of over-the-counter securities or other investments for which the last sale date is not available, valuations are based on independent market quotations obtained from market participants, recognized pricing services or other sources deemed relevant, and the prices are based on the average of the bid and ask prices, or at ascertainable prices at the close of business on such day. Market quotations are generally based on valuation pricing models or market transactions of similar securities adjusted for security-specific factors such as relative capital structure priority and interest and yield risks, among other factors.

The consolidated VIEs also have debt obligations that are recorded at fair value. The valuation approach used to estimate the fair values of debt obligations is the discounted cash flow method which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. Debt obligations are discounted based on the appropriate yield curve given the loan s respective maturity and credit rating. Management uses its discretion and judgment in considering and appraising relevant factors for determining the valuations of its debt obligations.

Other Investments The Company s investments in the funds that it manages and are not consolidated, are accounted for under the equity method of accounting, whereby the Company records its share of the underlying

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

income or loss of such funds as income (loss) from equity method investments in the condensed consolidated statements of operations. The funds that the Company manages are, for U.S. GAAP purposes, investment companies and therefore apply specialized accounting principles and reflect their underlying investments at estimated fair value.

Goodwill and Intangible Assets Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite- life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate an impairment may have occurred. Apollo amortizes its identifiable finite-life intangible assets using the straight-line method. At June 30, 2010, the Company performed its annual impairment testing and determined there was no impairment of goodwill or indefinite life intangible assets at such time.

Use of Estimates The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Apollo s most significant estimates include goodwill, intangible assets, income taxes, carried interest income from affiliates, non-cash compensation and fair value of investments and debt in the consolidated and unconsolidated funds. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

On January 1, 2010, the Company adopted amended consolidation guidance issued by FASB on issues related to VIEs. The amended guidance significantly affects the overall consolidation analysis, changing the approach taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance requires continuous assessment of the reporting entity s involvement with such VIEs. The amended guidance also enhances the disclosure requirements for a reporting entity s involvement with VIEs, including presentation on the condensed consolidated statements of financial condition of assets and liabilities of consolidated VIEs that meet the separate presentation criteria and disclosure of assets and liabilities recognized in the condensed consolidated statements of financial condition and the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest. The guidance provides a limited scope deferral for a reporting entity s interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, *Investment Companies*, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, *Investment Companies*, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity and (c) the entity is not a securitization entity (i.e., VIE entity), asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Apollo s involvement with the funds it manages is such that all three of the above conditions are met with the exception of certain vehicles which fail condition (c) above. As previously mentioned, the incremental impact of adopting the amended consolidation guidance resulted in the consolidation of one VIE as of January 1, 2010. The Company also consolidated an additional VIE upon its formation during the second quarter of 2010. Further disclosures related to Apollo s involvement with VIEs are presented in note 4.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

In January 2010, the FASB issued guidance on improving disclosures about fair value measurements. The guidance requires additional disclosure on transfers in and out of Levels I and II fair value measurements in the fair value hierarchy and the reasons for such transfers. In addition, for fair value measurements using significant unobservable inputs (Level III), the reconciliation of beginning and ending balances must be presented on a gross basis, with separate disclosure of gross purchases, sales, issuances and settlements and transfers in and transfers out of Level III. The new guidance also requires enhanced disclosures on the fair value hierarchy to disaggregate disclosures by each class of assets and liabilities. In addition, an entity is required to provide further disclosures

on valuation techniques and inputs used to measure fair value for fair value measurements that fall in either Level II or Level III. Except for the Level III reconciliation disclosures, this guidance became effective for the Company beginning January 1, 2010. The adoption of this guidance did not have a material impact on the Company s condensed consolidated financial statements. The Level III reconciliation disclosures are effective for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Company s condensed consolidated financial statements.

3. INVESTMENTS

The following table represents Apollo s investments:

	June 30, 2010	December 31, 2009
Investments, at fair value	$ 1,411,281	$ 1,364,973
Other investments	219,596	189,182
Total Investments	$ 1,630,877	$ 1,554,155

Investments at Fair Value

Investments at fair value consist of financial instruments held by AP Alternative Assets, L.P. (AAA), Apollo Commodities Trading Fund, L.P. (the Commodities Trading Fund) and consolidated VIEs as discussed further in note 4. As of June 30, 2010 and December 31, 2009, the net assets of the consolidated funds and VIEs were $1,867.8 million and $1,364.6 million, respectively. The following investments are presented as a percentage of net assets of the consolidated funds:

	June 30, 2010				December 31, 2009			
	Fair Value			% of Net Assets of Consolidated Funds	Fair Value			% of Net Assets of Consolidated Funds
Investments, at Fair Value Affiliates	Private Equity	Capital Markets	Cost		Private Equity	Capital Markets	Cost	
Investments, at fair value:								
AAA	$ 1,411,281	$	$ 1,737,337	75.6%	$ 1,324,939	$	$ 1,753,985	97.1%
Commodities Trading Fund	(1)	(1)	(1)	%		40,034	40,000	2.9%

Total Investments	$ 1,411,281	$	$ 1,737,337	$ 1,324,939	$ 40,034	$ 1,793,985

(1) Refer to note 1 for a discussion regarding consolidation of Apollo Metals Trading Fund, L.P.

APOLLO GLOBAL MANAGEMENT, LLC

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Securities

At June 30, 2010 and December 31, 2009, the sole investment of AAA was its investment in AAA Investments, L.P. (AAA Investments). The following tables represent each investment of AAA Investments constituting more than five percent of the net assets of the consolidated funds as of the aforementioned dates:

	June 30, 2010			
	Instrument Type	**Cost**	**Fair Value**	**% of Net Assets of Consolidated Funds**
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	$ 124,761	$ 164,184	8.8%
Apollo European Principal Finance Fund, L.P.	Investment Fund	146,131	143,898	7.7
Apollo Life Re Ltd.	Equity	98,002	135,900	7.3
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	118,209	116,140	6.2
Harrah s Entertainment Inc.	Equity	177,778	113,000	6.0

	December 31, 2009			
	Instrument Type	**Cost**	**Fair Value**	**% of Net Assets of Consolidated Funds**
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	$ 144,111	$ 184,575	13.5%
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	164,813	158,597	11.6
AP Investment Europe Limited	Investment Fund	339,488	135,473	9.9
Harrah s Entertainment, Inc.	Equity	165,625	126,000	9.2
Apollo European Principal Finance Fund, L.P.	Investment Fund	103,081	111,152	8.1
Apollo Life Re Ltd.	Equity	98,002	87,900	6.4
AP Charter Holdings, L.P.	Equity	45,107	82,955	6.1
Rexnord Corporation	Equity	37,461	82,700	6.1

In addition to AAA Investments private equity co-investment in Harrah s Entertainment, Inc. (Harrah s), as shown in the tables above, AAA Investments has an ownership interest in LeverageSource, L.P., which owns Harrahs debt. AAA Investments combined share of these debt and equity investments is valued at $116.5 million at June 30, 2010 and $129.4 million at December 31, 2009, respectively. AAA Investments also owns equity, as a private equity co-investment, and debt, through its investment in Autumnleaf, L.P. and Apollo Fund VI BC, L.P. in CEVA Logistics. AAA Investments combined share of these debt and equity investments is greater than 5% of net assets of consolidated funds and is valued at $87.3 million at June 30, 2010 and $97.8 million at December 31, 2009, respectively. AAA Investments also owns equity, as a private equity co-investment, and debt, in Momentive Performance Materials Holdings Inc. AAA Investments combined share of these debt and equity investments is greater than 5% of net assets of consolidated funds and is valued at $71.6 million at June 30, 2010.

Apollo Strategic Value Offshore Fund, Ltd. primarily invests in the securities of leveraged companies in North America and Europe through three core strategies: distressed investments, value-driven investments and special opportunities. In connection with the redemptions requested by AAA Investments of its investment in Apollo Strategic Value Offshore Fund, Ltd., the remainder of AAA Investments investment in Apollo Strategic Value Offshore Fund, Ltd. was converted into liquidating shares issued by Apollo Strategic Value Offshore Fund, Ltd. The liquidating shares are generally allocated a pro rata portion of each of Apollo Strategic Value

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Offshore Fund, Ltd. s existing investments and liabilities, and as those investments are sold, AAA Investments is allocated the proceeds from such disposition less its proportionate share of any expenses incurred by Apollo Strategic Value Offshore Fund, Ltd.

AP Investment Europe Limited (Apollo Investment Europe) invests in mezzanine, debt and equity investments of both public and private companies primarily located in Europe. The fund generates current income and capital appreciation through its flexible investment strategy, which is intended to capture opportunities across the capital structure. Due to market conditions in 2008 and early 2009, Apollo Investment Europe s investment performance was adversely impacted, and on July 10, 2009, the company s shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe s assets over a three-year period from July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe s shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with applicable law and maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid. Substantially all of Apollo Investment Europe s leverage was repaid during 2009.

Apollo Asia Opportunity Offshore Fund, Ltd. (the Asia Opportunity Fund) is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. In connection with a redemption requested by AAA Investments of its investment in the Asia Opportunity Fund, a portion of AAA Investments investment was converted into liquidating shares issued by the Asia Opportunity Fund. The liquidating shares are generally allocated a pro rata portion of each of the Asia Opportunity Fund s existing investments and liabilities, and as those investments are sold, AAA Investments is allocated the proceeds from such disposition less its proportionate share of any expenses incurred or reserves set by the Asia Opportunity Fund. At June 30, 2010, the liquidating shares had a fair value of $55.1 million.

Apollo European Principal Finance Fund, L.P. invests primarily in European non-performing loans, or NPLs. Apollo European Principal Finance Fund, L.P. seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans. The investment in Apollo European Principal Finance Fund, L.P. has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period.

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Net (Losses) Gains from Investment Activities

Net (losses) gains from investment activities on the condensed consolidated statements of operations includes net realized gains from sales of investments, and the change in net unrealized gains resulting from changes in fair value of the affiliated funds investments and realization of previously unrealized gains. The following tables present Apollo s net (losses) gains from investment activities for the three and six months ended June 30, 2010 and 2009:

	Three Months Ended June 30, 2010		
	Private Equity	Capital Markets	Total
Net unrealized losses due to changes in fair value	$ (9,961)	$ (1,044)	$ (11,005)
Net Losses from Investment Activities	$ (9,961)	$ (1,044)	$ (11,005)

	Three Months Ended June 30, 2009		
	Private Equity	Capital Markets	Total
Net realized losses on sales of investments	$	$ (108)	$ (108)
Net unrealized gains due to changes in fair value	267,007	12,767	279,774
Net Gains from Investment Activities	$ 267,007	$ 12,659	$ 279,666

	Six Months Ended June 30, 2010		
	Private Equity	Capital Markets	Total
Net unrealized gains (losses) due to changes in fair value	$ 102,990	$ (2,274)	$ 100,716
Net Gains (Losses) from Investment Activities	$ 102,990	$ (2,274)	$ 100,716

	Six Months Ended June 30, 2009		
	Private Equity	Capital Markets	Total
Net realized losses on sales of investments	$	$ (213)	$ (213)
Net unrealized gains (losses) due to changes in fair value	121,684	(8,403)	113,281
Net Gains (Losses) from Investment Activities	$ 121,684	$ (8,616)	$ 113,068

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(dollars in thousands, except share data)

(continued)

Other Investments

Other Investments primarily consist of equity method investments. Apollo s share of operating income (loss) generated by these investments is recorded as other income (loss) in the condensed consolidated statements of operations.

(Loss) income from equity method investments for the three and six months ended June 30, 2010 and 2009 consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
Investments:				
Private Equity Funds:				
AAA Investments	$ (3)	$ 144	$ 64	$ 61
Apollo Investment Fund IV, L.P. (Fund IV)	13	12	16	11
Apollo Investment Fund V, L.P. (Fund V)	(12)	12	25	15
Apollo Investment Fund VI, L.P. (Fund VI)	139	164	(241)	141
Apollo Investment Fund VII, L.P. (Fund VII)	2,655	10,373	2,703	7,859
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	114	462	321	280
Apollo Value Investment Fund, L.P.	7	15	13	17
Apollo Strategic Value Fund, L.P.	(1)	16	8	17
Apollo Credit Liquidity Fund, L.P.	(1,563)	6,400	(1,088)	7,942
Apollo/Artus Investors 2007-I, L.P.	487		1,191	
Apollo Credit Opportunity Fund I, L.P. (COF I)	(1,190)	8,978	(2,130)	3,394
Apollo Credit Opportunity Fund II, L.P. (COF II)	(363)	5,603	172	3,551
Apollo European Principal Finance Fund, L.P.	357	412	1,960	57
Apollo Investment Europe II, L.P.	(569)	1,642	(111)	1,488
Apollo Palmetto Strategic Partnership, L.P.	11	(116)	133	(116)
Real Estate:				
Apollo Commercial Real Estate Finance, Inc.	263		120	
Other Equity Method Investments:				
VC Holdings, L.P. Series A (Vantium A)	(96)	(3,703)	(526)	(5,285)
VC Holdings, L.P. Series C (Vantium C)	(2,010)	2,155	3,514	3,694
VC Holdings, L.P. Series D (Vantium D)	49	3	24	8
Total (Loss) Income from Equity Method Investments	$ (1,712)	$ 32,572	$ 6,168	$ 23,134

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Other investments as of June 30, 2010 and December 31, 2009 consisted of the following:

	Equity held as of			
	June 30, 2010	% of Ownership	December 31, 2009	% of Ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 801	0.057%	$ 746	0.056%
Fund IV	38	0.007	30	0.006
Fund V	217	0.013	308	0.012
Fund VI	5,116	0.053	4,948	0.055
Fund VII	83,231	1.338	61,245	1.389
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	5,094	0.524	4,773	0.513
Apollo Value Investment Fund, L.P.	136	0.068	124	0.065
Apollo Strategic Value Fund, L.P.	131	0.058	123	0.058
Apollo Credit Liquidity Fund, L.P.	16,477	2.442	19,618	2.440
Apollo/Artus Investors 2007-I, L.P.	3,440	6.156	2,249	6.160
Apollo Credit Opportunity Fund I, L.P.	29,121	2.046	26,402	2.007
Apollo Credit Opportunity Fund II, L.P.	25,318	1.474	20,223	1.455
Apollo European Principal Finance Fund, L.P.	12,365	1.363	7,116	1.360
Apollo Investment Europe II, L.P.	6,547	2.084	6,069	1.971
Apollo Palmetto Strategic Partnership, L.P.	3,378	1.186	2,918	1.186
Real Estate:				
Apollo Commercial Real Estate Finance, Inc.	10,181	5.262	10,260	5.180
Other Equity Method Investments:				
Vantium A	2,644	11.864	3,170	14.158
Vantium C	15,006	4.684	18,529	6.291
Vantium D	355	6.345	331	6.345
Total Other Investments	$ 219,596		$ 189,182	

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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Fair Value Measurements

The following tables summarize the valuation of Apollo s assets and liabilities, at fair value, in the fair value hierarchy levels as of June 30, 2010 and December 31, 2009:

	Level I		Level II		Level III		Totals	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Assets, at fair value:								
Investment in AAA Investments, L.P.	$	$	$	$	$ 1,411,281	$ 1,324,939	$ 1,411,281	$ 1,324,939
Investments in Apollo Metals Trading Fund, L.P.					(1)	40,034	(1)	40,034
Total	$	$	$	$	$ 1,411,281	$ 1,364,973	$ 1,411,281	$ 1,364,973

(1) Refer to note 1 for a discussion regarding consolidation of Apollo Metals Trading Fund, L.P.

	Level I		Level II		Level III		Totals	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Liabilities, at fair value:								
Interest rate swap agreements	$	$	$ 16,183	$ 26,639	$	$	$ 16,183	$ 26,639
Total	$	$	$ 16,183	$ 26,639	$	$	$ 16,183	$ 26,639

The following table summarizes the changes in AAA Investments, which is measured at fair value and characterized as a Level III investment.

	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Balance, beginning of period	$ 1,437,947	$ 1,324,939
Purchases	286	343
Distributions	(16,991)	(16,991)
Net unrealized (losses) gains	(9,961)	102,990
Balance, end of period	$ 1,411,281	$ 1,411,281

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The following table summarizes the changes in Apollo Metals Trading Fund, L.P. investment, which is measured at fair value and characterized as a Level III investment.

	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Balance, beginning of period	$ 38,804	$ 40,034
Purchases		
Distributions[1]	(37,760)	(37,760)
Net unrealized losses	(1,044)	(2,274)
Balance, end of period	$	$

(1) Refer to note 1 for discussion regarding consolidation of Apollo Metals Trading Fund, L.P.

The change in unrealized (losses) gains has been recorded within the caption Net (losses) gains from investment activities on the condensed consolidated statements of operations.

The following table summarizes a look through of the Company s Level III investments by valuation methodology of the underlying securities held by AAA Investments:

	Private Equity			
	June 30, 2010		December 31, 2009	
		% of Investment of AAA		% of Investment of AAA
Approximate values based on net asset value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Comparable company and industry multiples	$ 586,349	36.8%	$ 527,105	33.2%
Discounted cash flow models	545,912	34.3	480,100	30.2
Broker quotes	399,868	25.1	440,344	27.8
Options models	2,100	0.1	14,000	0.9
Listed quotes	33,073	2.1	40,447	2.6
Other net assets (liabilities)[1]	24,880	1.6	83,514	5.3
Total Investments	1,592,182	100.0%	1,585,510	100.0%
Other net assets (liabilities)[2]	(180,901)		(260,571)	

Total Net Assets	$ 1,411,281	$ 1,324,939

(1) Balances include other assets and liabilities of certain funds in which AAA Investments has invested. Other assets and liabilities at the fund level primarily includes cash and cash equivalents, broker receivables and payables and amounts due to and from affiliates. Carrying values approximate fair value for other assets and liabilities and, accordingly, extended valuation procedures are not required.

(2) Balances include other assets and liabilities of AAA Investments, and are primarily comprised of $537.5 million and $650.0 million in long-term debt offset by cash and cash equivalents at the June 30, 2010 and December 31, 2009 balance sheet dates, respectively. Carrying values approximate fair value for other assets and liabilities (except debt) and, accordingly, extended valuation procedures are not required.

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4. VARIABLE INTEREST ENTITIES

The Company consolidates entities that are VIEs of which the Company has been designated as the primary beneficiary. The purpose of such VIEs is to provide strategy specific investment opportunities for investors in exchange for management and performance based fees. The investment strategies of the entities that the Company manages may vary by entity, however, the fundamental risks of such entities have similar characteristics, including loss of invested capital and the return of carried interest income previously distributed to the Company by certain private equity and capital markets entities. The nature of the Company s involvement with VIEs includes direct and indirect investments and fee arrangements. The Company does not provide performance guarantees and has no other financial obligation to provide funding to VIEs other than its own capital commitments.

Consolidated Variable Interest Entities

As of June 30, 2010, Apollo consolidated two VIEs. The assets of these consolidated VIEs are not available to creditors of the Company. In addition, the investors in these consolidated VIEs have no recourse to the credit of the Company. The Company has elected the fair value option for financial instruments held by its consolidated VIEs, which includes the investments and debt obligations held by such consolidated VIEs. Other assets includes amounts due from brokers and interest receivables. Other liabilities includes derivative investments and payables for securities purchased, which represent open trades within the consolidated VIEs and primarily relate to corporate loans that are expected to settle within the next sixty days.

Fair Value Measurements

The following table summarizes the valuation of Apollo s consolidated VIEs in fair value hierarchy levels as of June 30, 2010 and December 31, 2009:

	Level I		Level II		Level III		Totals	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Investments, at fair value	$	$	$	$	$ 1,374,367	$	$ 1,374,367	$

	Level I		Level II		Level III		Totals	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Liabilities, at fair value	$	$	$ 5,283	$	$ 1,006,548	$	$ 1,011,831	$

Level III investments include corporate loan and corporate bond investments held by the consolidated VIEs, while the Level III liabilities consist of notes and loans, the valuations of which are discussed further in note 2. Level II liabilities include derivative investments that are valued using broker quotes.

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The following table summarizes the changes in investments of consolidated VIEs, which is measured at fair value and characterized as a Level III investment.

	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Balance, beginning of period	$ 1,121,723	$
Transition adjustment relating to consolidation of VIE on January 1, 2010		1,102,114
Purchases	313,485	371,240
Sales of investments	(24,128)	(82,972)
Net realized gains on investments	819	186
Net unrealized losses on investments	(36,478)	(15,147)
Elimination of equity investment attributable to consolidated VIEs	(1,054)	(1,054)
Balance, end of period	$ 1,374,367	$ 1,374,367

The following table summarizes the changes in liabilities of consolidated VIEs, which is measured at fair value and characterized as a Level III investment.

	For the Three Months Ended June 30, 2010	For the Six Months Ended June 30, 2010
Balance, beginning of period	$ 702,298	$
Transition adjustment relating to consolidation of VIE on January 1, 2010		706,027
Borrowings	320,154	320,154
Repayment	(3,794)	(17,239)
Net realized gains on debt	(681)	(1,679)
Net unrealized (gains) losses on debt	(10,375)	339
Elimination of debt attributable to consolidated VIEs	(1,054)	(1,054)
Balance, end of period	$ 1,006,548	$ 1,006,548

Net Losses from Investment Activities of Consolidated Variable Interest Entities

The following table presents the net losses from investment activities of consolidated variable interest entities for the three and six months ended June 30, 2010:

	For the Three Months Ended	For the Six Months Ended

	June 30, 2010	June 30, 2010
Net unrealized losses from investment activities	$ (36,478)	$ (15,147)
Net realized gains from investment activities	819	186
Net losses from investment activities	(35,659)	(14,961)
Net unrealized gains (losses) from debt	10,375	(339)
Net realized gains from debt	681	1,679
Net gain on debt	11,056	1,340
Interest income	12,164	23,429
Other expenses	(6,993)	(10,073)
Net losses from investment activities of consolidated VIEs	$ (19,432)	$ (265)

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(continued)

Investments of Consolidated VIEs

The following table presents a condensed summary of the consolidated VIEs investments that are included in the condensed consolidated balance sheet as of June 30, 2010:

	Fair Value as of June 30, 2010	% of Consolidated Fund and VIE Net Assets
Corporate Loans		
North America		
Communications		
Intelsat Jackson term loan due February 1, 2014	$ 189,396	10.2%
Other	114,839	6.1
Total communications	304,235	16.3
Manufacturing & industrial		
Servicemaster term loan due July 24, 2014	112,889	6.0
Other	92,424	4.9
Total manufacturing & industrial	205,313	10.9
Healthcare		
Bausch & Lomb term loans due April 26, 2015	95,311	5.1
Other	23,002	1.2
Total healthcare	118,313	6.3
Technology	78,374	4.2
Media, cable and leisure	74,610	4.0
Financial & business services	42,529	2.3
Consumer & retail	35,005	1.9
Packaging & materials	18,356	1.0
Energy	12,174	0.7
Metals & mining	7,783	0.4
Other	10,671	0.6
Total corporate loans North America (amortized cost $911,322)	907,363	48.6
Europe		
Company/Industry Description		
Healthcare		
Alliance Boots senior facility B1 due July 5, 2015	$ 178,516	9.6%
Consumer & retail		
Univar term loan B due October 10, 2014	147,211	7.8

Other	14,250	0.8
Total consumer & retail	161,461	8.6
Media, cable and leisure	13,668	0.7
Chemicals	4,900	0.3
Total corporate loans Europe (amortized cost $421,401)	358,545	19.2
Total Corporate Loans (amortized cost $1,332,723)	1,265,908	67.8
Corporate Bonds		
North America		
Communications	66,589	3.6
Consumer & retail	40,813	2.2
Distribution & transportation	1,944	0.1
Energy	828	0.0
Total corporate bonds North America (amortized cost $103,714)	110,174	5.9
Europe		
Media, cable & leisure	3,041	0.2
Total corporate bonds Europe (amortized cost $3,041)	3,041	0.2
Total corporate bonds (amortized cost $106,755)	113,215	6.1
Elimination of equity investments attributable to consolidated VIEs	(4,756)	(0.3)
Total investments of consolidated VIEs (amortized cost $1,439,478)	$ 1,374,367	73.6%

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Senior Secured Notes, Subordinated Note, Term Loans Included within debt are amounts due to third-party institutions and an affiliate of the consolidated VIEs. The following table summarizes the principal provisions of the consolidated VIE debt as of June 30, 2010:

Description	Principal Outstanding Balance	Fair Value	Maturity Date	Interest Rate	Weighted Average Interest Rate
Loans:[(1)(2)]					
Term A Loan	$ 293,157	$271,581	October 29, 2012	BBA 3 mo LIBOR (USD) plus 0.5%	0.84%
Term B Loan	188,749[(3)]	133,025	June 13, 2013	BBA 3 mo LIBOR (GBP) plus 0.5%	0.84%
Term C Loan	305,313	282,842	October 29, 2013	BBA 3 mo LIBOR (USD) plus 0.5%	0.84%
	787,219	687,448			
Notes:[(4)(5)]					
Senior secured notes A1	215,400	215,400	May 20, 2020	BBA 3 mo LIBOR (USD) plus 1.7%	2.24%
Senior secured notes A2	10,668	10,668	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.25%	2.78%
Senior secured notes B	22,586	22,586	May 20, 2020	BBA 3 mo LIBOR (USD) plus 2.30%	2.84%
Subordinated note[(6)]	70,446	70,446	May 20, 2020	N/A	N/A
	319,100	319,100			
Total notes and loans	$ 1,106,319	$1,006,548			

(1) Scheduled amortization payments received from investments held by the VIE are applied first against the loans until they are repaid in full. Scheduled interest payments received are generally used first to pay all fees and expenses under the agreement, then to pay interest due and payable to repay the loans. Any residual amounts are then paid to the VIE. To the extent certain of the investments are sold, the sales proceeds are applied first to repay the loans in an amount agreed upon under the credit agreement (currently 70% of such sales proceeds), and the remaining to the VIE.

(2) The loans are subject to certain affirmative and negative covenants which include, but are not limited to, a Market Trigger Event (MTE) covenant. An MTE occurs with respect to any loan in the portfolio if the market price on any business day is 20 (or more) percentage points lower than its purchase price and the Loan-to-Value Ratio is greater than 87.5%. Additionally the loans are subject to an Interest Coverage Ratio (ICR) covenant. ICR is calculated as of each interest payment date. The ratio of interest income to income expense for the twelve months ended each interest payment date must not be less than 1.75:1.00. If an MTE or a breach of the ICR occurs, the VIE must cure such breach by either prepaying a portion of the loans or selling the loan in the portfolio for which the breach pertains (applying 100% of the proceeds to the loan). The loans are subject to a Trigger Event provision. A Trigger Event occurs any time (a) an MTE has occurred and is continuing, (b) the Loan-to-Value Ratio at such time exceeds 90% and (c) an Event of Default has occurred and is continuing for at least 30 days. If a Trigger Event with respect to any loan is continuing, periodic cash flows of interest from the loans in the portfolio are applied first to prepay any and all outstanding loans before any proceeds are received by the VIE.

(3) Loan amount is denominated in GBP. Cost at June 30, 2010 was £96,065 and amounts are translated into U.S. dollars at a historical exchange rate of £1.00 to $1.96.

(4) Each class of notes will mature at par on the stated maturity, unless previously redeemed or repaid. Principal will not be payable on the notes except in certain limited circumstances. Interest on the notes is payable quarterly in arrears on the outstanding amount of the notes on scheduled payment dates. The subordinated note will be fully redeemed on the stated maturity unless previously redeemed. The subordinated notes may be redeemed, in whole but not in

part, on or after the redemption or repayment in full of principal and interest on the secured notes. No interest accrues or is payable on the subordinated notes.

(5) The notes are subject to two coverage tests. These tests are primarily used to determine whether principal and interest may be paid on the secured notes and distributions may be made on the subordinated notes. The Coverage Tests will consist of the Overcollateralization Ratio Test and the Interest Coverage Test; each test applies to each note. The Overcollateralization Ratio Test and Interest Coverage Test applicable to the indicated classes of secured notes will be satisfied as of any date on which such Coverage Test is applicable, if (1) the applicable Overcollateralization Ratio or Interest Coverage Ratio is at least equal to the applicable ratio or (2) the class or classes of secured notes is no longer outstanding. The applicable Interest Coverage Ratio for Class A Notes and B Notes is 110.0% and 105.0%, respectively. The applicable Overcollateralization Ratio for Class A Notes and B Notes is 137.5% and 126.4%, respectively.

(6) The subordinated note was issued to an affiliate of the Company. Amount is reduced by approximately $1.1 million due to elimination of equity investment attributable to consolidated VIEs.

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The consolidated VIEs have elected the fair value option to value the loans and notes. The general partner uses its discretion and judgment in considering and appraising relevant factors in determining valuation of these loans. As of June 30, 2010, the loans and notes are classified as Level III liabilities. Because of the inherent uncertainty in the valuation of the loans and notes, which are not publicly traded, estimated values may differ significantly from the values that would have been reported had a ready market for such loans existed.

The consolidated VIEs debt obligations contain various customary loan covenants as described above. As of the balance sheet date, the Company was not aware of any instances of noncompliance with any of these covenants.

Variable Interest Entities that are not Consolidated

The Company holds variable interests in certain VIEs which are not consolidated as it has been determined that Apollo is not the primary beneficiary of such VIEs.

The following tables present the carrying amounts of the assets and liabilities of the VIEs for which Apollo has concluded that it holds a variable interest, but that it is not the primary beneficiary. In addition, the tables present the maximum exposure to loss relating to those VIEs.

		June 30, 2010	
	Total Assets	**Total Liabilities**	**Apollo Exposure**
Private Equity	$ 7,396,237	$ (25,598)	$ 18,005
Capital Markets	3,203,366	(1,140,005)	8,800
Real Estate	1,563,615	(1,251,939)	
Total	$ 12,163,218(1)	$ (2,417,542)(2)	$ 26,805(3)

(1) Consists of $204,886 in cash, $11,504,802 in investments and $453,530 in receivables.

(2) Represents $(2,372,278) in payables and accrued expenses, $(45,264) in securities sold, not purchased, and $0 in capital withdrawals payable.

(3) Apollo s exposure is limited to its direct and indirect investments in those entities in which Apollo holds a variable interest.

		December 31, 2009	
	Total Assets	**Total Liabilities**	**Apollo Exposure**
Private Equity	$ 5,767,009	$ (72,055)	$
Capital Markets	2,422,323	(305,723)	5,019
Total	$ 8,189,332(1)	$ (377,778)(2)	$ 5,019(3)

(1) Consists of $225,226 in cash, $7,470,213 in investments and $493,893 in receivables.

(2) Represents $(139,775) in payables and accrued expenses, $(45,487) in securities sold, not purchased, and $(192,516) in capital withdrawals payable.

(3) Apollo s exposure is limited to its direct and indirect investments in those entities in which Apollo holds a variable interest.

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5. CARRIED INTEREST RECEIVABLE

Carried interest receivable from private equity and capital markets funds consists of the following:

	June 30, 2010	December 31, 2009
Private equity	$ 300,422	$ 328,246
Capital markets	84,273	155,608
Total carried interest receivable	$ 384,695	$ 483,854

The timing of the payment of carried interest due to the general partner or investment manager varies depending on the terms of the applicable fund agreements. Generally, carried interest with respect to the private equity funds is payable and is distributed to the fund s general partner upon realization of an investment if the fund s cumulative returns are in excess of the preferred return. For most capital markets funds, carried interest is payable after the end of the relevant fund s fiscal year or in certain cases fiscal quarter subject to high watermark provisions. There is currently no carried interest receivable associated with the Company s real estate segment.

The table below provides a roll-forward of the carried interest receivable balance during the six months ended June 30, 2010.

	Private Equity	Capital Markets	Total
Carried interest receivable at January 1, 2010	$ 328,246	$ 155,608	$ 483,854
Change in fair value of funds	30,316	24,729	55,045
Fund cash distributions	(58,140)	(96,064)	(154,204)
Carried interest receivable at June 30, 2010	$ 300,422	$ 84,273	$ 384,695

6. OTHER ASSETS

Other assets consist of the following:

	June 30, 2010	December 31, 2009
Prepaid expenses	$ 5,982	$ 3,922
Tax receivables	3,467	3,471
Prepaid rent	1,188	1,601
Rent deposits	943	620
Other	1,905	1,715

Total Other Assets	$ 13,485	$ 11,329

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7. OTHER LIABILITIES

Other liabilities consist of the following:

	June 30, 2010	December 31, 2009
Interest rate swap agreements	$ 16,183	$ 26,639
Deferred rent	9,892	9,582
Deferred taxes	2,668	2,754
Other	1,947	2,393
Total Other Liabilities	$ 30,690	$ 41,368

Interest Rate Swap Agreements The principal financial instruments used for cash flow hedging purposes are interest rate swaps. Apollo enters into interest rate swap agreements to manage its exposure to interest rate changes. The swaps effectively converted a portion of its variable rate debt under the AMH Credit Agreement (discussed in note 9) to a fixed rate, without exchanging the notional principal amounts. Apollo entered into interest rate swap agreements whereby Apollo receives floating rate payments in exchange for fixed rate payments of 5.068% (weighted average) and 5.175%, on the notional amounts of $433.0 million and $167.0 million, respectively, effectively converting a portion of its floating rate borrowings to a fixed rate. The interest rate swap agreements related to the $433.0 million are comprised of two components for $333.0 million and $100.0 million. The interest rate swap agreement related to the $333.0 million expired in May 2010. The interest rate swap agreement related to the $100.0 million expires in November 2010. The interest rate swap agreement related to the $167.0 million expires in May 2012. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of June 30, 2010 and December 31, 2009, the Company has recorded a liability of $16.2 million and $26.6 million, respectively, to recognize the fair value of these derivatives.

The Company has determined that the valuation of the interest rate swaps fall within Level II of the fair value hierarchy. The Company estimates the fair value of its interest rate swaps using discounted cash flow models, which project future cash flows based on the instruments contractual terms using market-based expectations for interest rates. The Company also includes a credit risk adjustment to the cash flow discount rate to incorporate the impact of non-performance risk in the recognized measure of the fair value of the swaps. This adjustment is based on the counterparty s credit risk when the swaps are in a net asset position and on the Company s own credit risk when the swaps are in a net liability position.

8. INCOME TAXES

The Apollo Operating Group operates in the U.S. as partnerships for U.S. federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions; accordingly, these entities in some cases are subject to the New York City Unincorporated Business Tax or, in the case of non-U.S. entities, income taxes in their local jurisdictions. In addition, APO Corp., a corporation wholly-owned by the Company, is subject to U.S. Federal, state and local corporate income taxes.

Apollo s provision for income taxes totaled $12.7 million and $0.9 million for the three months ended June 30, 2010 and 2009, respectively, and $16.8 million and $7.1 million for the six months ended June 30, 2010 and

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2009, respectively. Apollo s effective income tax rate was approximately (4.40)% and 0.77% for the three months ended June 30, 2010 and 2009, respectively, and (4.68)% and (2.67)% for the six months ended June 30, 2010 and 2009, respectively. As a result of the estimates used in its calculation, Apollo s effective tax rate for U.S. GAAP reporting purposes is subject to significant variation from period to period.

Apollo s effective tax rate for the six months ended June 30, 2010 was due to the following: (i) income allocable to APO Corp was subject to federal, state and local corporate income taxes, certain wholly owned subsidiaries are subject to New York City unincorporated business tax and certain non-U.S. corporate entities continue to be subject to non-U.S. corporate income tax, (ii) a portion of the compensation charges that contribute to Apollo s net loss are not deductible for tax purposes and (iii) income allocable to Non-Controlling Interests is not subject to corporate level income taxes.

As of June 30, 2010 and December 31, 2009, the Company determined it was not required to establish a liability for uncertain tax positions.

9. DEBT

Debt consists of the following:

	June 30, 2010		December 31, 2009	
	Outstanding Balance	Annualized Weighted Average Interest Rate	Outstanding Balance	Annualized Weighted Average Interest Rate
AMH credit agreement	$ 909,091	4.33%[(1)]	$ 909,091	5.15%[(1)]
CIT secured loan agreement	23,940	3.46	24,743	3.64
Total Debt	$ 933,031	4.30%	$ 933,834	5.11%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement On April 20, 2007, Apollo Management Holdings, L.P. (AMH) entered into a $1.0 billion seven-year credit agreement (the AMH Credit Agreement). Interest payable under the AMH Credit Agreement may from time to time be based on Eurodollar (LIBOR) or Alternate Base Rate (ABR) as determined by the borrower. Through the use of interest rate swaps, AMH has irrevocably elected three-month LIBOR for $433 million of the debt for three years and $167 million of the debt for five years. The remaining amount of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan will be the daily Eurodollar rate plus the applicable margin rate (1.25% as of June 30, 2010 and December 31, 2009). The interest rate on the ABR term loan, for any day, will be the greater of (a) the prime rate in effect on such day, or (b) the Federal Funds Rate in effect on such day plus 0.5% and the applicable margin rate of 0.5%. The AMH Credit Agreement matures in April 2014. During April and May 2009, the Company repurchased a combined total of $90.9 million of face value of debt for $54.7 million and recognized a gain of $36.2 million, which is included in other income in the condensed consolidated statements of operations. The interest rate on the loan at June 30, 2010 was 1.72%, and the estimated fair value of the Company s long term debt obligation related to the AMH Credit Agreement is believed to be approximately $835.9 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $909.1 million carrying value of debt that is recorded on the condensed consolidated statement of financial condition at June 30, 2010 is the amount that the Company expects to settle the AMH Credit Agreement.

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As of June 30, 2010 and December 31, 2009, the AMH Credit Agreement is guaranteed by, and is collateralized by, substantially all of the assets of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH, as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which will be deposited as cash collateral to the extent necessary as set out in the AMH Credit Agreement. As of June 30, 2010, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH were $61.8 million, $14.4 million, $37.7 million, $30.3 million and $(1,304.2) million, respectively. As of December 31, 2009, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P., and AMH were $13.2 million, $(7.8) million, $37.0 million, $70.2 million and $(1,284.1) million, respectively.

In accordance with the AMH Credit Agreement, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their subsidiaries are subject to certain negative and affirmative covenants. Among other things, the AMH Credit Agreement includes an excess cash flow covenant and an asset sales covenant. The AMH Credit Agreement does not contain any financial maintenance covenants.

The excess cash flow covenant provides that if AMH s debt to EBITDA ratio as of the end of any fiscal year exceeds the level set forth below (the Excess Sweep Leverage Ratio), AMH must deposit its excess cash flow (as defined in the AMH Credit Agreement) in the cash collateral account to the extent necessary to reduce the debt to EBITDA ratio on a pro forma basis as of the end of such fiscal year to 0.25 to 1.00 below the Excess Sweep Leverage Ratio. The Excess Sweep Leverage Ratio per the AMH Credit Agreement is 4.75 to 1.00 for 2008; 4.25 to 1.00 for 2009; 4.00 to 1.00 for 2010; 4.00 to 1.00 for 2011; and 4.00 to 1.00 for 2012. Beginning in 2010, AMH must deposit excess cash flow in the cash collateral account to the extent necessary to reduce the debt to EBITDA ratio on a pro forma basis as of the end of each fiscal year to 3.25 to 1.00.

The asset sales covenant provides that if AMH receives net cash proceeds from certain non-ordinary course asset sales, then such net cash proceeds shall be deposited in the cash collateral account to the extent necessary to reduce its debt to EBITDA ratio on a pro forma basis as of the last day of the most recently completed fiscal quarter (after giving effect to such non-ordinary course asset sale and such deposit) to (i) for 2010, 2011 and 2012, a debt to EBITDA ratio of 3.50 to 1.00 and (ii) for all other years, a debt to EBITDA ratio of 4.00 to 1.00. As of June 30, 2010, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement.

The AMH Credit Agreement contains customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of AMH.

CIT Secured Loan Agreement During the second quarter of 2008, the Company entered into four secured loan agreements totaling $26.9 million with CIT Group/Equipment Financing Inc. (CIT) to finance the purchase of certain fixed assets. The loans bear interest at LIBOR plus 318 basis points per annum with interest and principal to be repaid monthly and a balloon payment of the remaining principal totaling $20.1 million due at the end of the terms in April and June 2013. At June 30, 2010, the interest rate was 3.53%.

Apollo has determined that the carrying value of this debt approximates fair value as the loans are primarily variable rate in nature.

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10. NET LOSS PER CLASS A SHARE

U.S. GAAP requires use of the two-class method of computing earnings per share for all periods presented for each class of common stock and participating security as if all earnings for the period had been distributed. The two-class method requires allocation of distributed earnings and undistributed earnings to common shareholders and participating security holders. Under the two-class method, dividends declared on all classes of securities are first deducted from net income. The remaining amount (the undistributed earnings) is allocated among common and participating shares to the extent each security may share in such earnings. Distributions are then added to the undistributed earnings, and the total is divided by the applicable number of shares to arrive at the basic earnings per share.

The table below presents basic and diluted net loss per Class A share using the two-class method for the quarters ended June 30, 2010 and 2009.

	Three Months Ended		Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Numerator:				
Net loss attributable to Apollo Global Management, LLC	$ (75,124)	$ (37,375)	$ (135,806)	$ (113,554)
Dividends declared on Class A shares	(6,744)[1]		(6,744)[1]	(4,866)[2]
Dividends on participating securities	(960)		(960)	(299)
Net Loss Attributable to Class A Shareholders	$ (82,828)	$ (37,375)	$ (143,510)	$ (118,719)
Denominator:				
Weighted average number of Class A shares outstanding	96,346,032	95,624,541	96,065,452	96,011,763
Weighted average number of participating securities outstanding			[3]	[3]
Total Weighted Average Number of Class A Shares and Weighted Average Participating Securities Outstanding	96,346,032	95,624,541	96,065,452	96,011,763
Net loss per Class A share: Basic and Diluted:				
Distributable Earnings	0.07		0.07	0.05
Undistributed Loss	(0.86)	(0.39)	(1.49)	(1.23)
Net Loss Per Class A Share	$ (0.79)	$ (0.39)	$ (1.42)	$ (1.18)

(1) The Company declared a $0.07 dividend on Class A shares in May 2010. As a result, there is an increase in net loss attributable to Class A shareholders presented during the six months ended June 30, 2010.

(2)

The Company declared a $0.05 dividend on Class A shares in January 2009. As a result, there is an increase in net loss attributable to Class A shareholders presented during the six months ended June 30, 2009.

(3) Basic and diluted net loss per share are identical for the six months ended June 30, 2010 and 2009, as application of the treasury method for Apollo Class A share equivalents for the AOG Units for vested and unvested units are anti-dilutive. For the six months ended June 30, 2010 and 2009, had the Class A shares been dilutive, the Company would have: (1) included an additional 240,000,000 shares from the conversion of the AOG Units and shares with respect to vested RSUs in the determination of diluted net income (loss) per Class A share and (2) adjusted net income (loss) related to amortization of the AOG Units and RSUs, as well as its related tax effects.

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On October 24, 2007, the Company commenced the granting of restricted share units (RSUs) that provide the right to receive, upon vesting, Class A shares of Apollo Global Management, LLC, pursuant to the 2007 Omnibus Equity Incentive Plan. RSU grants to Company employees during 2007, 2008 and certain RSU grants to Company employees in 2009 and 2010 provide the right to receive distribution equivalents on vested RSUs on an equal basis with the Class A shareholders any time a dividend is declared. The Company refers to these RSU grants as Plan Grants. For any Plan Grant made before 2010, distribution equivalents are paid in January of the calendar year next following the calendar year in which a dividend on Class A shares was declared. In addition, certain RSU grants to Company employees in 2009 and 2010 (the Company refers to these as Bonus Grants)

provide that both vested and unvested RSUs participate in distribution equivalents on an equal basis with the Class A shareholders any time a dividend is declared. As of June 30, 2010, approximately 13.7 million vested RSUs and 5.7 million unvested RSUs were eligible for participation in distribution equivalents.

Any distribution equivalent paid to an employee will not be returned to the Company upon forfeiture of the award by the employee. Vested and unvested RSUs that are entitled to non-forfeitable distribution equivalents qualify as participating securities and are included in the Company s basic and diluted EPS computations using the two-class method.

During periods when the entity is generating net losses, the net loss is allocated to participating securities only if the security has (1) the right to participate in the earnings of the entity and (2) an objectively determinable contractual obligation to share in net losses of the entity. The holder of a participating security would have a contractual obligation to share in the losses of the entity if the holder is obligated to fund the losses of the issuing entity or if the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. Because the participating securities do not have a mandatory redemption amount and the holders of the participating securities are not obligated to fund losses, neither the vested RSUs nor the unvested RSUs are subject to any contractual obligation to share in losses of the Company.

Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may up to four times each year (subject to the terms of the exchange agreement) exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the eight Apollo Operating Group partnerships to effect an exchange for one Class A share. If converted, the result would be an additional 240,000,000 Class A shares added to the basic earnings per share calculation. Consequently, the Company applies the if converted method to determine the dilutive effect, if any, that the exchange of all AOG Units would have on basic earnings per Class A share. The assumed exchange of AOG Units includes an assumed tax effect resulting from the increased income (loss) allocated to the Company on the exchange of the AOG Units.

Apollo has one Class B share held by Holdings. The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net income (loss) per share as it does not participate in Apollo s earnings (losses) or distributions. The Class B share has no dividend or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The Class B share has a super voting power of 240,000,000 votes.

On February 11, 2009, Apollo repurchased 1.7 million Class A shares for $2 per share. The repurchase was followed by a corresponding exchange and cancellation of AOG Units by the Apollo Operating Group. The Company s ownership interest in the Apollo Operating Group was 28.9% prior to the repurchase and 28.5% after the repurchase. As Holdings did not sell any AOG Units to the Apollo Operating Group, its ownership in the Apollo Operating Group increased from 71.1% to 71.5%.

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On March 12, 2010, the Company issued 0.7 million Class A shares in exchange for vested RSUs. This issuance caused the Company s ownership interest in the Apollo Operating Group to increase to 28.6% from 28.5%. As Holdings did not participate in this Class A share issuance, its ownership interest decreased from 71.5% to 71.4%.

11. EQUITY-BASED COMPENSATION

AOG Units

As a result of the service requirement, the fair value of the AOG Units of approximately $5.6 billion will be charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. Accordingly, we have recognized $516.7 million of compensation expense in the Company s condensed consolidated statements of operations for both the six months ended June 30, 2010 and 2009, respectively, and $258.3 million for both the three months ended June 30, 2010 and 2009, respectively. The estimated forfeiture rate was 3% for Contributing Partners and 0% for Managing Partners based on actual forfeitures as well as the Company s future forfeiture expectations. As of June 30, 2010, there was $2.1 billion of total unrecognized compensation cost related to unvested AOG Units that are expected to vest over the next three to four years.

	Apollo Operating Group Units	Weighted Average Grant Date Fair Value
Balance at January 1, 2010	110,832,094	$ 23.35
Granted	1,404,650	11.96
Forfeited	(1,404,650)	20.00
Vested at June 30, 2010	(22,014,340)	23.46
Balance at June 30, 2010	88,817,754	$ 23.19

Units Expected to Vest As of June 30, 2010, 88,396,732 AOG Units are expected to vest over the next three to four years.

RSUs

On October 24, 2007, the Company commenced the granting of RSUs under the Company s 2007 Omnibus Equity Incentive Plan. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. The fair value of Plan Grants made in 2010 was approximately $93.5 million, which is based on valuation methods that consider market comparables for transfer restrictions and lack of distributions until vested. For Bonus Grants, the valuation methods consider transfer restrictions and timing of distributions. The total fair value will be charged to compensation expense on a straight-line basis over the vesting period, which can be up to 24 quarters or annual vesting over three years. The forfeiture rate was 7.1% and 4.0% for the six months ended June 30, 2010 and 2009, respectively, and 2.8% and 2.9% for the three months ended June 30, 2010 and 2009, respectively. For the six months ended June 30, 2010 and 2009, $35.2 million and $30.0 million of compensation expense was recognized, respectively. For the three months ended June 30, 2010 and 2009, $20.7 million and $15.9 million of compensation expense was recognized, respectively. During the six months ended June 30, 2010, the Company delivered 0.7 million Class A shares in settlement of vested RSUs, which caused the Company s ownership interest in the Apollo Operating Group to increase to 28.6% from 28.5%.

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The following table summarizes RSU activity for the six months ended June 30, 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Issued
Balance at January 1, 2010	19,937,996	$ 10.87	12,092,019	32,030,015
Granted	9,502,594	9.83		9,502,594
Forfeited	(2,097,784)	10.33		(2,097,784)
Vested at June 30, 2010	(2,519,289)	11.42	2,519,289	
Balance at June 30, 2010	24,823,517	$ 10.46	14,611,308	39,434,825

Units Expected to Vest As of June 30, 2010, 23,454,068 RSUs are expected to vest.

RDUs

On June 15, 2006, the Company s subsidiary, AAA Holdings, L.P., purchased 3,700,000 restricted depositary units (RDUs) of AAA for $74.0 million. These units were purchased as part of the global private placement of AAA RDUs. During the year ended December 31, 2008, the Company s subsidiary, AAA Holdings, L.P. purchased an additional 2.2 million units of AAA for an aggregate purchase price of $26.2 million.

Incentive units that provide the right to receive RDUs following vesting are granted periodically to employees of Apollo Global Management, LLC and its affiliated management companies. These grants are accounted for as equity awards in accordance with U.S. GAAP. The RDUs subject to incentive units granted to employees generally vest over three years. In contrast, the Company s Managing Partners and Contributing Partners have received distributions of fully vested RDUs. The fair value of the grants is recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested RDUs). Vested RDUs can be converted into ordinary common units of AAA. During the six months ended June 30, 2010 and 2009, the forfeiture rate was 2.5% and 7.6%, respectively. For the six months ended June 30, 2010 and 2009, $1.3 million and $2.8 million of compensation expense was recognized, respectively. For the three months ended June 30, 2010 and 2009, $0.7 million and $1.4 million of compensation expense was recognized, respectively.

During the six months ended June 30, 2010, the Company delivered 389,892 RDUs to individuals who had vested in these units. The delivery resulted in a reduction of the accrued compensation liability of $6.1 million and the recognition of net additional paid in capital of $1.5 million. These amounts are presented in the statement of changes in shareholders equity. There is no liability for vested but undelivered RDUs in accrued compensation in the condensed consolidated financial statements as of June 30, 2010. The following table summarizes RDU activity for the six months ended June 30, 2010:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Issued
Balance January 1, 2010	221,221	$ 12.95	3,368,524	3,589,745

Granted	200,000	7.20		200,000
Forfeited	(10,427)	13.00		(10,427)
Vested at June 30, 2010				
Balance at June 30, 2010	410,794	$ 10.15	3,368,524	3,779,318

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Units Expected to Vest As of June 30, 2010, 361,499 RDUs are expected to vest over the next three years.

The following table summarizes the activity of RDUs available for future grants:

	RDUs Available for Future Grants
Balance at January 1, 2010	2,418,528
Purchases	91,657
Granted	(200,000)
Forfeited	10,427
Balance at June 30, 2010	2,320,612

Restricted Stock Awards Apollo Commercial Real Estate Finance, Inc. (ARI)

On September 29, 2009, 97,500 and 140,000 shares of ARI restricted stock were granted to the Company and certain of the Company s employees, respectively. Additionally, on December 31, 2009, 5,000 shares of ARI restricted stock awards were granted to a Company employee. The fair value of the Company and employee awards granted was $1.8 million and $2.7 million, respectively. These awards vest over three years or twelve quarters, with the first quarter vesting on January 1, 2010. Effective March 23, 2010, an additional 102,084 shares of ARI restricted stock units (ARI RSUs) were granted to certain of the Company s employees. Pursuant to this issuance, 102,084 shares of ARI restricted stock were forfeited by the Company s employees. As the fair value of ARI RSUs was not greater than the fair value of the forfeited ARI restricted stock, no additional value will be amortized. The awards granted to the Company are accounted for as investments and deferred revenue in the condensed consolidated statement of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. The Company recorded an asset and a liability upon receiving the awards on behalf of the Company s employees. The awards granted to the Company s employees are remeasured each period to reflect the fair value of the asset and liability and any changes in these values are recorded in the condensed consolidated statement of operations. For the six months ended June 30, 2010, $0.7 million of management fees and $0.4 million of compensation expense were recognized in the condensed consolidated statements of operations. For the three months ended June 30, 2010, $0.4 million of management fees and $0.2 million of compensation expense was recognized. The forfeiture rate for unvested ARI restricted stock awards and RSUs is estimated to be 6% as of June 30, 2010.

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The following table summarizes activity for the ARI restricted stock awards and ARI RSUs that were granted to both the Company and certain of its employees for the six months ended June 30, 2010:

	ARI RSUs Unvested	ARI Restricted Stock Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of ARI Restricted Stock Awards and RSUs Issued
Balance at January 1, 2010		242,500	$ 18.47		242,500
Granted to employees of the Company	102,084		17.25		102,084
Forfeited by employees of the Company		(102,084)	18.46		(102,084)
Vested awards for employees of the Company		(24,166)	18.46	24,166	
Vested awards for the Company		(16,250)	18.48	16,250	
Balance at June 30, 2010	102,084	100,000	$ 17.86	40,416	242,500

Units Expected to Vest As of June 30, 2010, 194,834 shares of ARI restricted stock and ARI RSUs are expected to vest.

Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders Equity and the Non-Controlling Interests, which results in a difference in the amounts charged to equity-based compensation expense and the amounts credited to Shareholders Equity in the Company s consolidated and combined financial statements.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the three months ended June 30, 2010:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group	Allocated to Apollo Global Management, LLC
AOG Units	$ 258,336	71.4%	$ 184,336	$ 74,000
RSUs	20,722			20,722
ARI Restricted Stock Awards and ARI RSUs	203	71.4	144	59
RDUs	699	71.4	499	200
Total Equity-based Compensation	$ 279,960		184,979	94,981
Less RDUs, ARI Restricted Stock Award and ARI RSUs			(643)	(259)

Capital Increase Related to Equity-based Compensation	$ 184,336	$ 94,722

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the three months ended June 30, 2009:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group	Allocated to Apollo Global Management, LLC
AOG Units	$ 258,337	71.5%	$ 184,711	$ 73,626
RSUs	15,856			15,856
RDUs	1,399	71.5	1,000	399
Total Equity-based Compensation	$ 275,592		185,711	89,881
Less RDUs			(1,000)	(399)
Capital Increase Related to Equity-based Compensation			$ 184,711	$ 89,482

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the six months ended June 30, 2010:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group[1]	Allocated to Apollo Global Management, LLC
AOG Units	$ 516,672	71.4%	$ 368,966	$ 147,706
RSUs	35,192			35,192
ARI Restricted Stock Awards and ARI RSUs	421	71.4	300	121
RDUs	1,321	71.4	943	378
Total Equity-Based Compensation	$ 553,606		370,209	183,397
Less RDUs, ARI Restricted Stock Awards and ARI RSUs			(1,243)	(499)
Capital Increase Related to Equity-Based Compensation			$ 368,966	$ 182,898

(1) Calculated based on average ownership percentage for the period considering the Class A share issuance in March 2010.

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Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the six months ended June 30, 2009:

	Total Amount	Non-Controlling Interest % in Apollo Operating Group	Allocated to Non-Controlling Interest in Apollo Operating Group[(1)]	Allocated to Apollo Global Management, LLC
AOG Units	$ 516,672	71.5%	$ 369,011	$ 147,661
RSUs	30,034			30,034
RDUs	2,802	71.5	2,003	799
Total Equity-Based Compensation	$ 549,508		371,014	178,494
Less RDUs			(2,003)	(799)
Capital Increase Related to Equity-Based Compensation			$ 369,011	$ 177,695

(1) Calculated based on average ownership percentage for the period considering Class A share repurchase in February 2009.

12. RELATED PARTY TRANSACTIONS

As a management company, the Company is responsible for paying for certain operating costs incurred by the funds that it manages as well as their affiliates. These costs are normally reimbursed by such funds and are included in due from affiliates.

Due from affiliates and due to affiliates are comprised of the following:

	June 30, 2010	December 31, 2009
Due from Affiliates:		
Management and advisory fees receivable from capital markets funds	$ 22,160	$ 25,904
Due from private equity funds	28,041	17,120
Due from capital markets funds	10,895	12,574
Due from portfolio companies	67,994	62,379
Due from real estate funds	1,780	
Due from Contributing Partners, employees and former employees	12,273	12,134
Other	1,437	3,567

Total Due From Affiliates	$ 144,580	$ 133,678
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 499,016	$ 514,044
Due to Managing Partners	764	764
Due to private equity funds	42,739	32,046
Due to capital markets funds		314
Other	1,027	1,425
Total Due To Affiliates	$ 543,546	$ 548,593

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Tax Receivable Agreement

Subject to certain restrictions, each of the Managing Partners and Contributing Partners has the right to exchange their vested AOG Units for the Company s Class A shares. Certain Apollo Operating Group entities have made an election under Section 754 of the U.S. Internal Revenue Code, as amended, which will result in an adjustment to the tax basis of the assets owned by Apollo Operating Group at the time of the exchange. These exchanges will result in increases in tax deductions that will reduce the amount of tax that APO Corp. will otherwise be required to pay in the future. Additionally, the further acquisition of AOG Units from the Managing Partners and Contributing Partners also may result in increases in tax deductions and tax basis of assets that will further reduce the amount of tax that APO Corp. will otherwise be required to pay in the future.

APO Corp. entered into a tax receivable agreement with the Managing Partners and Contributing Partners that provides for the payment to the Managing Partners and Contributing Partners of 85% of the amount of cash savings, if any, in U.S. Federal, state, local and foreign income taxes that APO Corp. would realize as a result of the increases in tax basis of assets that resulted from the Reorganization. These payments are expected to occur approximately over the next 20 years.

In April 2010, the Company made a cash payment to the Managing Partners and Contributing Partners amounting to $15.0 million resulting from a realized tax benefit for the 2009 tax year.

Special Allocation

In December 2009, the AMH partnership agreement was amended to provide for special allocations of income to APO Corp. and a reduction of income allocated to Holdings for the 2009 and 2010 calendar years. In connection with the amendment of the AMH partnership agreement in April of 2010, the tax receivable agreement was revised to reflect the managing partners agreement to defer 25% of required payments pursuant to the tax receivable agreement that is attributable to the 2010 fiscal year for a period of four years. The amendment allows for a maximum allocation of income from Holdings of approximately $22.1 million in 2009 and reduces the income allocation to Holdings from 71.4% to 0% in 2010. The Company allocated $12.0 million of AMH income to APO Corp. for both the three and six months ended June 30, 2010. The Company did not allocate any AMH income to APO Corp. for both the three and six months ended June 30, 2009.

Due from Contributing Partners, Employees and Former Employees

The Company has accrued a receivable from the Contributing Partners and certain employees and former employees for the potential return of carried interest income that would be due if the private equity funds were liquidated at the balance sheet date. Also see Due to Private Equity Funds.

Management Fee Waiver and Notional Investment Program

Apollo has forgone a portion of management fee revenue that it would have been entitled to receive in cash and instead received profits interests and assigned these profits interests to employees and partners. The amount of management fees waived amounted to $7.3 million and $9.0 million for the three months ended June 30, 2010 and 2009, respectively, and $14.6 million and $18.0 million for the six months ended June 30, 2010 and 2009, respectively. The related compensation expense was $7.3 million and $9.0 million for the three months ended June 30, 2010 and 2009, respectively, and $14.6 million and $18.0 million for the six months ended June 30, 2010 and 2009, respectively.

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Dividends/Distributions

The declaration, payment and determination of the amount of the Company s quarterly dividend are at the sole discretion of the Company s manager.

On January 8, 2009, the Company declared a cash dividend of $0.05 per Class A share, which was paid as of January 15, 2009. Of the $16.9 million aggregate distribution from the Apollo Operating Group, $4.9 million was received by the Company, and the remaining $12.0 million was paid to the Company s Non-Controlling Interest holders in the Apollo Operating Group.

On May 27, 2010, the Company declared a cash dividend of $0.07 per Class A share, which was paid as of June 15, 2010. Of the $23.5 million aggregate distribution from the Apollo Operating Group, $6.7 million was received by the Company, and the remaining $16.8 million was paid to the Company s Non-Controlling Interest holders in the Apollo Operating Group.

Due to Private Equity Funds

On June 30, 2008, the Company entered a credit agreement with Fund VI, pursuant to which Fund VI advanced $18.9 million of carried interest income to the limited partners of Apollo Advisors VI, L.P., who are also employees of the Company. The advance was otherwise distributable to the Company based on the partnership agreements between the Company and Fund VI and therefore results in an obligation to Fund VI and a receivable from the recipients of the advance. The loan obligation accrues interest at an annual fixed rate of 3.45% and terminates on the earlier of June 30, 2017 or the termination of Fund VI. As of June 30, 2010, the total outstanding loan aggregated $20.2 million, including accrued interest of $1.3 million, of which approximately $6.4 million was not subject to the indemnity discussed below and is receivable from the Contributing Partners and certain employees.

Assuming Fund VI liquidated on the balance sheet date, the Company has also accrued a liability to Fund VI of $13.1 million in association with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $3.6 million was not subject to the indemnity discussed below and is receivable from the Contributing Partners and certain employees of the Company. The total liability to Fund VI is $33.3 million, including the outstanding loan balance above, of which $10.0 million in total was receivable from the Contributing Partners and certain employees of the Company.

Indemnity

Carried interest income from certain funds that the Company manages can be distributed to us on a current basis, but is subject to repayment by the subsidiary of the Apollo Operating Group that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The Managing Partners, Contributing Partners and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular Managing Partner s or Contributing Partner s distributions. An existing shareholders agreement includes clauses that indemnify each of the Company s Managing Partners and certain Contributing Partners against all amounts that they pay pursuant to any of these personal guarantees in favor of certain funds that the Company manages (including costs and expenses related to investigating the basis for or objecting to any claims made in respect of the guarantees) for all interests that the Company s Managing Partners and Contributing Partners have contributed or sold to the Apollo Operating Group.

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Accordingly, in the event that the Company s Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions, we will be obligated to reimburse the Company s Managing Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though we did not receive the certain distribution to which that general partner obligation related. As of June 30, 2010, the Company has indemnified $23.3 million of such distributions related to Fund VI, which is included in the above accrued liability of $33.3 million due to Fund VI.

Litigation Settlement

On December 29, 2008, pursuant to the terms of a settlement agreement, the Company and certain of its affiliates paid Huntsman Corporation (Huntsman) $425 million. Of this amount, Apollo Management VI, L.P. paid $200 million on behalf of itself and the following Apollo entities: Apollo Management, L.P.; Apollo Global Management, LLC; Apollo Management IV, L.P.; Apollo Advisors IV, L.P.; Apollo Management V, L.P.; and Apollo Advisors V, L.P. As a result, a $200 million litigation settlement is included within the Company s consolidated and combined statements of operations for the year ended December 31, 2008. The remaining portion of the settlement was paid to Huntsman by Hexion Specialty Chemicals, Inc., a portfolio company that is outside of the Company s consolidated structure and therefore not included in the Company s financial statements. Hexion Specialty Chemicals, Inc. paid Huntsman $225 million on behalf of itself and the following Apollo entities comprising Apollo Funds IV and V: Apollo Investment Fund IV, L.P.; Apollo Overseas Partners IV, L.P.; Apollo Investment Fund V, L.P.; Apollo Overseas Partners V, L.P.; Apollo Netherlands Partners V(A), L.P.; Apollo Netherlands Partners V(B), L.P.; and Apollo German Partners V GmbH & Co. KG. The impact of this $225 million payment resulted in a decrease of approximately $31 million of carried interest income allocated to the general partner of Fund V. The $425 million payment was in settlement of Huntsman s defamation claim against all of the foregoing entities. The Company subsequently received insurance proceeds of $37.5 million and $27.5 million from certain of its professional liability insurance carriers in respect of the litigation settlement. The $37.5 million was included in other income (loss) within the Company s consolidated and combined statements of operations for the year ended December 31, 2009. The $27.5 million was included in other income (loss) within the Company s condensed consolidated statements of operations for the three and six months ended June 30, 2010. There are no pending actions involving the Company or any of its subsidiaries in connection with the Hexion/Huntsman transaction. Additionally, $15.0 million and $30.0 million was included in other income (loss) within the Company s condensed consolidated statements of operations for the three and six months ended June 30, 2009, respectively.

Strategic Relationship Agreement

On April 20, 2010, the Company announced that it has entered into a new strategic relationship agreement with CalPERS. The new strategic relationship agreement provides that Apollo will reduce management and other fees charged to CalPERS on funds it manages, or in the future will manage, solely for CalPERS by $125 million over the next five years or as close a period as required to provide CalPERS with that benefit. The agreement further provides that Apollo will not use a placement agent in connection with securing any future capital commitments from CalPERS.

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13. COMMITMENTS AND CONTINGENCIES

Financial Guarantees Apollo has provided financial guarantees on behalf of certain employees for the benefit of unrelated third-party lenders, in connection with their capital commitment to certain funds managed by the Company. As of June 30, 2010, the maximum exposure relating to this financial guarantee approximated $4.9 million. Apollo has historically not incurred any liabilities as a result of these agreements and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying condensed consolidated financial statements.

As the general partner of Apollo/Artus Investor 2007-I L.P. (Artus), the Company may be obligated for losses in excess of those allocable to the limited partners to the extent that there is negative equity in that fund. As of June 30, 2010, Artus did not have negative equity and accordingly, the Company has no current obligations to Artus. During the six months ended June 30, 2010, there were no investment losses.

Investment Commitments As a limited partner, general partner and manager of the Apollo private equity funds and capital markets funds, Apollo has unfunded capital commitments at June 30, 2010 and December 31, 2009 of $149.5 million and $201.3 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AP Alternative Assets, L.P., on a quarterly basis, in an amount equal to 25% of the aggregate after-tax cash distributions, if any, that are made to its affiliates pursuant to the carried interest distribution rights that are applicable to investments made through AAA Investments, L.P.

Debt Covenants Apollo s debt obligations contain various customary loan covenants. As of the balance sheet date, the Company was not aware of any instances of noncompliance with any of these covenants.

Litigation and Contingencies The Company is from time to time, party to various legal actions arising in the ordinary course of business, including claims and litigation, reviews, investigations and proceedings by governmental and self-regulatory agencies regarding the Company s business. Although the ultimate outcome of these matters cannot be ascertained at this time, the Company is of the opinion, after consultation with counsel, that the resolution of any such matters to which it is a party at this time will not have a material adverse effect on the Company s financial statements. Legal actions material to the Company could, however, arise in the future.

On or about March 21, 2009, an entity known as LLDVF, L.P., which alleges that it is an investor in certain notes with a face amount of $43,500,000 issued by Linens n Things, Inc., or Linens, commenced an action in the United States District Court for the District of New Jersey against, inter alia, Apollo Management V, L.P., two Apollo partners, certain Apollo investment entities relating to the Linens transaction, certain current and former officers and directors of Linens, and certain other investors in Linens, alleging violations of the Federal Securities Laws and the making of negligent misrepresentations respecting the financial condition and future prospects of Linens from at least March 27, 2007 until May 2, 2008, the date on which Linens filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. On July 10, 2009, the plaintiff effectuated service of the summons and complaint on the defendants. As stipulated by the parties and ordered by the Court, on September 23, 2009 the plaintiff filed an amended complaint, which asserted the same causes of action as alleged in the original complaint. On November 23, 2009, the defendants filed motions to dismiss the amended complaint. On August 12, 2010, the Court granted the defendants motions and dismissed the complaint without prejudice and subsequently agreed to allow plaintiff, until September 30, 2010, to file a second amended

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complaint in order to cure any deficiencies identified in the Court s rulings. Plaintiff filed its second amended complaint on September 30, 2010, and this most recently amended complaint asserts the same causes of action set forth in its first amended complaint, but no longer names the two Apollo partners as defendants. The parties have agreed to discuss, but have not finalized, a briefing schedule for the defendants expected motion to dismiss this second amended complaint. Currently, the Company does not believe that a loss from liability in this case is either probable or reasonably estimable. The Court granted defendants initial motions to dismiss plaintiff s first amended complaint without prejudice, and defendants anticipate moving to dismiss plaintiff s second amended complaint, filed on September 30, 2010, because defendants continue to believe the plaintiff s allegations lack factual and legal merit. In any event, the lawsuit is in its preliminary stages and no discovery has been taken. As a result, no estimate of possible loss, if any, can be made at this time.

On July 16, 2008, Apollo was joined as a defendant in a pre-existing purported class action pending in Massachusetts federal court against, among other defendants, numerous private equity firms. The suit alleges that beginning in mid-2003, Apollo and the other private equity firm defendants violated the U.S. antitrust laws by forming bidding clubs or consortia that, among other things, rigged the bidding for control of various public corporations, restricted the supply of private equity financing, fixed the prices for target companies at artificially low levels and allocated amongst themselves an alleged market for private equity services in leveraged buyouts. The suit seeks class action certification, declaratory and injunctive relief, unspecified damages and attorneys fees. On August 27, 2008, Apollo and its co-defendants moved to dismiss plaintiffs complaint and on November 20, 2008, the Court granted the Company s motion. The Court also dismissed two other defendants, Permira and Merrill Lynch. In an order dated August 18, 2010, the Court granted in part and denied in part plaintiffs motion to expand the complaint and to obtain additional discovery. The Court ruled that plaintiffs could amend the complaint and obtain discovery in a second discovery phase limited to eight additional transactions. The Court gave the plaintiffs until September 17, 2010 to amend the complaint to include the additional eight transactions. On September 17, 2010, the plaintiffs filed a motion to amend the complaint by adding the additional eight transactions and adding Apollo as a defendant. On October 6, 2010, the Court granted plaintiffs motion to file the fourth amended complaint. Currently, the Company does not believe that a loss from liability in this case is either probable or reasonably estimable. The Court granted Apollo s motion to dismiss plaintiffs initial complaint in 2008, and Apollo intends to file another well-supported motion to dismiss the fourth amended complaint, although no assurance can be given as to the motion s outcome. Apollo also believes that regardless of whether its motion to dismiss is granted, plaintiffs claims and allegations lack factual and legal merit. In addition, discovery has not yet begun on the new transactions that plaintiffs propose to add to the litigation. For all of these reasons, no estimate of possible loss, if any, can be made at this time.

Apollo believes that each of these actions is without merit and intends to defend them vigorously.

Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo s funds, seeking information regarding the use of placement agents. CalPERS, one of Apollo s Strategic Investors, announced on October 14, 2009, that it had initiated a special review of placement agents and related issues. Apollo is cooperating with all such investigations and other reviews. In addition, on May 6, 2010, the California Attorney General filed a civil complaint against Alfred Villalobos and his company, Arvco Capital Research, LLC (a placement agent that Apollo has used) and Federico Buenrostro Jr., the former CEO of CalPERS, alleging conduct in violation of certain California laws in connection with CalPERS s purchase of securities in various funds managed by

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Apollo and another asset manager. Apollo is not a party to the civil lawsuit and the lawsuit does not allege any misconduct on the part of Apollo. Apollo believes that it has handled its use of placement agents in an appropriate manner.

Although the ultimate outcome of these matters cannot be ascertained at this time, Apollo is of the opinion, after consultation with counsel, that the resolution of any such matters to which it is a party at this time will not have a material adverse effect on its financial statements. Legal actions material to Apollo could, however, arise in the future.

Commitments Apollo leases office space and certain office equipment under various lease and sublease arrangements, which expire on various dates through 2022. As these leases expire, it can be expected that in the normal course of business, they will be renewed or replaced. Certain lease agreements contain renewal options, rent escalation provisions based on certain costs incurred by the landlord or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term and renewal periods where applicable. Apollo has entered into various operating lease service agreements in respect of certain assets.

As of June 30, 2010, the approximate aggregate minimum future payments required for operating leases were as follows:

	Remaining 2010	2011	2012	2013	2014	Thereafter	Total
Aggregate minimum future payments	$ 13,846	$ 23,193	$ 23,074	$ 22,623	$ 22,085	$ 51,442	$ 156,263

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets were $6.8 million and $9.7 million for the three months ended June 30, 2010 and 2009, respectively, and $14.0 million and $17.9 million for the six months ended June 30, 2010 and 2009, respectively.

Contingent Obligations Carried interest income in both private equity funds and certain capital markets funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments became worthless, the amount of cumulative revenues that has been recognized by Apollo through June 30, 2010 and that would be reversed approximates $615.6 million. Management views the possibility of all of the investments becoming worthless as remote. Carried interest is affected by changes in the fair values of the underlying investments in the funds that Apollo manages. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors such as bond yields and industry trading multiples. Movements in these items can affect valuations quarter to quarter even if the underlying business fundamentals remain stable. The table below indicates the potential future reversal of carried interest income.

	June 30, 2010
Fund IV	$ 97,500
Fund V	287,457
Fund VII	153,646
COF I	51,472
COF II	25,507
Total	$ 615,582

Note: EPF has not incurred or paid carried interest as of June 30, 2010, and the Company has a $13.1 million liability in association with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI.

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Additionally, at the end of the life of certain funds that the Company manages, there could be a payment due to a fund by the Company if the Company as general partner has received more carried interest income than was ultimately earned. The current estimate of the general partner obligation to return carried interest income that was previously distributed as of June 30, 2010 is $13.1 million, as discussed in Due to Private Equity Funds in note 12. The general partner obligation amount, if any, will depend on final realized values of investments at the end of the life of each fund.

Certain private equity and capital markets funds are not generating carried interest income due to unrealized and realized losses in the current and prior reporting periods. In certain cases, carried interest income will not be generated until additional unrealized and realized gains occur. Any appreciation would first cover the deductions for invested capital, unreturned organizational expenses, operating expenses, management fees and priority returns based on the terms of the respective fund agreements.

14. MARKET AND CREDIT RISK

In the normal course of business, Apollo encounters market and credit risk concentrations. Market risk reflects changes in the value of investments due to changes in interest rates, credit spreads or other market factors. Credit risk includes the risk of default on Apollo s investments, where the counterparty is unable or unwilling to make required or expected payments.

The Company is subject to a concentration risk related to the investors in its funds. As of June 30, 2010, there were more than 800 limited partner investors in Apollo s active private equity, capital markets and real estate funds, and no individual investor accounted for more than 10% of the committed capital to Apollo s active funds.

Apollo s derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. Apollo seeks to minimize this risk by limiting its counterparties to highly rated major financial institutions with good credit ratings. Management does not expect any material losses as a result of default by other parties.

Substantially all amounts on deposit with major financial institutions that exceed insured limits are invested in interest-bearing accounts with U.S. money center banks.

Apollo is exposed to economic risk concentrations insofar as Apollo is dependent on the ability of the funds that it manages to compensate it for the services the management companies provide to these funds. Further, the incentive income component of this compensation is based on the ability of such funds to generate returns above certain specified thresholds.

Additionally, Apollo is exposed to interest rate risk. Apollo has debt obligations that have variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. At June 30, 2010 and December 31, 2009, $933.0 million and $933.8 million of Apollo s debt balance, excluding the debt obligations of the consolidated VIEs, had a variable interest, respectively. However, as of June 30, 2010, $267.0 million of the debt had been effectively converted to a fixed rate using interest rate swaps as discussed in note 7.

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15. SEGMENT REPORTING

Apollo conducts its management and incentive businesses primarily in the United States and substantially all of its revenues are generated domestically. These businesses are conducted through the following three reportable segments:

- ***Private equity*** primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;

- ***Capital markets*** primarily invests in non-control debt and non-control equity investments, including distressed debt instruments; and

- ***Real estate*** Apollo organized a commercial real estate finance company and launched a strategic investment account to invest principally in legacy commercial mortgage-backed securities. The Company may seek to sponsor additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

These business segments are differentiated based on the varying investment strategies. The performance is measured by management on an unconsolidated basis because management makes operating decisions and assesses the performance of each of Apollo s business segments based on financial and operating metrics and data that excludes the effects of consolidation of any of the affiliated funds.

The Company s financial results vary, since carried interest, which generally constitutes a large portion of the income from the funds that Apollo manages, as well as the transaction and advisory fees that the Company receives, can vary significantly from quarter to quarter and year to year. As a result, the Company emphasizes long-term financial growth and profitability to manage its business.

The following tables present the financial data for Apollo s reportable segments further separated between the management and incentive business as of June 30, 2010 and for the three and six months ended June 30, 2010 and 2009, respectively, which management believes is useful to the reader. The Company s management business has fairly stable revenues and expenses, while its incentive business is more event driven and can have significant fluctuations as it reflects the variable financial portion of the Company s business. The financial results of the management entities, as reflected in the management business sections of the segment tables that follow, generally include management fee revenues, advisory and transaction fees and expenses exclusive of profit sharing expense. The financial results of the advisory entities, as reflected in the incentive business sections of the segment tables that follow, generally include carried interest income and profit sharing expenses.

Economic Net Income (Loss)

Economic Net Income (ENI) is a key performance measure used by management in evaluating the performance of Apollo s private equity, capital markets and real estate segments, as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company s performance. Management also uses ENI in making key operating decisions such as the following:

- Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires;

Decisions related to capital deployment such as providing capital to facilitate growth for the business and/or to facilitate expansion into new businesses; and

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

Decisions related to compensation expense, such as determining annual discretionary bonuses to its employees. As it relates to compensation, management seeks to align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest earned in relation to the funds, with those of the investors in such funds and those of the Company s shareholders. To achieve that objective, a certain amount of compensation is based on the Company s performance and growth for the year.

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the funds that are included in the condensed consolidated financial statements. Certain amounts in 2009 have been reclassified to conform with the 2010 presentation, as specified in the footnotes to the tables impacted.

The following tables present the financial data for Apollo s reportable segments as of June 30, 2010 and for the three months ended June 30, 2010 and 2009, respectively:

	As of and for the Three Months Ended June 30, 2010			
	Private Equity Segment	**Capital Markets Segment**	**Real Estate Segment**	**Total Reportable Segments**
Revenues:				
Advisory and transaction fees from affiliates	$ 24,324	$ 2,520	$	$ 26,844
Management fees from affiliates	65,101	39,443	1,568	106,112
Carried interest loss from affiliates	(39,629)	(14,047)		(53,676)
Total Revenues	49,796	27,916	1,568	79,280
Expenses	37,203	35,900	7,919	81,022
Other Income (Loss)	29,560	(5,190)	265	24,635
Economic Net Income (Loss)	$ 42,153	$ (13,174)	$ (6,086)	$ 22,893
Total Assets	$ 1,073,317	$ 936,621	$ 16,920	$ 2,026,858

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s condensed consolidated financial statements as of and for the three months ended June 30, 2010:

	As of and for the Three Months Ended June 30, 2010		
	Total Reportable Segments	**Consolidation Adjustments and Other**	**Condensed Consolidated**
Revenues	$ 79,280	$	$ 79,280
Expenses	81,022	281,088 (1)	362,110

Other income (loss)	24,635	(31,220)[2]	(6,585)
Economic Net Income	$ 22,893[3]	N/A	N/A
Total Assets	$ 2,026,858	$ 2,947,190 [4]	$ 4,974,048

(1) Represents the addition of expenses of consolidated funds and consolidated VIEs and expenses related to equity-based compensation.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

(2) Results from the following:

	For the Three Months Ended June 30, 2010	
Net losses from investment activities	$	(11,005)
Net losses from investment activities of consolidated variable interest entities		(19,432)
Loss from equity method investments		(785)
Interest income		2
Total Consolidation Adjustments	$	(31,220)

(3) The reconciliation of Economic Net Income to Net Loss reported in the condensed consolidated statements of operations consists of the following:

	For the Three Months Ended June 30, 2010	
Economic Net Income	$	22,893
Income tax provision		(12,727)
Net income attributable to Non-Controlling Interests in consolidated entities*		(7,261)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group		203,274
Non-cash charges related to equity-based compensation		(279,960)
Net loss of Metals Trading Fund		(1,343)
Net Loss Attributable to Apollo Global Management, LLC	$	(75,124)

* Excludes Non-Controlling Interests attributable to AAA and consolidated VIEs.

(4) Represents the addition of assets of consolidated funds and consolidated VIEs.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

The following tables present additional financial data for Apollo s reportable segments for the three months ended June 30, 2010 and 2009, respectively:

	For the Three Months Ended June 30, 2010 Private Equity			For the Three Months Ended June 30, 2010 Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 24,324	$	$ 24,324	$ 2,520	$	$ 2,520
Management fees from affiliates	65,101		65,101	39,443		39,443
Carried interest (loss) income from affiliates:						
Unrealized losses		(83,700)	(83,700)		(33,532)	(33,532)
Realized gains		44,071	44,071	10,240	9,245	19,485
Total Revenues	89,425	(39,629)	49,796	52,203	(24,287)	27,916
Compensation and benefits	30,303	(19,053)	11,250	23,860	(7,199)	16,661
Other expenses	25,953		25,953	19,239		19,239
Total Expenses	56,256	(19,053)	37,203	43,099	(7,199)	35,900
Other Income (Loss)	28,039	1,521	29,560	(2,479)	(2,711)	(5,190)
Economic Net Income (Loss)	$ 61,208	$ (19,055)	$ 42,153	$ 6,625	$ (19,799)	$ (13,174)

	For the Three Months Ended June 30, 2010 Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates	1,568		1,568
Carried interest income from affiliates			
Total Revenues	1,568		1,568
Compensation and benefits	6,126		6,126
Other expenses	1,793		1,793
Total Expenses	7,919		7,919
Other Income	2	263	265
Economic Net (Loss) Income	$ (6,349)	$ 263	$ (6,086)

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

	For the Three Months Ended June 30, 2009			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 6,349	$ 1,078	$	$ 7,427
Management fees from affiliates	63,155	31,287		94,442
Carried interest income from affiliates	27,641	12,199		39,840
Total Revenues	97,145	44,564		141,709
Expenses	72,704	37,601	4,249	114,554
Other Income	56,934	55,261	1,163	113,358
Economic Net Income (Loss)	$ 81,375	$ 62,224	$ (3,086)	$ 140,513

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s condensed consolidated financial statements for the three months ended June 30, 2009:

	For the Three Months Ended June 30, 2009		
	Total Reportable Segments	Consolidation Adjustments and Other	Condensed Consolidated
Revenues	$ 141,709	$	$ 141,709
Expenses	114,554	276,403[1]	390,957
Other income	113,358	258,584[2]	371,942
Economic Net Income	$ 140,513[3]	N/A	N/A

(1) Represents the addition of expenses of consolidated funds and expenses related to equity-based compensation.

(2) Results from the following:

	For the Three Months Ended June 30, 2009
Net gains from investment activities	$ 268,443
Loss from equity method investments	(9,866)
Interest income	8
Other loss	(1)

Total Consolidation Adjustments	$	258,584

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

(3) The reconciliation of Economic Net Income to Net Loss reported in the condensed consolidated statements of operations consists of the following:

	For the Three Months Ended June 30, 2009
Economic Net Income	$ 140,513
Income tax provision	(945)
Net income attributable to Non-Controlling Interests in consolidated entities*	(762)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	98,108
Non-cash charges related to equity-based compensation	(275,592)
Net income of Metals Trading Fund	1,303
Net Loss Attributable to Apollo Global Management, LLC	$ (37,375)

* Excludes Non-Controlling Interests attributable to AAA.

The following tables present additional financial data for Apollo s reportable segments for the three months ended June 30, 2009:

	For the Three Months Ended June 30, 2009 Private Equity			For the Three Months Ended June 30, 2009 Capital Markets		
	Management	Incentive	Total	Management(1)	Incentive(1)	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 6,349	$	$ 6,349	$ 1,078	$	$ 1,078
Management fees from affiliates	63,155		63,155	31,287		31,287
Carried interest income from affiliates:						
Unrealized gains		20,713	20,713		99	99
Realized gains		6,928	6,928	12,100		12,100
Total Revenues	69,504	27,641	97,145	44,465	99	44,564
Compensation and benefits	33,337	12,043	45,380	18,799		18,799
Other expenses	27,324		27,324	18,802		18,802
Total Expenses	60,661	12,043	72,704	37,601		37,601
Other Income	38,633	18,301	56,934	19,901	35,360	55,261
Economic Net Income	$ 47,476	$ 33,899	$ 81,375	$ 26,765	$ 35,459	$ 62,224

(1) Carried interest income earned from Apollo Investment Corporation, a publicly traded business development company that is managed by Apollo, of $12.1 million and related incentive fee compensation expense of $2.1 million during 2009 have been reclassified to the management business from the incentive business to conform with the 2010 presentation.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

	For the Three Months Ended June 30, 2009		
	Management	Real Estate Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates			
Carried interest income from affiliates			
Total Revenues			
Compensation and benefits	2,876		2,876
Other expenses	1,373		1,373
Total Expenses	4,249		4,249
Other Income	1,163		1,163
Economic Net Loss	$ (3,086)	$	$ (3,086)

	As of and for the Six Months Ended June 30, 2010			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 32,099	$ 5,814	$	$ 37,913
Management fees from affiliates	129,450	77,251	3,215	209,916
Carried interest income from affiliates	30,316	24,729		55,045
Total Revenues	191,865	107,794	3,215	302,874
Expenses	139,402	82,416	13,289	235,107
Other Income (Loss)	36,263	(4,215)	194	32,242
Economic Net Income (Loss)	$ 88,726	$ 21,163	$ (9,880)	$ 100,009
Total Assets	$ 1,073,317	$ 936,621	$ 16,920	$ 2,026,858

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s condensed consolidated financial statements as of and for the six months ended June 30, 2010:

As of and for the Six Months Ended June 30, 2010		
Total Reportable	Consolidation Adjustments	Condensed Consolidated

	Segments	and Other	
Revenues	$ 302,874	$	$ 302,874
Expenses	235,107	555,493[1]	790,600
Other income	32,242	96,945[2]	129,187
Economic Net Income	$ 100,009[3]	N/A	N/A
Total Assets	$ 2,026,858	$ 2,947,190[4]	$ 4,974,048

(1) Represents the addition of expenses of consolidated funds and consolidated VIEs, as well as expenses related to equity-based compensation.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

(2) Results from the following:

	For the Six Months Ended June 30, 2010	
Net gains from investment activities	$	100,716
Net losses from investment activities of consolidated variable interest entities		(265)
Loss from equity method investments		(3,508)
Interest income		2
Total Consolidation Adjustments	$	96,945

(3) The reconciliation of Economic Net Income to Net Loss reported in the condensed consolidated statements of operations consists of the following:

	For the Six Months Ended June 30, 2010	
Economic Net Income	$	100,009
Income tax provision		(16,782)
Net income attributable to Non-Controlling Interests in consolidated entities*		(9,767)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group		346,913
Non-cash charges related to equity-based compensation		(553,606)
Net loss of Metals Trading Fund		(2,573)
Net Loss Attributable to Apollo Global Management, LLC	$	(135,806)

* Excludes the Non-Controlling Interests attributable to AAA and consolidated VIEs.

(4) Represents the addition of assets of consolidated funds and consolidated VIEs.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

The following tables present additional financial data for Apollo s reportable segments for the six months ended June 30, 2010:

	For the Six Months Ended June 30, 2010 Private Equity			For the Six Months Ended June 30, 2010 Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 32,099	$	$ 32,099	$ 5,814	$	$ 5,814
Management fees from affiliates	129,450		129,450	77,251		77,251
Carried interest (loss) income from affiliates:						
Unrealized losses		(26,187)	(26,187)		(45,811)	(45,811)
Realized gains		56,503	56,503	22,340	48,200	70,540
Total Revenues	161,549	30,316	191,865	105,405	2,389	107,794
Compensation and benefits	63,495	21,015	84,510	46,761	(5,806)	40,955
Other expenses	54,892		54,892	41,461		41,461
Total Expenses	118,387	21,015	139,402	88,222	(5,806)	82,416
Other Income (Loss)	27,176	9,087	36,263	(4,684)	469	(4,215)
Economic Net Income	$ 70,338	$ 18,388	$ 88,726	$ 12,499	$ 8,664	$ 21,163

	For the Six Months Ended June 30, 2010 Real Estate		
	Management	Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates	3,215		3,215
Carried interest income from affiliates			
Total Revenues	3,215		3,215
Compensation and benefits	9,803		9,803
Other expenses	3,486		3,486
Total Expenses	13,289		13,289
Other Income	74	120	194
Economic Net (Loss) Income	$ (10,000)	$ 120	$ (9,880)

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

The following table presents the financial data for Apollo s reportable segments for the six months ended June 30, 2009:

	For the Six Months Ended June 30, 2009			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 13,754	$ 2,144	$	$ 15,898
Management fees from affiliates	127,328	62,210		189,538
Carried interest income from affiliates	67,466	25,532		92,998
Total Revenues	208,548	89,886		298,434
Expenses	144,431	72,935	8,132	225,498
Other Income	66,145	26,865	1,150	94,160
Economic Net Income (Loss)	$ 130,262	$ 43,816	$ (6,982)	$ 167,096

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s condensed consolidated financial statements for the six months ended June 30, 2009:

	For the Six Months Ended June 30, 2009		
	Total Reportable Segments	Consolidation Adjustments and Other	Condensed Consolidated
Revenues	$ 298,434	$	$ 298,434
Expenses	225,498	551,227 (1)	776,725
Other income	94,160	118,087 (2)	212,247
Economic Net Income	$ 167,096 (3)	N/A	N/A

(1) Represents the addition of expenses of consolidated funds and expenses related to equity-based compensation.

(2) Results from the following:

	For the Six Months Ended June 30, 2009
Net gains from investment activities	$ 122,803

Loss from equity method investments		(4,725)
Interest income		10
Other loss		(1)
Total Consolidation Adjustments	$	118,087

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

(3) The reconciliation of Economic Net Income to Net Loss reported in the condensed consolidated statements of operations consists of the following:

	For the Six Months Ended June 30, 2009
Economic Net Income	$ 167,096
Income tax provision	(7,116)
Net income attributable to Non-Controlling Interests in consolidated entities*	(1,521)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	276,767
Non-cash charges related to equity-based compensation	(549,508)
Net income of Metals Trading Fund	728
Net Loss Attributable to Apollo Global Management, LLC	$ (113,554)

* Excludes Non-Controlling Interests attributable to AAA.

The following tables present additional financial data for Apollo s reportable segments for the six months ended June 30, 2009:

	For the Six Months Ended June 30, 2009 Private Equity			For the Six Months Ended June 30, 2009 Capital Markets		
	Management	Incentive	Total	Management[(1)]	Incentive[(1)]	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 13,754	$	$ 13,754	$ 2,144	$	$ 2,144
Management fees from affiliates	127,328		127,328	62,210		62,210
Carried interest income from affiliates:						
Unrealized gains		34,629	34,629		747	747
Realized gains		32,837	32,837	24,785		24,785
Total Revenues	141,082	67,466	208,548	89,139	747	89,886
Compensation and benefits	63,765	27,638	91,403	37,578		37,578
Other expenses	53,028		53,028	35,357		35,357
Total Expenses	116,793	27,638	144,431	72,935		72,935
Other Income	55,641	10,504	66,145	19,245	7,620	26,865
Economic Net Income	$ 79,930	$ 50,332	$ 130,262	$ 35,449	$ 8,367	$ 43,816

(1) Carried interest income earned from Apollo Investment Corporation, a publicly traded business development company that is managed by Apollo, of $24.8 million and related incentive fee compensation expense of $4.3 million during 2009 have been reclassified to the management business from the incentive business to conform with the 2010 presentation.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

	For the Six Months Ended June 30, 2009		
	Management	Real Estate Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates			
Carried interest income from affiliates			
Total Revenues			
Compensation and benefits	5,728		5,728
Other expenses	2,404		2,404
Total Expenses	8,132		8,132
Other Income	1,150		1,150
Economic Net Loss	$ (6,982)	$	$ (6,982)

The following table presents total assets for Apollo s reportable segments, and reconciles the segments to Apollo Global Management, LLC s condensed consolidated financial statements as of December 31, 2009:

	As of December 31, 2009					
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments	Consolidation Adjustments	Condensed Consolidated
Total Assets	$ 1,062,043	$ 981,390	$ 13,852	$ 2,057,285	$ 1,327,912[(a)]	$ 3,385,197

(a) Represents the addition of assets of AAA and Commodities Trading Fund.

16. SUBSEQUENT EVENTS

On May 8, 2010, an affiliate of Apollo Global Management, LLC entered into a purchase and sale agreement to acquire a real estate private equity business from a financial institution. Upon closing of the acquisition, Apollo will be acquiring general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and adding to our team of real estate investment professionals. The closing of the acquisition is subject to the receipt of certain third-party consents and the satisfaction of customary closing conditions. The transaction is expected to close during the fourth quarter of 2010.

Subsequent to June 30, 2010, the Company made a strategic decision to wind down the activities of Apollo Metals Trading Fund, L.P. The Company recovered its remaining investment and there was no further impact to net income after the fund s closing.

On July 9, 2010, July 23, 2010 and September 30, 2010, the Company issued 1,539,680 Class A shares, 31,250 Class A shares and 11,405 Class A shares, respectively, in settlement of vested RSUs. The issuances caused the Company s ownership of the Apollo Operating Group to increase to 29.0% from 28.6%. As Holdings did not participate in this Class A issuance, its ownership interest decreased to 71.0% from 71.4%.

The Board of Directors of the Managing General Partner of AAA approved the commencement of an offer to purchase for cash up to 4,545,454 common units or RDUs (Units) for a maximum aggregate consideration of up to $25 million (the Tender Offer). The Tender Offer dated July 12, 2010 was announced on July 12, 2010 and

APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(dollars in thousands, except share data)

(continued)

remained open until August 11, 2010. Under the terms of the Tender Offer, Units were able to be tendered to AAA by unitholders or RDU holders at a price range between $5.50 and $7.00 per Unit. As of August 11, 2010, 6,777,308 Units had been tendered by the unitholders and RDU holders. Under the terms of the Tender Offer, the price payable per Unit was determined to be $7.00. Due to the fact that the Units tendered exceeded the $25 million maximum amount payable by AAA pursuant to the Tender Offer (the Maximum Amount), AAA had the right to pro-rate the number of Units it purchased from unitholders at the $7.00 price so that the Maximum Amount would not be exceeded. However, at a meeting on August 12, 2010 of the Board of Directors of the Managing General Partner of AAA, which had been convened to consider the outcome of the Tender Offer, the Board of Directors of the Managing General Partner of AAA resolved, in accordance with the provisions of the Tender Offer, to increase the Maximum Amount to a level where all Units tendered in the Tender Offer would be accepted. The Maximum Amount was therefore increased to $47.4 million and AAA determined to buy back 6,777,308 Units pursuant to the Tender Offer. The Units acquired in the Tender Offer were cancelled.

Pursuant to an on-market buyback program approved through December 31, 2010 by the Boards of Directors of the Managing General Partner of AAA and the Managing Investment Partner of AAA, subsequent to June 30, 2010, through July 11, 2010, AAA purchased 17,452 units at an average price of $6.03 per unit for total consideration of $0.1 million. The remaining maximum aggregate consideration of $24.2 million for the On-Market Buyback Program represents 4.0 million units based on the closing price at June 30, 2010. AAA intends to continue monitoring the trading performance of AAA in the market and may, from time to time, seek to purchase units either directly or through one or more affiliates, when market conditions permit. The On-Market Buyback Program was suspended on July 12, 2010 due to the Tender Offer.

On August 2, 2010, the Company declared a cash dividend of $0.07 per Class A share, which was paid as of August 25, 2010. Of the $23.7 million aggregate distribution from the Apollo Operating Group, $6.9 million was received by the Company, and the remaining $16.8 million was paid to the Company s Non-Controlling Interest holders in the Apollo Operating Group.

On September 30, 2010, the committee that administers the Company s 2007 Omnibus Equity Incentive Plan approved grants of RSUs to certain company personnel totaling approximately 0.9 million RSUs.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Apollo Global Management, LLC

New York, New York

We have audited the accompanying consolidated statements of financial condition of Apollo Global Management, LLC and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated and combined statements of operations, changes in shareholders equity and partners capital, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of Apollo Global Management, LLC and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated and combined financial statements, on January 1, 2009, the Company adopted the Financial Accounting Standards Board s authoritative guidance related to Non-Controlling Interest in consolidated financial statements and retrospectively adjusted all periods presented in the consolidated and combined financial statements for the changes required by this statement.

/s/ Deloitte & Touche LLP

New York, New York

March 17, 2010

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2009 AND 2008

(dollars in thousands, except per share data)

	2009	2008
Assets:		
Cash and cash equivalents	$ 366,226	$ 381,367
Restricted cash	6,818	5,844
Investments	1,554,155	958,645
Carried interest receivable	483,854	77,085
Due from affiliates	133,678	145,179
Fixed assets, net	67,794	68,063
Deferred tax assets	644,395	669,023
Other assets	11,329	39,701
Goodwill	47,897	47,897
Intangible assets, net	69,051	81,728
Total Assets	**$ 3,385,197**	**$ 2,474,532**
Liabilities and Shareholders Equity		
Liabilities:		
Accounts payable and accrued expenses	$ 35,944	$ 48,891
Accrued compensation and benefits	30,388	35,017
Deferred revenue	321,424	364,901
Due to affiliates	548,593	591,022
Profit sharing payable	174,536	30,076
Debt	933,834	1,026,005
Other liabilities	41,368	52,835
Total Liabilities	**2,086,087**	**2,148,747**
Commitments and Contingencies (See Note 14)		
Shareholders Equity:		
Class A shares, no par value, unlimited shares authorized, 95,624,541 and 97,324,541 shares issued and outstanding at December 31, 2009 and 2008, respectively		
Class B shares, no par value, unlimited shares authorized, 1 share issued and outstanding at December 31, 2009 and 2008		
Additional paid in capital	1,729,593	1,384,143
Accumulated deficit	(2,029,541)	(1,874,365)
Accumulated other comprehensive loss	(4,088)	(6,836)
Total Apollo Global Management, LLC shareholders deficit	(304,036)	(497,058)
Non-Controlling Interests in consolidated entities	1,283,262	822,843
Non-Controlling Interests in Apollo Operating Group	319,884	
Total Shareholders Equity	**1,299,110**	**325,785**
Total Liabilities and Shareholders Equity	**$ 3,385,197**	**$ 2,474,532**

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	2009	2008	2007
Revenues:			
Advisory and transaction fees from affiliates	$ 56,075	$ 145,181	$ 150,191
Management fees from affiliates	406,257	384,247	192,934
Carried interest income (loss) from affiliates	504,396	(796,133)	294,725
Total Revenues	**966,728**	**(266,705)**	**637,850**
Expenses:			
Compensation and benefits	1,495,010	843,600	1,450,330
Interest expense	50,252	62,622	105,968
Interest expense beneficial conversion feature			240,000
Professional fees	33,889	76,450	81,824
Litigation settlement		200,000	
General, administrative and other	61,066	71,789	36,618
Placement fees	12,364	51,379	27,253
Occupancy	29,625	20,830	12,865
Depreciation and amortization	24,299	22,099	7,869
Total Expenses	**1,706,505**	**1,348,769**	**1,962,727**
Other Income (Loss):			
Net gains (losses) from investment activities	510,935	(1,269,100)	2,279,263
Gains from repurchase of debt	36,193		
Dividend income from affiliates			238,609
Interest income ($0, $0 and $11,268 from affiliates for the years ended December 31, 2009, 2008 and 2007, respectively)	1,450	19,368	52,500
Income (loss) from equity method investments	83,113	(57,353)	1,722
Other income (loss)	41,410	(4,609)	(36)
Total Other Income (Loss)	**673,101**	**(1,311,694)**	**2,572,058**
(Loss) income before income tax (provision) benefit	(66,676)	(2,927,168)	1,247,181
Income tax (provision) benefit	(28,714)	36,995	(6,726)
Net (Loss) Income	**(95,390)**	**(2,890,173)**	**1,240,455**
Net (income) loss attributable to Non-Controlling Interests in Consolidated Entities	(460,226)	1,176,116	(2,088,655)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	400,440	801,799	278,549
Net Loss Attributable to Apollo Global Management, LLC	**$ (155,176)**	**$ (912,258)**	**$ (569,651)**
Dividends declared per Class A Share	$ 0.05	$ 0.56	$

			July 13, 2007 through December 31, 2007
Net Loss Per Class A Share:			
Net Loss Available to Class A Shareholders	$ (155,176)	$ (912,258)	$ (962,107)
Net Loss Per Class A Share Basic and Diluted	$ (1.62)	$ (9.37)	$ (11.71)
Weighted Average Number of Class A Shares Basic and Diluted	95,815,500	97,324,541	82,152,883

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN

SHAREHOLDERS EQUITY AND PARTNERS CAPITAL

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	Class A Shares	Class B Shares	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)*	Accumulated Other Comprehensive Income (Loss)	Total Apollo Global Management, LLC shareholders deficit	Non-Controlling Interests in consolidated entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders Equity and Partners Capital
Balance at January 1, 2007			**$**	**$ 484,921**	**$**	**$ 484,921**	**$ 9,847,069**	**$**	**$ 10,331,990**
Cash distributions				(1,239,409)		(1,239,409)	(2,305,243)		(3,544,652)
Non-cash distributions				(68,392)		(68,392)	(2,762)		(71,154)
Capital contributions				2,535		2,535	1,969,865		1,972,400
Non-cash contributions							19,486		19,486
Non-cash contributions of RDUs							15,341		15,341
Distributions to Managing Partners				(222,047)		(222,047)			(222,047)
Non-Controlling Interests transfer from feeder funds							286,672		286,672
Comprehensive income:									
Net income				392,456		392,456	2,053,536		2,445,992
Unrealized gain on interest rate swaps (net of taxes of $0 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)					2,860	2,860			2,860
Total comprehensive income				392,456	2,860	395,316	2,053,536		2,448,852
Balance at July 12, 2007				**(649,936)**	**2,860**	**(647,076)**	**11,883,964**		**11,236,888**
Reclassify predecessor partners deficit			(649,936)	649,936					
Transfer of Partners Capital								237,353	237,353
Transfer to co-investor							23,533		23,533
Beneficial conversion feature			240,000			240,000			240,000
Cash distributions			(9,341)			(9,341)	(424,540)		(433,881)
Cash contributions							202,128		202,128
Non-cash contributions							1,488		1,488
Non-cash distributions of profit interests in funds							(1,625)	(1,000)	(2,625)
Distributions to Managing Partners			(1,067,862)			(1,067,862)			(1,067,862)
Deconsolidation of the funds							(9,535,711)		(9,535,711)
Non-Controlling Interests of excluded assets							(121,021)		(121,021)
Conversion of Strategic Investors debt	60,000,001		1,200,000			1,200,000			1,200,000
Issuance of shares	37,324,540	1	816,391			816,391			816,391

Dilution impact of conversion and issuance of shares			(237,353)			(237,353)			(237,353)
Deferred tax effects resulting from acquisition of Apollo Operating Group units			92,330			92,330			92,330
Capital increase related to equity-based compensation			679,954			679,954		306,026	985,980
Comprehensive loss:									
Net (loss) income				(962,107)		(962,107)	35,119	(278,549)	(1,205,537)
Unrealized loss on interest rate swaps (net of taxes of $0 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)					(8,893)	(8,893)		(14,879)	(23,772)
Total comprehensive (loss) income				(962,107)	(8,893)	(971,000)	35,119	(293,428)	(1,229,309)
Balance at December 31, 2007	**97,324,541**	**1**	**1,064,183**	**(962,107)**	**(6,033)**	**96,043**	**2,063,335**	**248,951**	**2,408,329**
Capital contributions			20			20	73	343	436
Non-cash contributions							468		468
Non-cash contributions of RDUs							21,195		21,195
Capital increase related to equity-based compensation			373,903			373,903		736,314	1,110,217
Dividends			(54,928)			(54,928)		(134,400)	(189,328)
Cash distributions							(62,164)	(14,400)	(76,564)
Non-cash distributions							(941)		(941)
Cash distributions to Managing Partners			(17,849)			(17,849)			(17,849)
Non-cash distributions to Managing Partners			(14,145)			(14,145)			(14,145)
Dilution impact of distributions			21,312			21,312		(21,312)	
Purchase of RDUs from Non-Controlling Interests							(23,007)		(23,007)
Contribution of undistributed earnings of contributed businesses			11,647			11,647			11,647
Comprehensive loss:									
Net loss				(912,258)		(912,258)	(1,176,116)	(801,799)	(2,890,173)
Unrealized loss on interest rate swaps (net of taxes of $4,751 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)					(803)	(803)		(13,697)	(14,500)
Total comprehensive loss			$	$ (912,258)	$ (803)	$ (913,061)	$ (1,176,116)	$ (815,496)	$ (2,904,673)

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN

SHAREHOLDERS EQUITY AND PARTNERS CAPITAL

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	Class A Shares	Class B Shares	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)*	Accumulated Other Comprehensive Income (Loss)	Total Apollo Global Management, LLC shareholders deficit	Non-Controlling Interests in consolidated entities	Non-Controlling Interests in Apollo Operating Group	Total Shareholders Equity and Partners Capital
Balance at December 31, 2008	**97,324,541**	**1**	**$ 1,384,143**	**$ (1,874,365)**	**$ (6,836)**	**$ (497,058)**	**$ 822,843**	**$**	**$ 325,785**
Capital contributions							207		207
Non-cash contributions			(105)			(105)	4,301		4,196
Capital increase related to equity-based compensation			355,659			355,659		738,431	1,094,090
Dividends			(4,866)			(4,866)		(12,000)	(16,866)
Cash distributions							(12,387)	(17,950)	(30,337)
Non-cash distributions			(4,572)			(4,572)	4,273		(299)
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities			(3,799)			(3,799)	3,799		
Satisfaction of liability related to AAA RDUs			6,618			6,618			6,618
Repurchase of Class A shares	(1,700,000)		(3,485)			(3,485)			(3,485)
Comprehensive (loss) income:									
Net (loss) income				(155,176)		(155,176)	460,226	(400,440)	(95,390)
Unrealized gain on interest rate swaps (net of taxes of $1,992 and $0 for Apollo Global Management, LLC and Non-Controlling Interests in Apollo Operating Group, respectively)					2,748	2,748		11,843	14,591
Total comprehensive (loss) income				(155,176)	2,748	(152,428)	460,226	(388,597)	(80,799)
Balance at December 31, 2009	**95,624,541**	**1**	**$ 1,729,593**	**$ (2,029,541)**	**$ (4,088)**	**$ (304,036)**	**$ 1,283,262**	**$ 319,884**	**$ 1,299,110**

* Balances pre-Reorganization represent Apollo Operating Group.

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	2009	2008	2007
Cash Flows from Operating Activities:			
Net (loss) income	$ (95,390)	$ (2,890,173)	$ 1,240,455
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation	11,622	8,180	3,216
Amortization of debt issuance costs	28	20	430
Amortization of intangible assets	12,677	13,919	4,653
(Income) loss from equity method investments	(83,113)	57,353	(1,722)
(Income) loss related to general partner commitment	(38,444)	38,444	
Waived management fees	(19,738)	(35,692)	(27,922)
Non-cash compensation expense related to waived management fees	19,738	35,352	21,582
Deferred taxes, net	19,059	(44,047)	(866)
Equity-based compensation	1,100,106	1,125,184	989,849
Interest expense beneficial conversion feature			240,000
Loss on disposal of fixed assets	847	1,697	
Gain from repurchase of debt	(36,193)		
Other	(584)	(12)	308
Changes in assets and liabilities:			
Carried interest receivable	(406,769)	1,239,040	(203,140)
Due from affiliates	11,681	(80,076)	(40,270)
Other assets	28,928	(6,177)	25,952
Accounts payable and accrued expenses	(8,189)	6,567	102,841
Accrued compensation and benefits	(4,027)	(34,488)	19,941
Deferred revenue	(45,279)	211,001	(702)
Due to affiliates	(4,284)	(207,949)	15,115
Profit sharing payable	144,460	(566,800)	174,777
Other liabilities	7,267	3,323	(6,974)
Apollo funds related:			
Net realized gains from investment activities			(1,013,220)
Net unrealized (gains) losses from investment activities	(471,907)	1,230,656	(1,266,043)
Non-cash dividends from investment activities			(62,161)
Cash relinquished with deconsolidation of funds			(142,161)
Net purchases of investments	(40,000)	(3,098)	(3,010,514)
Proceeds from sale of investments and liquidating dividends	5,497	50,847	3,792,317
Net cash provided by operating activities	**107,993**	**153,071**	**855,741**
Cash Flows from Investing Activities:			
Purchases of fixed assets	(15,849)	(57,302)	(6,856)
Proceeds from disposals of fixed assets		4,189	
Cash contributions to equity method investments	(42,522)	(165,011)	(9,211)
Cash distributions from equity method investments	42,475	34,148	326
Cash relinquished related to excluded assets			(16,001)
Change in restricted cash	(974)	(2,482)	2,629

Net cash used in investing activities	**$ (16,870)**	**$ (186,458)**	**$ (29,113)**

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	2009	2008	2007
Cash Flows from Financing Activities:			
Principal repayments on debt and repurchase of debt	$ (55,783)	$ (58,611)	$ (21,376)
Proceeds from credit agreement		26,855	1,000,000
Issuance of debt			1,200,000
Debt issuance costs		(141)	(13,096)
Net proceeds from issuance of shares			818,891
Public offering costs		(2,500)	
Repurchase of Class A shares	(3,485)		
Dividends paid	(4,866)	(54,928)	
Dividends paid to Non-Controlling Interests in Apollo Operating Group	(12,000)	(134,400)	
Purchase of RDUs from Non-Controlling Interests in consolidated entities		(23,007)	
Distributions to Managing Partners		(17,849)	(1,209,785)
Distributions to Contributing Partners			(38,965)
Contributions from Managing Partners		20	2,440
Contributions from Contributing Partners			95
Distributions to Non-Controlling Interests in consolidated entities	(12,387)	(62,164)	(2,731,108)
Distributions to Non-Controlling Interests in Apollo Operating Group	(17,950)	(14,400)	
Withdrawals paid to Non-Controlling Interests in consolidated entities			(227,744)
Contributions from Non-Controlling Interests in consolidated entities	207	73	2,171,993
Contributions from Non-Controlling Interests in Apollo Operating Group		343	
Distributions to Managing Partners related to the Reorganization			(1,067,862)
Purchase of interests from Contributing Partners		(7,590)	(156,405)
Net cash used in financing activities	**(106,264)**	**(348,299)**	**(272,922)**
Net (Decrease) Increase in Cash and Cash Equivalents	(15,141)	(381,686)	553,706
Cash and Cash Equivalents, Beginning of Period	381,367	763,053	209,347
Cash and Cash Equivalents, End of Period	**$ 366,226**	**$ 381,367**	**$ 763,053**
Supplemental Disclosure of Cash Flow Information:			
Interest paid	$ 51,850	$ 63,443	$ 95,606
Income taxes paid	6,652	14,837	5,443
Supplemental Disclosure of Non-Cash Investing Activities:			
Non-cash distributions from equity method investments		1,040	
Profits interests received in Fund VII	1,510	340	
Change in accrual for purchase of fixed assets	3,649	(4,649)	
Non-cash contribution to equity method investments	1,802		
Net assets other than cash of deconsolidated funds			
Investments, at fair value			10,457,695
Other			(1,044,992)
Non-Controlling Interests in consolidated subsidiaries			(9,554,871)
Net assets other than cash of excluded assets on July 13, 2007			
Investments, at fair value			116,758
Other			(12,192)

Non-Controlling Interests in consolidated subsidiaries	(121,021)
Assets and liabilities of newly consolidated subsidiaries	20,994
Net assets other than cash transferred from feeder fund	
Investments, at fair value	378,457
Receivables from brokers and counterparties	42,967
Other assets	4,871
Withdrawals payables	(120,509)
Other liabilities	(19,114)
Non-Controlling Interests in consolidated subsidiaries	(286,672)

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(dollars in thousands, except share data)

	2009	2008	2007
Supplemental Disclosure of Non-Cash Financing Activities:			
Non-cash distributions of RDUs to Managing Partners	$	$ (12,697)	$ (10,272)
Non-cash distributions of RDUs to Contributing Partners			(5,069)
Non-cash distributions of profits interests in funds to Managing Partners			(16,418)
Non-cash distributions of profits interests in funds to Contributing Partners			(8,375)
Other non-cash distributions to Managing Partners		(1,448)	
Non-cash purchase of interest from Contributing Partners		(252)	
Non-cash distributions	(4,572)		(3,667)
Non-cash distributions to co-investor			(24,591)
Non-cash contributions from Non-Controlling Interests in Apollo Operating Group related to equity-based compensation	738,431	736,387	306,026
Capital increases related to equity-based compensation	355,659	373,903	679,954
Satisfaction of liability related to AAA RDUs	(6,618)		
Net transfers of AAA ownership interest to (from) Non-Controlling Interests in consolidated entities	3,799		
Unrealized gain (loss) on interest rate swaps	4,741	(5,555)	(6,033)
Unrealized gain (loss) on interest rate swaps to Non-Controlling Interests in Apollo Operating Group, net of taxes	11,843	(13,697)	(14,879)
Deferred tax asset related to interest rate swaps	(1,993)	4,752	
Dilution impact of distributions		21,312	
Non-cash distributions of profits interests in funds to Non-Controlling Interests in consolidated entities			(1,625)
Non-cash distributions of profits interests in funds to Non-Controlling Interests in Apollo Operating Group			(1,000)
Contribution of undistributed earnings of contributed businesses		11,647	
Non-cash contributions from Non-Controlling Interests in consolidated entities	4,301	468	59,952
Non-cash contributions from AP Professional Interest holders			291,146
Non-cash contributions	105		
Non-cash distributions to Non-Controlling Interests in consolidated entities	(4,273)	(941)	(1,324)
Carried interest payable to Managing Partners			(238,416)
Transfer of partners capital to Non-Controlling Interests in Apollo Operating Group			237,353
Accrued transaction costs for S-1 Filing			(2,500)
Conversion of Strategic Investors notes to equity			1,440,000
Adjustments related to exchange of Managing Partners and Contributing Partners limited partnership interests for Apollo Operating Group units and tax receivable agreement:			
Deferred tax assets			612,660
Due to affiliates			(520,330)
Additional paid in capital			(92,330)
Partners capital			(4,033)
Profit sharing payable			(46,318)

See accompanying notes to consolidated and combined financial statements.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(dollars in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

Apollo Global Management, LLC and its consolidated subsidiaries (Successor or the Company or Apollo), is a global alternative asset manager whose predecessor was founded in 1990. Its primary business is to raise, invest and manage private equity, capital markets and real estate funds on behalf of pension and endowment funds as well as other institutional and individual investors. For these investment and management services, Apollo receives management fees generally related to the amount of assets managed, transaction and advisory fees for the investments made and carried interest income related to the performance of the funds managed. Apollo has three primary business segments:

Private equity primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;

Capital markets primarily invests in non-control debt and non-control equity investments, including distressed instruments; and

Real estate Apollo recently organized a commercial real estate finance company and launched a vehicle to invest principally in legacy commercial mortgage-backed securities. The Company may seek to sponsor additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

Basis of Presentation

Prior to the Reorganization of the Company on July 3, 2007 as discussed below, the accompanying consolidated and combined financial statements include the entities engaged in the above businesses and their related funds (collectively, Predecessor or Operating Entities or the Partnership) under the common ownership of Leon Black, Joshua Harris, and Marc Rowan (the Managing Partners or Control Group). Subsequent to the Reorganization of the Company, the accompanying consolidated and combined financial statements include the accounts of Apollo excluding funds that were deconsolidated (see Consolidation and Deconsolidation of Apollo Funds below). The accompanying consolidated and combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Intercompany accounts and transactions have been eliminated upon consolidation.

Reorganization of the Company

The Company was formed as a Delaware limited liability company on July 3, 2007. The Company is managed and operated by its manager, AGM Management, LLC, which in turn is wholly owned and controlled by the Managing Partners.

Apollo s business was historically conducted through a large number of entities for which there was no single holding entity but were separately owned by the Managing Partners and other individuals (collectively as the Predecessor Owners) yet controlled by the Managing Partners. In order to facilitate the private placement, as described in further detail below, the Predecessor Owners completed a Reorganization as of the close of business on July 13, 2007 (the Reorganization) whereby, except for Apollo Advisors, L.P. (Apollo Advisors) and Apollo Advisors II, L.P. (Apollo Advisors II), each of the operating entities that was owned by the Predecessor Owners and the intellectual property rights associated with the Apollo name were contributed (Contributed Businesses) to five newly-formed holding partnerships (Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., Apollo Management Holdings, L.P. (AMH) and Apollo Principal Holdings IV, L.P. Five additional holding partnerships were formed in 2008 (Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(dollars in thousands, except share data)

(continued)

Principal Holdings VIII, L.P. and Apollo Principal Holdings IX, L.P.). The ten holding partnerships (collectively referred to as the Apollo Operating Group) were formed for the purpose of, among other activities, holding certain of the Company s gains and losses on their principal investments in the funds.

As of December 31, 2009, the Company owned, through three intermediate holding companies APO Corp. (APO Corp), a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC (APO Asset), a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC (APO (FC)), an Anguilla limited liability company that is treated as a corporation for U.S Federal income tax purposes (collectively, the Intermediate Holding Companies), 28.5% of the economic interests of, and operates and controls all of the businesses and affairs of, the Apollo Operating Group as general partners.

AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership (Holdings), is the entity through which the Managing Partners and other contributing partners (the Contributing Partners) hold Apollo Operating Group Units (AOG Units) representing 71.5% of the economic interests in the Apollo Operating Group. The Company consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a Non-Controlling Interest in the accompanying consolidated and combined financial statements.

On July 13, 2007, the Company contributed to APO Corp and APO Asset $1.2 billion of proceeds from the sale of convertible securities to the California Public Employees Retirement System (CalPERS) and an affiliate of the Abu Dhabi Investment Authority (ADIA and, together with CalPERS, the Strategic Investors). APO Corp and APO Asset used proceeds from the sale of the convertible securities to purchase from the Managing Partners for $1.1 billion certain interests in the limited partnerships that operate the business, and contributed those purchased interests to the Apollo Operating Group, in return for approximately 17.4% of the limited partner interests of the Apollo Operating Group. In addition, APO Corp and APO Asset purchased from the Contributing Partners a portion of their interests in subsidiaries of the Apollo Operating Group for an aggregate purchase price of $156.4 million (excluding any potential contingent consideration) and contributed those purchased interests to the Apollo Operating Group in return for approximately 2.6% of the limited partner interests of the Apollo Operating Group. Additionally, on August 8, 2007 and September 5, 2007, Apollo issued 34,500,000 Class A shares and 2,824,541 Class A shares, respectively, which diluted the Non-Controlling Interests by 8.9%. The purchase agreement related to the Managing Partners and Contributing Partners interests also included a provision for contingent consideration.

In January 2008 and April 2008, a preliminary and final distribution was made to the Company s Managing Partners and Contributing Partners related to a contingent consideration of $29.9 million and $7.8 million, respectively. The determination of the amount and timing of the distribution were based on net income with discretionary adjustments, all of which were determined by Apollo Management Holdings GP, LLC, the general partner of AMH. Included in the distribution were Restricted Depositary Units (RDUs) of AP Alternative Assets, L.P. (AAA) valued at approximately $12.7 million for the Managing Partners combined with a distribution of interests in Apollo VIF Co-Investors, LLC in settlement of interests with respect to units in Apollo Value Investment Offshore Fund, Ltd. of approximately $0.5 million and $0.3 million for the Managing Partners and Contributing Partners, respectively.

The Reorganization was accounted for as an exchange of entities under common control for the interests in the Contributed Businesses, which were contributed by the Managing Partners. The acquisition of

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Non-Controlling Interests from the Contributing Partners was accounted for using the purchase method of accounting. As part of the Reorganization and in accordance with U.S. GAAP, the Company has recorded the dilution impact at the time of the reorganization and Class A share issuance. In accordance with U.S. GAAP, consolidated equity is allocated to Non-Controlling Interest based on the initial ownership percentage of the Non-Controlling Interest compared to the consolidated equity at the time of the private placement on August 8, 2007. A dilution impact of $237,353 was recorded in the consolidated and combined statements of changes in shareholders (deficit) equity and partners capital (deficit) and was computed based on the initial Non-Controlling Interest ownership of 71.1% multiplied by the consolidated equity balance on August 8, 2007, the date of the private placement discussed below. Therefore, subsequent to the Reorganization and Private Placement the Non-Controlling Interest of the Apollo Operating Group consisted of Holdings.

Although Apollo has less than 50% of the economics in the Apollo Operating Group, it has a majority voting interest and controls the management of the Apollo Operating Group. Additionally, although Holdings has a majority of the economics in the Apollo Operating Group, it does not have the right to dissolve the partnerships or have substantive kick-out rights or participating rights that would overcome the presumption of control by Apollo. Accordingly, Apollo consolidates the Apollo Operating Group and records the Non-Controlling Interests for the economic interest in the Apollo Operating Group directly held by Holdings.

Apollo also entered into an exchange agreement with Holdings that allows the partners in Holdings, subject to the vesting and minimum retained ownership requirements and transfer restrictions set forth in the partnership agreements of the Apollo Operating Group, to exchange their AOG Units for the Company s Class A shares on a one-for-one basis up to four times each year, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. A limited partner must exchange one partnership unit in each of the ten Apollo Operating Group partnerships to effect an exchange for one Class A share.

As of December 31, 2008, all undistributed earnings of the Contributed Businesses through the date of the Reorganization that were attributable to the Managing Partners and Contributing Partners for the sold portion of their interest were distributed.

Private Placement On August 8, 2007, Apollo completed a private placement in reliance upon Rule 144A under the Securities Act of 1933, as amended (Private Placement) of its Class A shares. Upon the completion of the Private Placement, Qualified Institutional Buyers and Accredited Investors, each as defined by the Securities and Exchange Commission rules, directly owned 37,324,540 Class A shares of Apollo Global Management, LLC. The completion of the Private Placement triggered the conversion of the convertible securities and issuance of 60,000,001 non-voting Class A shares of Apollo Global Management, LLC to CalPERS and ADIA. The Company retained the proceeds from the Private Placement and intends to use such proceeds for general business purposes.

Consolidation and Deconsolidation of Apollo Funds

In accordance with U.S. GAAP, a number of the funds were historically consolidated into Apollo s combined financial statements.

Subsequent to the Reorganization, the Contributed Businesses that act as a general partner of a majority of the consolidated funds granted rights to the unaffiliated investors in each respective fund to provide that a simple majority of such fund s unaffiliated investors have the right, without cause, to liquidate that fund in accordance with certain procedures. These rights were granted in order to achieve the deconsolidation of such funds from the

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Company s financial statements. For the Apollo funds previously consolidated, these rights became effective either on August 1, 2007 or November 30, 2007. The deconsolidation of these funds presents the Company s financial statements in a manner consistent with how Apollo evaluates its business and its related risks. Accordingly, the Company believes that deconsolidating these funds provides investors with a better understanding of its business. The results of the deconsolidated funds are included in the consolidated and combined financial statements through the date of deconsolidation. Apollo will continue to consolidate AAA.

As the Managing Partners held more than 50% of the voting ownership interest of each of the respective entities and written evidence of an agreement exists that requires the Managing Partners to vote in concert, the Company and Apollo Advisors and Apollo Advisors II (Advisor Entities) were under a common control group as defined by U.S. GAAP. As a result, the Advisor Entities are combined for the historical periods prior to the effective date of the Reorganization in the accompanying consolidated and combined financial statements. In accordance with U.S. GAAP, the Advisor Entities consolidated their respective funds. The Advisor Entities assets were excluded on July 12, 2007 as they were not sold to the Company as part of the Reorganization (see Reorganization of the Company above). As such, they are not presented in the consolidated and combined financial statements subsequent to the Reorganization date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying consolidated and combined financial statements are prepared in accordance with U.S. GAAP. On July 1, 2009, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) as the source of authoritative accounting principles in the preparation of financial statements in conformity with U.S. GAAP. On the effective date of codification, substantially all existing accounting and reporting standards were superseded, and therefore, are no longer referenced by title in the accompanying notes to the consolidated and combined financial statements.

Principles of Consolidation Apollo consolidates those entities it controls through a majority voting interest or through other means, including those funds in which the general partner is presumed to have control over them. Apollo also consolidates entities that are variable interest entities (VIEs) for which Apollo is the primary beneficiary. Intercompany transactions and balances have been eliminated in the consolidated and combined financial statements.

Equity Method For entities over which the Company exercises significant influence but which do not meet the requirements for consolidation, the Company uses the equity method of accounting, whereby the Company records its share of the underlying income or loss of these entities. Income (loss) from equity method investments are recognized as part of other income (loss) in the consolidated and combined statements of operations.

Apollo evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable. The difference between the carrying value of the equity method investments and the estimated fair value of such investments is recognized as an impairment when the loss is deemed other than temporary.

Non-Controlling Interests For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the Company is included in Non-Controlling Interests in the

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consolidated and combined financial statements. Subsequent to the Reorganization, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily include the 71.5% ownership interest in the Apollo Operating Group held by the Managing Partners and Contributing Partners through their partnership interests in Holdings and the approximate 97% ownership interest held by limited partners in AAA. In the Predecessor s combined financial statements, the Non-Controlling Interests primarily include limited partner interests in the consolidated funds.

In December 2007, the FASB issued authoritative guidance for Non-Controlling Interest in consolidated financial statements. This guidance requires reporting entities to present Non-Controlling (minority) Interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. This guidance applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. The Company adopted this guidance effective January 1, 2009 and as a result, (1) Non-Controlling Interest was reclassified as a separate component of Shareholders Equity on the Company s consolidated and combined statements of financial condition, (2) Net (loss) income was adjusted to include the net (loss) income attributed to the Non-Controlling Interest holders on the Company s consolidated and combined statements of operations, (3) the primary components of Non-Controlling Interests are now separately presented in the Company s consolidated and combined financial statements to clearly distinguish the interest in the Apollo Operating Group and the interest held by limited partners in AAA from the interests of the Company and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis. Prior to January 1, 2009, when losses attributable to the Non-Controlling Interest holders exceeded their basis, the Company stopped attributing losses to the Non-Controlling Interest holders account and recorded the losses in the excess of basis as part of accumulated deficit.

Use of Estimates The preparation of the consolidated and combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated and combined financial statements, the disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenues and expenses during the reporting periods. Apollo s most significant estimates include goodwill, intangible assets, income taxes, carried interest income from affiliates, non-cash compensation and fair value of investments in the consolidated and unconsolidated funds. Actual results could differ materially from those estimates.

Revenues Revenues are reported in three separate categories that include (i) management fees from affiliates, which are based on committed capital, invested capital, net asset value, gross assets or as otherwise defined in the respective agreements; (ii) advisory and transaction fees from affiliates, which relate to the investments the funds make and may include individual monitoring agreements with the portfolio companies and debt investment vehicles of the private equity funds and capital markets funds; and (iii) carried interest income (loss) from affiliates, which is normally based on the performance of the funds subject to preferred return.

Management Fees from Affiliates Management fees for private equity funds, real estate funds and certain capital markets funds are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees for private equity funds and certain capital markets funds are based upon a percentage of the capital committed during the commitment period, and thereafter based on the remaining invested capital of unrealized investments. For most capital markets funds, management fees are recognized in the period during which the related services are performed and are based upon net asset value, gross assets or as otherwise defined in the respective agreements.

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Advisory and Transaction Fees from Affiliates Advisory and transaction fees, including directors fees are recognized when the underlying services rendered are substantially completed in accordance with the terms of their transaction and advisory agreements. Additionally, during the normal course of business, the Company incurs certain costs related to private equity fund transactions that are not consummated (Broken Deal Costs). Refer to the Pending Deal Costs policy below for information regarding how and when the Company accounts for Broken Deal Costs.

As a result of providing advisory services to private equity and capital markets portfolio companies, Apollo is entitled to receive fees for transactions related to the acquisition and disposition of portfolio companies as well as ongoing monitoring of portfolio company operations. The amounts due from portfolio companies are included in Due from Affiliates, which is discussed further in note 13. Under the terms of the limited partnership agreements for certain funds, the management fee payable by the funds is subject to a reduction of a certain percentage of such transaction fees, net of applicable broken deal costs (Management Fee Offset). Such amounts are presented as a reduction to Advisory and Transaction Fees from Affiliates in the consolidated and combined statements of operations.

Carried Interest Income (Loss) from Affiliates Apollo is entitled to an incentive return that can normally amount to as much as approximately 20% of the total returns on funds capital, depending upon performance. Performance-based fees are assessed as a percentage of the investment performance of the funds. The carried interest income from affiliates for any period is based upon an assumed liquidation of the fund s net assets on the reporting date, and distribution of the net proceeds in accordance with the fund s income allocation provisions. The net carried interest income that was distributed may be subject to repayment based on subsequent performance of the fund in accordance with the respective partnership agreements. Carried interest receivable is presented separately in the consolidated and combined statements of financial condition.

Management Fee Waiver and Notional Investment Program Under the terms of certain investment fund partnership agreements, Apollo may from time to time elect to forgo a portion of the management fee revenue that is due from the funds and instead receive a right to a proportionate interest in future distributions of profits of those funds. Waived fees recognized during the period are included in management fees from affiliates in the consolidated and combined statements of operations. This election allows certain employees of Apollo to waive a portion of their respective share of future income from Apollo and receive, in lieu of a cash distribution, title and ownership of the profits interests in the respective fund. Apollo immediately assigns the profits interests received to its employees. Such assignments of profits interests are treated as compensation and benefits when assigned. Prior to the Reorganization, the profits interests assigned to the Managing Partners and Contributing Partners were treated as asset distributions to Non-Controlling Interests and are recorded as Non-Cash Distributions of Profits Interests in funds.

Deferred Revenue Apollo earns management fees subject to the Management Fee Offset. When advisory and transaction fees are earned by the management company the Management Fee Offset reduces the management fee obligation of the fund. When the management company receives cash for advisory and transaction fees, a certain percentage as agreed to with the fund is allocated as a credit to reduce future management fees, otherwise payable by such fund. Such credit is classified as deferred revenue in the consolidated and combined statements of financial condition. As the management fees earned by the management company are presented on a gross basis, any Management Fee Offsets calculated are presented as a reduction to advisory and transaction fees in the consolidated and combined statements of operations.

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Additionally, Apollo earns advisory fees pursuant to the terms of the advisory agreements with certain of the portfolio companies that are owned by the funds. When Apollo receives a payment from a portfolio company that exceeds the advisory fees earned at that point in time, the excess payment is classified as deferred revenue in the consolidated and combined statements of financial condition. The advisory agreements with the portfolio companies vary in duration and the associated fees are received monthly, quarterly or annually. Deferred revenue is reversed and recognized as revenue over the period that the agreed upon services are performed.

Under the terms of the funds partnership agreements, Apollo is normally required to bear organizational expenses over a set dollar amount and placement costs in connection with the offering and sale of interests in private equity and capital markets funds to investors. The placement fees are payable to placement agents, who are independent third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering and marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors, when a limited partner either commits or funds a commitment to a fund. In certain instances the placement fees are paid over a period of time. Based on the management agreements with the funds, Apollo considers placement fees and organization costs paid in determining if cash has been received in excess of the management fees earned. Placement fees and organization costs are normally the obligation of Apollo but can be paid for by the funds. When these costs are paid by the fund, the resulting obligations are included within deferred revenue. The deferred revenue balance will also be reduced during future periods when management fees are earned but not paid.

Interest and Dividend Income and Other Income Apollo recognizes security transactions on the trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized as earned on an accrual basis. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective securities using the effective interest method. Realized gains and losses are recorded based on the specific identification method.

Cash and Cash Equivalents Apollo considers all highly liquid short term investments with original maturities of 90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions that exceed insured limits are invested in interest-bearing accounts.

Restricted Cash Restricted cash represents cash deposited at a bank, which is pledged as collateral in connection with leased premises.

Due from/to Affiliates Apollo considers its existing partners, employees, former employees, non-consolidated private equity funds, non-consolidated capital markets funds, real estate funds, private equity fund portfolio companies, certain real estate management companies and certain advisors to be affiliates or related parties.

Investments The Company s investments in the Apollo funds that are not consolidated are accounted for under the equity method of accounting. The funds are, for U.S. GAAP purposes, investment companies and therefore apply specialized accounting principles, and reflect their underlying investments on their respective statements of financial condition at an estimated fair value, with unrealized gains and losses resulting from changes in fair value reflected as a component of other income (loss) in their respective statements of operations. Realized and unrealized gains have a significant impact on the Company s results of operations as it has retained the specialized accounting for the funds.

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The Company follows U.S. GAAP attributable to fair value measurements, which among other things, requires enhanced disclosures about investments that are measured and reported at fair value. In accordance with U.S. GAAP, investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I include listed equities and listed derivatives. As required by U.S. GAAP, the Company does not adjust the quoted price for these investments, even in situations where the Company holds a large position and the sale of such position would likely deviate from the quoted price.

Level II Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include general and limited partner interests in corporate private equity and real estate funds, mezzanine funds, funds of hedge funds, distressed debt and non-investment grade residual interests in securitizations and collateralized debt obligations.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Private Equity Investments

The value of liquid investments, where the primary market is an exchange (whether foreign or domestic), is determined using period end market prices. Such prices are generally based on the last sales price on the date of determination.

Valuation approaches used to estimate the fair value of investments that are less liquid include the income approach and the market approach. The income approach provides an indication of fair value based on the present value of cash flows that a business or security is expected to generate in the future. The most widely used methodology used in the income approach is a discounted cash flow method. Inherent in the discounted cash flow method are assumptions of expected results and a calculated discount rate. The market approach provides an indication of fair value based on a comparison of the subject company to comparable publicly traded companies and transactions in the industry. The market approach is driven more by current market conditions of actual trading levels of similar companies and actual transaction data of similar companies. Consideration may also be given to such factors as the company s historical and projected financial data, valuations given to comparable companies, the size and scope of the company s operations, the company s strengths, weaknesses, expectations relating to the market s receptivity to an offering of the company s securities, applicable restrictions on transfer, industry information and assumptions, general economic and market conditions and other factors deemed relevant. As part of management s process, the Company utilizes a valuation committee to review and approve

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the valuations. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had an active market for the investments existed, and the differences could be material.

Capital Markets Investments

The majority of the investments in Apollo s capital markets funds are valued by the funds based on quoted market prices. Debt and equity securities that are not publicly traded or whose market prices are not readily available are valued at fair value utilizing recognized pricing services, market participants or other sources. The capital markets funds also enter into foreign currency exchange contracts, credit default swap contracts, and other derivative contracts, which may include options, caps, collars and floors. Foreign currency exchange contracts are marked-to-market by recognizing the difference between the contract exchange rate and the current market rate as unrealized appreciation or depreciation. If securities are held at the end of this period, the changes in value are recorded in income as unrealized. Realized gains or losses are recognized when contracts are settled. Credit default swap contracts are recorded at fair value as an asset or liability with changes in fair value recorded as unrealized appreciation or depreciation. Realized gains or losses are recognized at the termination of the contract based on the difference between the close-out price of the credit default contract and the original contract price.

Forward contracts are valued based on market rates obtained from counterparties or prices obtained from recognized financial data service providers. When determining fair value pricing when no market value exists, the value attributed to an investment is based on the enterprise value at 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. Valuation approaches used to estimate the fair value of illiquid investments included in Apollo s capital markets funds also may use the income approach or market approach. The valuation approaches used will consider as applicable market risks, credit risks, counterparty risks and foreign currency risks.

Fair Value of Financial Instruments

U.S. GAAP guidance requires the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Except for the debt obligation related to the AMH credit agreement, Apollo s financial instruments are recorded at fair value or at amounts whose carrying value approximates fair value. See the Company s valuation policy for Investments above. While Apollo s valuations of portfolio investments are based on assumptions that Apollo believes are reasonable under the circumstances, the actual realized gains or losses will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. Other financial instruments carrying values generally approximate fair value because of the short-term nature of those instruments or variable interest rates related to the borrowings. As disclosed in note 10, our long term debt obligation related to the AMH credit agreement is believed to have an estimated fair value of approximately $762.8 million based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. However, the carrying value that is recorded on the consolidated and combined statement of financial condition is the amount for which we expect to settle the long term debt obligation.

Interest Rate Swap Agreements In accordance with U.S. GAAP, Apollo recognizes derivatives as either an asset or liability measured at fair value. In order to reduce interest rate risk, Apollo entered into interest rate

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swap agreements which were formally designated as cash flow hedges. To qualify for cash flow hedge accounting, interest rate swaps must meet certain criteria, including (a) the items to be hedged expose Apollo to interest rate risk and (b) the interest rate swaps are highly effective in reducing Apollo s exposure to interest rate risk. Apollo formally documents at inception its hedge relationships, including identification of the hedging instruments and the hedged items, its risk management objectives, its strategy for undertaking the hedge transaction and Apollo s evaluation of effectiveness. Effectiveness is periodically assessed based upon a comparison of the relative changes in the cash flows of the interest rate swaps and the items being hedged.

For derivatives that have been formally designated as cash flow hedges, the effective portion of changes in the fair value of the derivatives are recorded in accumulated other comprehensive income (OCI). Amounts in OCI are reclassified into earnings when interest expense on the underlying borrowings is recognized. If, at any time, the swaps are determined to be ineffective, in whole or in part, due to changes in the interest rate swap or underlying debt agreements, the fair value of the portion of the interest rate swap determined to be ineffective will be recognized as a gain or loss in the consolidated and combined statements of operations.

Pending Deal Costs Pending deal costs consist of certain costs incurred (e.g. research costs) related to private equity fund transactions that we are pursuing but which have not yet been consummated. These costs are deferred until such transactions are broken or successfully completed. A transaction is determined to be broken upon management s decision to no longer pursue the transaction. In accordance with the related fund agreements, in the event the deal is broken, all of the costs are reimbursed by the funds and considered in the calculation of the Management Fee Offset. These offsets are included in Advisory and Transaction Fees from Affiliates in the Company s consolidated and combined statements of operations. If a deal is successfully completed, Apollo is reimbursed by the fund or a fund s portfolio company for all costs incurred.

Fixed Assets Fixed Assets consist primarily of ownership interests in aircraft, leasehold improvements, furniture, fixtures and equipment, computer hardware and software and are recorded at cost, net of accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the assets estimated useful lives. Aircraft engine overhauls are capitalized and depreciated until the next expected overhaul. Expenditures for repairs and maintenance are charged to expense when incurred. The Company evaluates long-lived assets for impairment periodically and whenever events or changes in circumstances indicate the carrying amounts of the assets may be impaired.

Business Combinations The Company accounts for acquisitions using the purchase method of accounting in accordance with U.S. GAAP. The purchase price of the acquisition is allocated to the assets acquired and liabilities assumed using the fair values determined by management as of the acquisition date. The consolidated and combined financial statements of the Company for the periods presented do not reflect any business combinations. However, the acquisitions of Non-Controlling Interests described in Notes 1 and 3 are accounted for using the purchase method of accounting.

Goodwill and Intangible Assets U.S. GAAP does not permit the amortization of goodwill and indefinite-life intangible assets. Goodwill and indefinite-life intangible assets must be reviewed annually for impairment or more frequently if circumstances indicate impairment may have occurred. Identifiable finite-life intangible assets, by contrast, are amortized over their estimated useful lives, which are periodically re-evaluated for impairment or when circumstances indicate impairment may have occurred in. Apollo amortizes its identifiable finite-life intangible assets using the straight-line method. At June 30, 2009, the Company performed its annual impairment testing and determined there was no impairment at such time.

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Profit Sharing Payable Profit sharing payable represents the amounts payable to employees and former employees who are entitled to a proportionate share of carried interest income in one or more funds. The liability is calculated based upon the changes to realized and unrealized carried interest and is therefore not payable until the carried interest itself is realized.

Debt Issuance Costs Debt issuance costs consist of costs incurred in obtaining financing and are amortized over the term of the financing using the effective interest method. These costs are included in Other Assets on the consolidated and combined statements of financial condition.

Foreign Currency Foreign currency denominated assets and liabilities are sometimes held. Such assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. The functional currency of the Company s international subsidiaries is the U.S. Dollar, as their operations are considered an extension of U.S. parent operations. Non-monetary assets and liabilities of the Company s international subsidiaries are remeasured into the functional currency using historical exchange rates specific to each asset and liability. The results of the Company s foreign operations are normally remeasured using an average exchange rate for the respective reporting period. All currency remeasurement adjustments are included within other income (loss) in the consolidated and combined statements of operations. Gains and losses on the settlement of foreign currency transactions are also included within other income (loss) in the consolidated and combined statements of operations.

Compensation and Benefits Compensation and benefits includes salaries, bonuses, severance and employee benefits, but excludes payments made to the Managing Partners prior to the Reorganization of the Company. Individuals who owned direct equity interests and participated in the governing process are considered partners. As a result, the distributions made to these individuals prior to July 13, 2007 are considered equity distributions that are presented within the consolidated and combined statement of changes in shareholders equity and partners capital within the captions of Cash distributions to Managing Partners and Non-cash distributions to Managing Partners.

Bonuses are accrued over the service period. From time to time, the Company may distribute profit interests received in lieu of management fees. Profits interests in funds received as a result of waived management fees, which are considered compensation, are granted to the investment professionals. Additionally, certain employees have arrangements whereby they are entitled to receive a percentage of carried interest income based on the fund s performance. To the extent that individuals are entitled to a percentage of the carried interest income, and such entitlement is subject to potential forfeiture at inception, such arrangements are accounted for as profit sharing plans, and compensation expense is recognized as the related carried interest income is recognized. Profit sharing expense can be reversed during periods when there is a decline in carried interest income that was previously recognized.

The Company sponsors a 401(k) Savings Plan whereby U.S. based employees are entitled to participate in the plan based upon certain eligibility requirements. The Company may provide discretionary contributions from time to time. No contributions relating to this plan were made by the Company for the years ended December 31, 2009, 2008 and 2007, respectively.

Equity-based Compensation Equity-based compensation is accounted for in accordance with U.S. GAAP, which requires that the cost of employee services received in exchange for an award of equity instruments generally be measured based on the grant date fair value of the award. Equity-based awards that do not require future service (i.e., vested awards) are expensed immediately. Equity-based employee awards that require future service are expensed over the relevant service period. The Company estimates forfeitures for equity-based awards that are not expected to vest.

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Comprehensive Income (Loss) U.S. GAAP guidance establishes standards for reporting comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements. U.S. GAAP requires that the Company classify items of OCI by their nature in the financial statements and display the accumulated balance of OCI separately in the shareholders equity section of the Company s consolidated and combined statements of financial condition. Comprehensive income (loss) consists of net income (loss) and OCI. Apollo s OCI is primarily comprised of the effective portion of changes in the fair value of the interest rate swap agreements discussed above. If, at any time, any of the Company s subsidiaries functional currency becomes non-U.S. dollar denominated, the Company will record foreign currency cumulative translation adjustments in OCI.

Income Taxes Apollo has historically operated as partnerships for U.S. Federal income tax purposes, and primarily corporate entities in non-U.S. jurisdictions. As a result, prior to the Reorganization, income was not subject to U.S. Federal and state income taxes. Taxes related to income earned by these entities represent obligations of the individual partners and members and have not been reflected in the historical consolidated and combined financial statements. Income taxes shown on the historical consolidated and combined statements of operations are attributable to the New York City unincorporated business tax and income taxes on certain entities located in non-U.S. jurisdictions.

Following the Reorganization, the Apollo Operating Group and its subsidiaries continue to operate in the U.S. as partnerships for U.S. Federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases continue to be subject to New York City unincorporated business tax, or in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, APO Corp., a wholly-owned subsidiary of the Company, is subject to U.S. corporate Federal income tax, and the Company s provision for income taxes is accounted for in accordance with U.S. GAAP.

As significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties, we recognize the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. The tax benefit is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. If a tax position is not considered more likely than not to be sustained then no benefits of the position are to be recognized. We review and evaluate the Company s tax positions quarterly and determine whether or not we have uncertain tax positions that require financial statement recognition.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated and combined statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

Net Loss Per Class A Share The Company computes net loss per Class A share under the two class method in accordance with U.S. GAAP. Basic net loss per Class A share is computed by dividing net loss available to Class A shareholders by the weighted average number of shares outstanding for the period. Diluted net income per Class A share reflects the assumed conversion of all dilutive securities, if any. Prior to the Reorganization, Apollo s business was conducted through a large number of entities as to which there was no single holding entity but which were separately owned by its then existing partners. There was no single capital structure upon which to calculate historical earnings per share information. Accordingly, earnings per share information is not presented for historical periods prior to the Reorganization. The Class B share has no net loss per share as it does not participate in Apollo s earnings or distributions.

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Recent Accounting Pronouncements

In June 2009, the FASB issued new guidance for accounting for transfers of financial assets, which amends the derecognition guidance and eliminates the exemption from consolidation for qualifying special-purpose entities (QSPEs). Consequently, a transferor will need to evaluate all existing QSPEs to determine whether they must now be consolidated in accordance with the new guidance on consolidations (see below). This new guidance is effective for financial asset transfers occurring after January 1, 2010 and early adoption is prohibited. The adoption of this guidance is not expected to have a material impact on the Company s consolidated and combined financial statements.

In June 2009, the FASB amended the consolidation guidance applicable to VIEs. The amended guidance will significantly affect the overall consolidation analysis as it modifies the approach for identifying which entities are VIEs and for determining which party is the primary beneficiary of a VIE. In particular, the amended guidance requires continuous assessment of the reporting entity s involvement with VIEs and identifies the primary beneficiary as the party that has: (1) the power to direct the activities of a VIE that most significantly impact the entity s economic performance, and (2) the obligation to absorb the losses that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. The amended guidance also enhances the disclosure requirements for a reporting entity s involvement with VIEs, irrespective of whether they qualify for deferral, as noted below. This amended guidance will be effective as of the beginning of the first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period. In February 2010, the FASB issued further guidance which provided a limited scope deferral for a reporting entity s interest in an entity that met all of the following conditions: (a) the entity has all the attributes of an investment company or for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity, and (c) the entity is not a securitization entity, asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on VIEs. The effective date of the deferral guidance coincides with the effective date of the amended consolidation guidance. The Company is currently in the process of evaluating the impact that this guidance might have on its consolidated and combined financial statements.

In September 2009, the FASB issued guidance on fair value measurements and disclosures relating to investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). The guidance permits, as a practical expedient, an entity holding investments in certain entities that either are investment companies or have attributes similar to an investment company, and calculate net asset value per share or its equivalent for which the fair value is not readily determinable, to measure the fair value of such investments on the basis of that NAV per share, or its equivalent, without adjustment. The guidance also requires disclosure of the attributes of investments within the scope of the guidance by major category of investment. Such disclosures include but are not limited to the nature of any restrictions on an investor s ability to redeem its investments at the measurement date and the investment strategies of the investee. Additional guidance is provided on the classification of investments for which NAV is used to measure fair value within the fair value hierarchy. If an entity has the ability to redeem its investment at net asset value at the measurement date or within the near term, the fair value measurement of the investment shall be categorized as a Level II fair value measurement. If an entity does not know when it will have the ability to redeem its investment or cannot do so in the near term, the fair value measurement of the investment shall be categorized as a Level III fair value measurement. The guidance is effective for interim and annual periods ending after December 15, 2009. The Company adopted this

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guidance with additional disclosure requirements presented in note 4 of its consolidated and combined financial statements. The adoption of this guidance did not have a material impact on the Company s consolidated and combined financial statements.

In September 2009, the FASB issued additional implementation guidance on accounting for uncertain tax positions for pass-through entities and tax-exempt not-for-profit entities. In particular, this guidance pertains to determining whether income tax paid by an entity is attributable to the entity or its owners, determining what constitutes a tax position for a pass-through or tax-exempt not-for-profit entity, and determining how to apply accounting for uncertainty in income taxes when a group of related entities comprise both taxable and nontaxable entities. Additionally, the guidance eliminates certain disclosure requirements for non-public entities. This guidance is effective for periods ending after September 15, 2009. The adoption of this guidance did not have a material impact on the Company s consolidated and combined financial statements.

In January 2010, the FASB issued new guidance applicable to disclosures about fair value measurements. This guidance adds new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for the first reporting period beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material impact on the Company s consolidated and combined financial statements.

In February 2010, the FASB amended its guidance on subsequent events to remove the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. This change alleviates potential conflicts with current SEC guidance. The amended guidance also clarifies that an entity that is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) must evaluate subsequent events through the date of issuance of its financial statements and must disclose such date. There is no change to the guidance for all other entities, who will continue to be required to evaluate subsequent events through the date the financial statements are available to be issued, and must disclose such date. For entities, other than conduit bond obligors, the provisions of this guidance are effective upon issuance. The adoption of this guidance did not have a material impact on the Company s consolidated and combined financial statements.

3. ACQUISITION OF NON-CONTROLLING INTERESTS

Pursuant to the Reorganization and the Private Placement described in note 1, the Company acquired interests in the predecessor businesses from the Predecessor Owners. These interests were acquired, in part, through an exchange of Holdings units (Units) and, in part, through the payment of cash.

This Reorganization has been accounted for partially as a transfer of interests under common control and, as an acquisition of Non-Controlling Interests in accordance with U.S. GAAP. The cash paid for the interests acquired from members of the Control Group has been charged to equity. Cash payments related to the acquisition of interests outside of the Control Group have been accounted for using the purchase method of accounting.

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The total consideration paid to the Contributing Partners including contingent consideration of $7.8 million paid in January and April 2008, aggregated to $164.2 million. The excess of the purchase price paid over the fair value of the tangible assets acquired approximates $148.2 million and has been included in the captions Goodwill and Intangible Assets, Net in the consolidated and combined statements of financial condition as of December 31, 2009 and 2008.

The finite-life intangible assets related to (i) trade names, (ii) the contractual right to receive future fee income from management and advisory services and (iii) the contractual right to earn future carried interest income from the private equity and capital markets funds. These finite-life intangible assets were estimated to be $100.3 million. The residual amount representing the purchase price in excess of fair value of the tangible and intangible assets is $47.9 million and has been recorded as Goodwill.

The Company has performed an analysis and an evaluation of the excess of the cost over the net tangible assets acquired and liabilities assumed. The Company has determined the following estimated fair values for the acquired assets and liabilities assumed as of the date of acquisition.

Purchase price	$ 164,246
Net assets acquired, at fair value	$ 16,049
Trade names/contractual rights	100,300
Total	116,349
Goodwill	47,897
Purchase price allocation	$ 164,246

The estimated useful lives of the finite-life intangibles range between 2 and 20 years. The Company is amortizing these finite-life intangibles over their estimated useful lives using the straight-line method. The average useful life of the finite-life intangibles is approximately 10 years.

	Useful Life in Years	December 31, 2009	2008
Trade names	20	$ 400	$ 400
Existing contractual relationships Capital Markets	14	42,700	42,700
Existing contractual relationships Private Equity	2 15	57,200	57,200
Total identifiable intangible asset fair values		100,300	100,300
Less: Accumulated amortization of intangibles		(31,249)	(18,572)
Total		$ 69,051	$ 81,728

Amortization expense related to the intangible assets was $12.7 million, $13.9 million and $4.7 million for the years ended December 31, 2009, 2008, and 2007, respectively. Expected amortization of intangible assets for each of the next 5 years and thereafter is as follows:

	2010	2011	2012	2013	2014	There-after	Total
Amortization of intangible assets	$ 12,345	$ 11,516	$ 10,167	$ 6,604	$ 3,677	$ 24,742	$ 69,051

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4. INVESTMENTS

The following table represents Apollo s investments:

	December 31, 2009	December 31, 2008
Investments, at fair value	$ 1,364,973	$ 854,442
Other investments	189,182	104,203
Total investments	$ 1,554,155	$ 958,645

Investments at Fair Value

Investments, at fair value, consist primarily of financial instruments held by AAA and Apollo Commodities Trading Fund, L.P. (Commodities Trading Fund). As of December 31, 2009 and 2008, the net assets of the consolidated funds were $1,364.6 million and $850.8 million, respectively. The following investments are presented as a percentage of net assets of the consolidated funds:

	December 31, 2009				December 31, 2008		
	Fair Value Private Equity	Fair Value Capital Markets	Cost	% of Net Assets of Consolidated Funds	Fair Value Private Equity	Cost	% of Net Assets of Consolidated Fund
Investments, at fair value							
AAA	$ 1,324,939	$	$ 1,753,985	97.1%	$ 854,442	$ 1,755,361	100.4%
Commodities Trading Fund		40,034	40,000	2.9%			
Total investments	$ 1,324,939	$ 40,034	$ 1,793,985		$ 854,442	$ 1,755,361	

Securities

At December 31, 2009 and 2008, the sole investment of AAA was its investment in AAA Investments, L.P. (AAA Investments). The following tables represents each investment of AAA Investments constituting more than 5% of the net assets of the consolidated funds:

December 31, 2009	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Funds
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	$ 144,111	$ 184,575	13.5%
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	164,813	158,597	11.6

AP Investment Europe Limited	Investment Fund	339,488	135,473	9.9
Harrah s Entertainment, Inc.	Equity	165,625	126,000	9.2
Apollo European Principal Finance Fund, L.P.	Investment Fund	103,081	111,152	8.1
Apollo Life Re Ltd.	Equity	98,002	87,900	6.4
AP Charter Holdings, L.P.	Equity	45,107	82,955	6.1
Rexnord Corporation	Equity	37,461	82,700	6.1

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In addition to AAA Investments private equity co-investment in Harrah s Entertainment, Inc. (Harrahs), as shown in the table above, AAA Investments has an ownership interest in LeverageSource, L.P., which owns Harrahs debt. AAA Investments combined share of these debt and equity investments is valued at $129.4 million at December 31, 2009. AAA Investments also owns equity, as a private equity co-investment, and debt, through its investment in Autumnleaf, L.P. and Apollo Fund VI BC, L.P. in CEVA Logistics. AAA Investments combined share of these debt and equity investments is greater than 5% of net assets of consolidated funds and is valued at $97.8 million at December 31, 2009.

	December 31, 2008			
	Instrument Type	Cost	Fair Value	% of Net Assets of Consolidated Fund
Apollo Strategic Value Offshore Fund, Ltd.	Investment Fund	$ 321,244	$ 270,251	31.8%
Apollo Asia Opportunity Offshore Fund, Ltd.	Investment Fund	218,000	182,101	21.4
Apollo European Principal Finance Fund, L.P.	Investment Fund	104,994	94,982	11.2
LeverageSource, L.P.	Equity	177,974	90,656	10.7
Rexnord Corporation	Equity	37,461	90,400	10.6
AP Investment Europe Limited	Investment Fund	339,488	74,289	8.7
Prestige Cruise Holdings	Equity	100,019	72,045	8.5
Harrah s Entertainment, Inc.	Equity	165,625	56,900	6.7
CEVA Logistics	Equity	17,174	53,367	6.3
NCL Corporation	Equity	98,906	50,400	5.9
Smart and Final, Inc	Equity	32,750	49,800	5.9

The Apollo Strategic Value Offshore Fund, Ltd. primarily invests in the securities of leveraged companies in North America and Europe through three core strategies: distressed investments, value-driven investments and special opportunities. In connection with the redemptions requested by AAA Investments of its investment in Apollo Strategic Value Offshore Fund, Ltd. the remainder of the AAA Investments investment in the Apollo Strategic Value Offshore Fund, Ltd. was converted into liquidating shares issued by the Apollo Strategic Value Offshore Fund, Ltd. The liquidating shares are generally allocated a pro rata portion of each of the Apollo Strategic Value Offshore Fund, Ltd. s existing investments and liabilities as of the date of issuance. As those investments are sold, the liquidating shares proportionate share of the net proceeds from such disposition, less its proportionate share of any expenses incurred by the Apollo Strategic Value Offshore Fund, Ltd. and applicable management fees and performance allocation, is distributed to the holders of such liquidating shares rather than being reinvested in the fund.

AP Investment Europe Limited (Apollo Investment Europe) invests in mezzanine, debt and equity investments of both public and private companies primarily located in Europe. The fund generates current income and capital appreciation through its flexible investment strategy which is intended to capture opportunities across the capital structure. Due to market conditions in 2008 and early 2009, Apollo Investment Europe s investment performance was adversely impacted, and on July 10, 2009, the company s shareholders approved a monetization plan, the primary objective of which is to maximize shareholder recovery value by (i) opportunistically selling Apollo Investment Europe s assets over a three-year period beginning in July 2009 to July 2012 (subject to a one-year extension with the consent of a majority of Apollo Investment Europe s shareholders) and (ii) reducing the overall costs of the fund. Subject to compliance with the applicable law and

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maintaining adequate liquidity, available cash received from the sale of assets will be returned to shareholders on a quarterly basis once all leverage in the fund is repaid. Substantially all of Apollo Investment Europe s leverage was repaid during 2009.

The Apollo Asia Opportunity Fund, Ltd. (Asia Opportunity Fund) is an investment vehicle that seeks to generate attractive risk-adjusted returns across market cycles by capitalizing on investment opportunities created by the increasing demand for capital in the rapidly expanding Asian markets. In connection with a redemption requested by the AAA Investments of its investment in Asia Opportunity Fund, a portion of AAA Investments investment was converted into liquidating shares issued by the Asia Opportunity Fund. The liquidating shares are generally allocated a pro rata portion of each of the Asia Opportunity Fund s existing investments and liabilities as of the date of issuance. As those investments are sold the liquidating shares proportionate share of the net proceeds from such disposition, less its proportionate share of any expenses incurred or reserves set by the Asia Opportunity Fund and applicable management fees and performance allocation, is distributed to the holders of such liquidating shares rather than being reinvested in the fund. At December 31, 2009, the liquidating shares had a fair value of $49.9 million. As part of the reorganization of the Asia Opportunity Fund, AAA Investments agreed to make a matching one year lock-up election for every dollar of capital owned by other investors that elect the additional one year lock-up. As a result, $5.0 million of AAA Investments investment in Asia Opportunity Fund is subject to an additional one year lock-up that expires March 31, 2010.

The Apollo European Principal Finance Fund, L.P. invests primarily in European non-performing loans, or NPLs. Apollo European Principal Finance Fund, L.P. seeks to capitalize on the inefficiencies of financial institutions in managing and restructuring their non-performing loans. The investment in the Apollo European Principal Finance Fund, L.P. has a life of five years plus two one-year extensions from December 22, 2009, the final closing of the fund. Distributed capital can be recalled for an 18-month recycle period. As of December 31, 2009, AAA Investments had an unfunded commitment to Apollo European Principal Finance Fund, L.P. of $210.7 million.

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Net Gains (Losses) from Investment Activities

Net gains (losses) from Investment Activities on the consolidated and combined statements of operations includes net realized gains from sales of investments, and the net change in net unrealized gains (losses) resulting from changes in fair value of the consolidated investments and realization of previously unrealized gains (losses). The following table presents Apollo s net gains (losses) from investment activities:

	Year Ended December 31, 2009		
	Private Equity	Capital Markets	Total
Realized gains on sales of investments	$ 584	$	$ 584
Change in net unrealized gains due to changes in fair value	471,873	38,478	510,351
Net gains from investment activities	$ 472,457	$ 38,478	$ 510,935

	Year Ended December 31, 2008		
	Private Equity	Capital Markets	Total
Change in unrealized losses due to changes in fair value	$ (1,230,656)	$ (38,444)	$ (1,269,100)
Net losses from investment activities	$ (1,230,656)	$ (38,444)	$ (1,269,100)

	Year Ended December 31, 2007		
	Private Equity	Capital Markets	Total
Net realized gains on sales of investments	$ 948,856	$ 64,364	$ 1,013,220
Change in net unrealized gains from realization due to sale of investments	(996,666)	(32,859)	(1,029,525)
Change in net unrealized gains due to changes in fair value	2,290,782	4,786	2,295,568
Net gains from investment activities	$ 2,242,972	$ 36,291	$ 2,279,263

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Other Investments

Other Investments consists of investments in equity method investees. Apollo s share of operating income (loss) generated by these investments is recorded as other income (loss) in the consolidated and combined statements of operations.

Income (loss) from equity method investments for the years ended December 31, 2009, 2008 and 2007 consisted of the following:

	For the Years Ended December 31,		
	2009	2008	2007
Investments:			
Private Equity Funds:			
AAA Investments	$ 261	$ (683)	$ 157
Apollo Investment Fund IV, L.P. (Fund IV)	17	(68)	40
Apollo Investment Fund V, L.P. (Fund V)	44	(293)	224
Apollo Investment Fund VI, L.P. (Fund VI)	1,335	(187)	(3)
Apollo Investment Fund VII, L.P. (Fund VII)	31,527	(14,806)	
Capital Markets Funds:			
Apollo Value Investment Offshore Fund, Ltd.			1,181
Apollo Special Opportunities Managed Account, L.P. (SOMA)	1,961	(1,343)	40
Apollo Value Investment Fund, L.P. (VIF)	57	(32)	87
Apollo Strategic Value Fund, L.P. (SVF)	57	(31)	(4)
Apollo Credit Liquidity Fund, L.P (ACLF).	13,768	(11,028)	
Apollo/Artus Investors 2007-I, L.P. (Artus)	2,249	(6,560)	
Apollo Credit Opportunity Fund I, L.P. (COF I)	16,473	(7,096)	
Apollo Credit Opportunity Fund II, L.P. (COF II)	8,294	(5,130)	
Apollo European Principal Finance Fund, L.P. (EPF)	330	(1,973)	
Apollo Investment Europe II, L.P. (AIE II)	2,937	(1,525)	
Apollo Palmetto Strategic Partnership, L.P. (Palmetto)	258		
Real Estate:			
Apollo Commercial Real Estate Finance, Inc.	(743)		
Other Equity Method Investments:			
VC Holdings, L.P. Series A (Vantium A)	(3,770)	(5,560)	
VC Holdings, L.P. Series C (Vantium C)	8,072	(1,038)	
VC Holdings, L.P. Series D (Vantium D)	(14)		
Total income (loss) from equity method investments	$ 83,113	$ (57,353)	$ 1,722

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Other investments as of December 31, 2009 and 2008 consisted of the following:

	Equity held as of December 31,			
	2009	% of ownership	2008	% of ownership
Investments:				
Private Equity Funds:				
AAA Investments	$ 746	0.056%	$ 488	0.057%
Apollo Investment Fund IV, L.P.	30	0.006	34	0.006
Apollo Investment Fund V, L.P.	308	0.012	263	0.012
Apollo Investment Fund VI, L.P.	4,948	0.055	584	0.004
Apollo Investment Fund VII, L.P.	61,245	1.389	24,364	1.242
Capital Markets Funds:				
Apollo Special Opportunities Managed Account, L.P.	4,773	0.513	2,812	0.490
Apollo Value Investment Fund, L.P.	124	0.065	67	0.052
Apollo Strategic Value Fund, L.P.	123	0.058	66	0.083
Apollo Credit Liquidity Fund, L.P.	19,618	2.440	11,108	2.440
Apollo/Artus Investors 2007-I, L.P.	2,249	6.160		
SOMA/Artus Guarantor, LLC			1,545	5.152
Apollo Credit Opportunity Fund I, L.P.	26,402	2.007	23,924	2.415
Apollo Credit Opportunity Fund II, L.P.	20,223	1.455	9,992	1.499
Apollo European Principal Finance Fund, L.P.	7,116	1.360	7,422	2.080
Apollo Investment Europe II, L.P.	6,069	1.971	3,132	1.959
Apollo Palmetto Strategic Partnership, L.P.	2,918	1.186		
Real Estate:				
Apollo Commercial Real Estate Finance, Inc.	10,260	5.180		
Other Equity Method Investments:				
VC Holdings, L.P. Series A	3,170	14.158	6,940	41.349
VC Holdings, L.P. Series C	18,529	6.291	11,462	47.461
VC Holdings, L.P. Series D	331	6.345		
Total other investments	$ 189,182		$ 104,203	

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The summarized aggregated financial information of the funds in which Apollo has equity method investments is as follows:

Balance Sheet Information	Private Equity As of December 31, 2009	Private Equity As of December 31, 2008	Capital Markets As of December 31, 2009	Capital Markets As of December 31, 2008	Real Estate As of December 31, 2009
Investments	$ 17,884,552	$ 10,199,597	$ 5,257,180	$ 2,922,491	$ 203,614
Assets	18,818,089	11,642,654	6,390,731	4,118,709	335,137
Liabilities	718,264	958,731	426,723	706,337	139,842
Equity	18,099,825	10,683,923	5,964,008	3,412,372	195,295

Note: Real Estate fund commenced operations in 2009.

Balance Sheet Information	Aggregate Totals As of December 31, 2009	Aggregate Totals As of December 31, 2008
Investments	$ 23,345,346	$ 13,122,088
Assets	25,543,957	15,761,363
Liabilities	1,284,829	1,665,068
Equity	24,259,128	14,096,295

Income Statement Information	Private Equity For the Years Ended December 31, 2009	Private Equity 2008	Private Equity 2007	Capital Markets For the Years Ended December 31, 2009	Capital Markets 2008	Capital Markets 2007	Real Estate For the Year Ended December 31, 2009
Revenues/Investment Income	$ 734,480	$ 180,132	$ 191,042	$ 427,030	$ 106,870	$ 31,145	$ 660
Expenses	233,257	494,425	40,423	114,991	90,332	20,420	2,834
Net Investment Income (Loss)	501,223	(314,293)	150,619	312,039	16,538	10,725	(2,174)
Net Realized and Unrealized Gain (Loss)	6,824,737	(9,347,089)	3,395,684	2,452,273	(1,661,465)	(12,685)	
Net Income (Loss)	$ 7,325,960	$ (9,661,382)	$ 3,546,303	$ 2,764,312	$ (1,644,927)	$ (1,960)	$ (2,174)

Note: Real Estate fund commenced operations in 2009.

Aggregate Totals
For the Years Ended December 31,

Income Statement Information	**2009**	**2008**	**2007**
Revenues/Investment Income	$ 1,162,170	$ 287,002	$ 222,187
Expenses	351,082	584,757	60,843
Net Investment Income (Loss)	811,088	(297,755)	161,344
Net Realized and Unrealized Gain (Loss)	9,277,010	(11,008,554)	3,382,999
Net Income (Loss)	$ 10,088,098	$ (11,306,309)	$ 3,544,343

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Fair Value Measurements

The following tables summarize the valuation of Apollo s investments using the fair value hierarchy levels as of December 31, 2009 and 2008:

	Level I As of December 31,		Level II As of December 31,		Level III As of December 31,		Totals As of December 31,	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets, at fair value:								
Investment in AAA Investments, L.P.	$	$	$	$	$ 1,324,939	$ 854,442	$ 1,324,939	$ 854,442
Investment in Apollo Metals Trading Fund L.P.					40,034		40,034	
Total	$	$	$	$	$ 1,364,973	$ 854,442	$ 1,364,973	$ 854,442

	Level I As of December 31,		Level II As of December 31,		Level III As of December 31,		Totals As of December 31,	
	2009	2008	2009	2008	2009	2008	2009	2008
Liabilities, at fair value:								
Interest rate swap agreements	$	$	$ 26,639	$ 42,113	$	$	$ 26,639	$ 42,113
Total	$	$	$ 26,639	$ 42,113	$	$	$ 26,639	$ 42,113

The changes in AAA s investments measured at fair value that the Company has characterized as Level III investments are:

	For the Year Ended December 31,	
	2009	2008
Balance, beginning of period	$ 854,442	$ 2,132,847
Purchases	4,121	3,098
Distributions	(5,497)	(50,847)
Change in unrealized gains (losses)	471,873	(1,230,656)
Balance, end of period	$ 1,324,939	$ 854,442

The changes in the Commodities Trading Fund s investments measured at fair value that the Company has characterized as Level III investments are:

For the Year Ended

	December 31, 2009
Balance, beginning of period	$
Purchases	40,000
Distributions	
Change in unrealized gains	34
Balance, end of period	$ 40,034

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The following table summarizes a look through of the Company s Level III investments by valuation methodology of the underlying investments held by AAA Investments:

	Private Equity December 31,			
	2009		2008	
		% of Investment of AAA		% of Investment of AAA
Approximate values based on Net Asset Value of the underlying funds, which are based on the funds underlying investments that are valued using the following:				
Comparable company and industry multiples	$ 527,105	33.2%	$ 496,415	38.0%
Discounted cash flow models	480,100	30.2	367,959	28.1
Broker quotes	440,344	27.8	144,345	11.0
Options models	14,000	0.9	49,058	3.8
Listed quotes	40,447	2.6	6,796	0.5
Other net assets (liabilities)[1]	83,514	5.3	243,044	18.6
Total Investments of AAA Investments	1,585,510	100.0%	1,307,617	100.0%
Other net (liabilities) assets[2]	(260,571)		(453,175)	
Total Net Assets	$ 1,324,939		$ 854,442	

(1) Balances include other assets and liabilities of certain funds that AAA Investments has invested in. Other assets and liabilities at the fund level primarily include cash and cash equivalents, broker receivables and payables and amounts due to and from affiliates. Carrying values approximate fair value for other assets and liabilities, and accordingly, extended valuation procedures are not required.

(2) Balances include other assets and liabilities and general partner interests of AAA Investments, and are primarily comprised of $650.0 million and $900.0 million in long-term debt offset by cash and cash equivalents at December 31, 2009 and 2008, respectively.

Variable Interest Entities

Apollo consolidates those entities it controls through a majority voting interest or otherwise, including those funds over which the general partner is presumed to have control. Apollo also consolidates entities which are variable interest entities (VIEs) for which Apollo is the primary beneficiary.

Additional disclosures are required for public enterprises, including sponsors that have a variable interest in a VIE. Among other things, those additional disclosure requirements include significant judgments and assumptions made in determining whether an enterprise must consolidate a VIE, the nature of, and changes in, the risks associated with an enterprise s involvement with a VIE, and how an enterprise s involvement with a VIE affects its financial results.

Certain of our subsidiaries hold equity interests in and/or receive fees qualifying as variable interests from the Apollo investment funds. U.S. GAAP requires an analysis to (i) determine whether an entity in which Apollo holds a variable interest is a VIE, and (ii) whether Apollo s involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (e.g., carried interest and management fees), would be expected to absorb a majority of the variability of the entity. The evaluation of whether a fund is a VIE and the determination of whether Apollo should consolidate such VIE requires management s judgment.

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These judgments include determining whether the equity investment at risk is sufficient to permit the entity to finance its activities without additional subordinated financial support, evaluating whether the equity holders, as a group, can make decisions that have a significant effect on the success of the entity, determining whether two or more parties equity interests should be aggregated, determining whether the equity investors have proportionate voting rights to their obligations to absorb losses or rights to receive returns from an entity, evaluating the nature of relationships and activities of the parties involved in determining which party within a related-party group is most closely associated with a VIE, and estimating cash flows in evaluating which member within the equity group absorbs a majority of the expected losses and, hence, would be deemed the primary beneficiary. The use of these judgments has a material impact to certain components of Apollo s consolidated and combined financial statements, but does not affect Apollo s net income or equity.

Based on the consolidation analyses performed, Apollo determined that it holds a significant variable interest or is a sponsor that holds a variable interest in certain VIEs, but is not the VIEs primary beneficiary. Apollo determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion based on certain events. The consolidation analysis can generally be performed qualitatively. However, if it is not readily apparent that Apollo is not the primary beneficiary, a quantitative expected losses and expected residual returns calculation will be performed. Investments and redemptions (either by Apollo, affiliates of Apollo or third parties) or amendments to the governing documents of the respective Apollo fund may affect an entity s status as a VIE or the determination of the primary beneficiary.

The nature of Apollo s involvement with VIEs includes investments in private equity and capital markets funds. The disclosures are presented aggregating all VIEs. The investment strategies of the Apollo funds differ by product; however, the fundamental risks of the Apollo funds have similar characteristics, including loss of invested capital and the return of carried interest income previously distributed for our private equity and certain capital markets funds.

For those VIEs for which Apollo is the sponsor, Apollo may have an obligation as general partner to provide equity contributions to the funds to satisfy its capital commitments to such funds. During 2008 and 2009, Apollo did not provide any financial support to its VIEs other than its committed equity contributions.

The following table presents the carrying amounts of the assets and liabilities of the VIE s for which Apollo has concluded that it holds a significant variable interest or is a sponsor that holds a variable interest in but that it is not the primary beneficiary of such VIEs . In addition, the table presents the maximum exposure to loss relating to those VIEs .

	December 31, 2009		
	Total Assets	**Total Liabilities**	**Apollo Exposure**
Private Equity	$ 5,767,009	$ (72,055)	$
Capital Markets	2,422,323	(305,723)	5,019
Total	$ 8,189,332[(1)]	$ (377,778)[(2)]	$ 5,019[(3)]

(1) Consists of $225,226 in cash, $7,470,213 in investments and $493,893 in receivables.

(2) Represents $(139,775) in payables and accrued expenses, $(45,487) in securities sold, not purchased, and $(192,516) in capital withdrawals payable.

(3) Apollo s exposure is limited to its direct investments in those entities in which Apollo holds a significant variable interest. Apollo has no exposure to loss for those entities of which Apollo is only a sponsor for which it holds a variable interest.

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Excluded Assets

At the time of the Reorganization on July 13, 2007, certain assets were not contributed to Apollo Global Management, LLC. The following summarizes the impact of the excluded entities in the periods prior to their exclusion:

	Period January 1, 2007 July 13, 2007
Revenues	$
Expenses	(297)
Net loss from investment activities	(4,513)
Net Loss	(4,810)
Net Loss attributable to Non-Controlling Interests in consolidated entities	3,942
Net Loss attributable to Apollo Global Management, LLC	$ (868)

5. CARRIED INTEREST RECEIVABLES

Carried interest receivable from private equity and capital markets funds consisted of the following:

	December 31, 2009	December 31, 2008
Private equity	$ 328,246	$ 63,888
Capital markets	155,608	13,197
Total carried interest receivable	$ 483,854	$ 77,085

The timing of the payment of carried interest due to the general partner or investment manager varies depending on the terms of the applicable fund agreements. Generally, carried interest in the private equity funds is payable and is distributed to the fund s general partner upon realization of an investment if the fund s cumulative returns are in excess of the preferred return. In most capital markets funds, carried interest is payable after the end of the relevant fund s fiscal year or in certain cases fiscal quarter subject to high watermark provisions. There currently is no carried interest receivable associated with the Company s real estate segment.

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The table below provides a roll-forward of the carried interest receivable balance during the years ended December 31, 2009 and 2008.

	Private Equity	Capital Markets	Total
Carried interest receivable at January 1, 2008	$ 1,273,602	$ 42,523	$ 1,316,125
Change in fair value of funds[(1)]	(831,648)	48,578	(783,070)
Fund cash distributions	(378,066)	(77,904)	(455,970)
Carried interest receivable at December 31, 2008	63,888	13,197	77,085
Change in fair value of funds	310,871	193,525	504,396
Fund cash distributions	(46,513)	(51,114)	(97,627)
Carried interest receivable at December 31, 2009	$ 328,246	$ 155,608	$ 483,854

(1) The change in fair value of funds in 2008 includes carried interest (loss) income associated with the reversal of previously recognized realized gains due to the estimated general partner obligation of $13.1 million that was attributable to Fund VI, as discussed in note 13.

6. FIXED ASSETS

Fixed assets consist of the following:

	Useful Life in Years	December 31, 2009	December 31, 2008
Ownership interests in aircraft	15	$ 30,249	$ 30,249
Leasehold improvements	10 16	29,098	20,379
Furniture, fixtures and other equipment	4 10	11,378	12,152
Computer software and hardware	2 4	21,598	18,962
Other	4	501	501
Total fixed assets		92,824	82,243
Less Accumulated depreciation and amortization		(25,030)	(14,180)
Fixed Assets, net		$ 67,794	$ 68,063

Depreciation expense for the years ended December 31, 2009, 2008 and 2007 was $11.6 million, $8.2 million and $3.2 million, respectively.

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7. OTHER ASSETS

Other assets consist of the following:

	December 31, 2009	December 31, 2008
Prepaid expenses	$ 3,922	$ 3,914
Tax receivables	3,471	7,611
Prepaid rent	1,601	4,715
Rent deposits	620	963
Purchased receivables		9,989
Pending deal costs		7,668
Other	1,715	4,841
Total other assets	$ 11,329	$ 39,701

8. OTHER LIABILITIES

Other liabilities consist of the following:

	December 31, 2009	December 31, 2008
Interest rate swap agreements	$ 26,639	$ 42,113
Deferred rent	9,582	2,644
Deferred taxes	2,754	6,330
Other	2,393	1,748
Total other liabilities	$ 41,368	$ 52,835

Interest Rate Swap Agreements The principal financial instruments used for cash flow hedging purposes are interest rate swaps. Apollo enters into interest rate swap agreements to manage its exposure to interest rate changes. The swaps effectively converted a portion of its variable rate debt under the AMH credit agreement to a fixed rate, without exchanging the notional principal amounts (see note 10). Apollo entered into interest rate swap agreements whereby Apollo receives floating rate payments in exchange for fixed rate payments of 5.068% (weighted average) and 5.175%, on the notional amounts of $433.0 million and $167.0 million, respectively, effectively converting a portion of its floating rate borrowings to a fixed rate. The interest rate swap agreements on the $433.0 million and $167.0 million expire in 2010 and 2012, respectively. Apollo has hedged only the risk related to changes in the benchmark interest rate (three month LIBOR). As of December 31, 2009 and 2008, the Company has recorded a liability of $26.6 million and $42.1 million, respectively, to recognize the fair value of these derivatives, which is included in Other Liabilities in the consolidated and combined statements of financial condition.

The Company has determined that the valuation of the interest rate swaps fall within Level II of the fair value hierarchy. The Company estimates the fair value of its interest rate swaps using discounted cash flow models which project future cash flows based on the instruments contractual

terms using market-based expectations for interest rates. The Company also includes a credit risk adjustment to the cash flow discount rate to incorporate the impact of nonperformance risk in the recognized measure of the fair value of the swaps. This adjustment is based on the counterparty s credit risk when the swaps are in a net asset position and on the Company s own credit risk when the swaps are in a net liability position.

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9. INCOME TAXES

Prior to July 13, 2007, the Company had not been subject to U.S. Federal corporate income taxes. However, certain subsidiaries of the Company were subject to New York City Unincorporated Business Tax (NYC UBT) attributable to the Company s operations apportioned to New York City. In addition, certain non-U.S. subsidiaries of the Company were subject to income taxes in their local jurisdictions. Commencing July 13, 2007, APO Corp., a wholly-owned subsidiary of the Company, became subject to U.S. Federal corporate income taxes. The Company s provision for income taxes is accounted for under the provisions of U.S. GAAP.

APO Corp. is required to file a standalone Federal corporate tax return, as well as filing standalone corporate state tax returns in New York and California. In addition, various subsidiaries of the Company file NYC UBT returns and others file corporate tax returns in foreign jurisdictions as required. APO Corp. s effective tax rate was approximately (43.18)%, 1.26% and 0.54% for the years ended December 31, 2009, 2008 and 2007, respectively.

The (provision) benefit for income taxes is presented in the following table:

	Year Ended December 31,		
	2009	2008	2007
Current:			
Foreign income tax	$ (3,993)	$ (2,688)	$ (2,507)
NYC UBT	(5,661)	(4,366)	(5,085)
Subtotal	(9,654)	(7,054)	(7,592)
Deferred:			
Federal income tax	(2,666)	19,779	(1,596)
Foreign income tax	(1,045)		
State and local income tax (net of federal (benefit) provision)	(14,398)	14,328	(276)
NYC UBT	(951)	9,942	2,738
Subtotal	(19,060)	44,049	866
Total Income Tax (Provision) Benefit	$ (28,714)	$ 36,995	$ (6,726)

For 2009, 2008 and 2007, the amount of federal income tax (benefit) provision netted in the deferred state and local income tax amounts were $(7.9) million, $7.6 million and $0 million, respectively.

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the consolidated and combined statements of financial condition. These temporary differences result in taxable or deductible amounts in future years.

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The Company s deferred tax assets and liabilities on the consolidated and combined statements of financial condition consist of the following:

	December 31, 2009	December 31, 2008
Deferred Tax Assets:		
Depreciation and amortization	$ 540,907	$ 576,304
Revenue recognition	46,015	40,994
Net operating loss carry forward	32,010	21,143
Unrealized gains	2,243	10,689
Equity-based compensation	19,952	8,553
Other	3,268	11,340
Total Deferred Tax Assets	$ 644,395	$ 669,023
Deferred Tax Liabilities:		
Other	2,754	6,330
Total Deferred Tax Liabilities	$ 2,754	$ 6,330

The Company has recorded a significant deferred tax asset for the future amortization of tax basis intangibles resulting from the investment by the Strategic Investors. The amortization period for these tax basis intangibles is 15 years and accordingly, the related deferred tax assets will reverse over the same period.

The Company has a cumulative tax loss of $79.9 million and recorded a total tax benefit of $32.0 million for the benefit of the carry forward of such taxable loss. The material portion of these tax benefits will begin to expire in 2027.

The Company considered the 15 year amortization period of the tax basis intangibles and the 20 year carry forward period for its taxable loss in evaluating whether it should establish a valuation allowance. The Company also considered large recurring book expenses that do not provide a corresponding reduction in taxable income. The Company s short term and long term projections anticipate positive book income. In addition, the Company s projection of future taxable income include the effects of originating and reversing temporary differences including those for the tax basis intangibles, indicate that deferred tax liabilities will reverse substantially in the same period and jurisdiction and are of the same character as the temporary differences giving rise to the deferred tax asset. Based upon this positive evidence, the Company has concluded it is more likely than not that the deferred tax asset inclusive of the 2008 and 2009 tax losses, will be realized and that no valuation allowance is needed at December 31, 2009.

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The following table reconciles the provision for taxes to the U.S. federal statutory tax rate:

	Year Ended December 31,		
	2009	2008	2007
Reconciliation of the Statutory Income Tax Rate:			
U.S. Statutory Federal income tax rate	35.00%	35.00%	35.00%
Income passed through to Non-Controlling Interests	38.15	(27.51)	(39.20)
Income passed through to Class A holders	46.04	(3.88)	
Equity-based compensation	(146.43)	(2.84)	3.55
Foreign income taxes	(6.98)	(0.09)	0.20
State and local income taxes	(30.74)	0.46	0.20
Amortization and other accrual adjustments	22.18		
Other	(0.40)	0.12	0.79
Effective Income Tax Rate	(43.18)%	1.26%	0.54%

Under U.S. GAAP a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

We recognize tax liabilities in accordance with U.S. GAAP and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

The Company analyzed its tax filing position in all of the federal, state and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open years in these jurisdictions. Based on this review, no reserves for uncertain tax positions were required to have been recorded. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record significant amounts of unrecognized tax benefits within the next twelve months.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business the Company is subject to examination by federal and certain state, local, and foreign regulators. As of December 31, 2009, Apollo and its predecessor entities U.S. federal income tax returns for the years 2006 through 2008 are open under the normal statute of limitations and therefore subject to examination. The 2005 through 2008 state and local tax returns are generally subject to audit.

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10. DEBT

Debt consists of the following:

	December 31, 2009		December 31, 2008	
	Outstanding Balance	Annualized weighted average interest rate	Outstanding Balance	Annualized weighted average interest rate
AMH Credit Agreement	$ 909,091	5.15%[(1)]	$ 1,000,000	5.90%[(1)]
CIT Secured Loan Agreement	24,743	3.64	26,005	5.79
Total Debt	$ 933,834	5.11%	$ 1,026,005	5.90%

(1) Includes the effect of interest rate swaps.

AMH Credit Agreement On April 20, 2007, AMH entered into a $1.0 billion seven-year credit agreement. Interest payable under the agreement may from time to time be based on Eurodollar (LIBOR) or Alternate Base Rate (ABR) as determined by the borrower. With respect to the AMH credit agreement, via swaps AMH has irrevocably elected three-month LIBOR for $433 million of the debt for three years and $167 million of the debt for five years. The remaining $400 million of the debt is computed currently based on three-month LIBOR. The interest rate of the Eurodollar loan will be the daily Eurodollar rate plus the applicable margin rate (1.25% and 1.50% as of December 31, 2009 and 2008, respectively). The interest rate on the ABR term loan, for any day, will be the greater of (a) the prime rate in effect on such day, or (b) the Federal Funds Rate in effect on such day plus 1/2 of 1% and the applicable margin rate of 0.5%. The AMH loan matures in April 2014. The interest rate at December 31, 2008 on the loan was 3.68%. At December 31, 2009 the interest rate on the loan was 1.52%. During April and May 2009, the Company repurchased a combined $90.9 million of face value of debt for $54.7 million and recognized a gain of $36.2 million within other income in the consolidated and combined statements of operations. At December 31, 2009 and 2008, the estimated fair value of the Company s long term debt obligation related to the AMH credit agreement is approximately $762.8 million and $769.7 million, respectively. These amounts were based on a yield analysis using available market data of comparable securities with similar terms and remaining maturities. The $909.1 million carrying value of debt that is recorded on the consolidated statement of financial condition at December 31, 2009 is the amount that the Company expects to settle the AMH Credit Agreement.

As of December 31, 2009, the credit agreement is guaranteed by, and is collateralized by substantially all the assets of, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH, as well as cash proceeds from the sale of assets or similar recovery events and any cash deposited pursuant to the excess cash flow covenant, which will be deposited as cash collateral to the extent necessary as set out in the credit agreement. The proceeds of the term loan have substantially all been distributed to the Managing Partners. As of December 31, 2008, the credit agreement was collateralized by Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P. and AMH. At December 31, 2009, the consolidated net assets (deficit) of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH were $13.2 million, $(7.8) million, $37.0 million, $70.2 million and $(1,284.1) million, respectively. At December 31, 2008, the consolidated net deficits of Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P. and AMH were $(61.1) million, $(7.2) million and $(1,342.1) million,

respectively.

In accordance with the AMH credit agreement, Apollo Principal Holdings II, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings IX, L.P. and AMH and their

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subsidiaries are subject to certain negative and affirmative covenants. Among other things, the credit agreement includes an excess cash flow covenant and an asset sales covenant. The AMH credit agreement does not contain any financial maintenance covenants.

The excess cash flow covenant provides that if AMH s debt to EBITDA ratio as of the end of any fiscal year exceeds the level set forth below (the Excess Sweep Leverage Ratio), AMH must deposit its excess cash flow (as defined in the AMH Credit Agreement) in the cash collateral account to the extent necessary to reduce the debt to EBITDA ratio on a pro forma basis as of the end of such fiscal year to 0.25 to 1.00 below the Excess Sweep Leverage Ratio. The Excess Sweep Leverage Ratio per the AMH Credit Agreement is 4.75 to 1.00 for 2008; 4.25 to 1.00 for 2009; 4.00 to 1.00 for 2010; 4.00 to 1.00 for 2011; and 4.00 to 1.00 for 2012. Beginning in 2010, AMH must deposit excess cash flow in the cash collateral account to the extent necessary to reduce the debt to EBITDA ratio on a pro forma basis as of the end of each fiscal year to 3.25 to 1.00.

The asset sales covenant provides that if AMH receives net cash proceeds from certain non-ordinary course asset sales, then such net cash proceeds shall be deposited in the cash collateral account to the extent necessary to reduce its debt to EBITDA ratio on a pro forma basis as of the last day of the most recently completed fiscal quarter (after giving effect to such non-ordinary course asset sale and such deposit) to (i) for 2010, 2011 and 2012, a debt to EBITDA ratio of 3.50 to 1.00 and (ii) for all other years, a debt to EBITDA ratio of 4.00 to 1.00. As of December 31, 2009, the Company was not aware of any instances of non-compliance with the AMH Credit Agreement. See note 8 for discussion of the swaps associated with the AMH Credit Agreement.

The AMH Credit Agreement contains customary events of default, including events of default arising from non-payment, material misrepresentations, breaches of covenants, cross default to material indebtedness, bankruptcy and changes in control of AMH.

CIT Secured Loan Agreement During the second quarter of 2008, the Company entered into four secured loan agreements totaling $26.9 million with CIT Group/Equipment Financing Inc. (CIT) to finance the purchase of fixed assets. The loans bear interest at LIBOR plus 318 basis points per annum with interest and principal to be repaid monthly and a balloon payment of the remaining principal totaling $20.1 million due at the end of the terms in April and June 2013. At December 31, 2009, the interest rate was 3.42%.

Convertible Debt Issued to Strategic Investors On July 13, 2007, the Company issued convertible notes with a principal amount of $1.2 billion to the Strategic Investors. The notes bore interest at 7% per annum and had a stated 15-year term. Apollo incurred approximately $44.3 million in costs in conjunction with the issuance of the debt. The notes included provisions calling for either an optional or mandatory conversion of the loan to non-voting Class A shares at a conversion price of $20 per share. The mandatory conversion occurred at the time of the Private Placement, which was completed on August 8, 2007 at $24 per share. On the conversion date, the unamortized deferred debt issuance costs of $44.1 million were written off and included as a component of interest expense.

The intrinsic value calculated at the commitment date is based on the fair value of the Company as determined through an independent valuation. The intrinsic value of the beneficial conversion feature (BCF) was approximately $240 million based on the difference between the conversion price of $20 per share and $24 fair value per share and given the conversion of the $1.2 billion notes into 60,000,001 Class A shares. The BCF was charged to interest expense upon conversion of the notes. At that time, the $1.2 billion of notes held by the Strategic Investors converted to 60,000,001 Class A shares. Additionally, the Company paid approximately $6.1 million of interest while the notes were outstanding prior to conversion.

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As of December 31, 2009, the Company s debt obligations have contractual maturities as follows:

	2010	2011	2012	2013	2014	Thereafter	Total
Contractual maturities	$ 1,492	$ 1,377	$ 1,377	$ 20,497	$ 909,091	$	$ 933,834

11. NET LOSS PER CLASS A SHARE

Basic and diluted weighted average Class A shares outstanding are as follows:

	Basic and Diluted		
	Year Ended December 31, 2009	Year Ended December 31, 2008	July 13, 2007 Through December 31, 2007
Apollo Global Management, LLC, Class A shares	95,624,541	97,324,541	97,324,541
Weighted average Class A shares outstanding	95,815,500	97,324,541	82,152,883

Basic and diluted net loss per Class A share is calculated as follows:

	Basic and Diluted		
	Year Ended December 31, 2009	Year Ended December 31, 2008	July 13, 2007 Through December 31, 2007
Net loss available to Class A shareholders	$ (155,176)	$ (912,258)	$ (962,107)
Weighted average Class A shares outstanding	95,815,500	97,324,541	82,152,883
Net loss per Class A share	$ (1.62)	$ (9.37)	$ (11.71)

Prior to the Company s Reorganization, there was no single capital structure of the Apollo Operating Group upon which to calculate earnings per share information. Accordingly, earnings per share information is not meaningful for periods prior to the Reorganization and has not been presented.

On August 8, 2007, the Company issued 34,500,000 Class A shares in connection with the Private Placement, which also triggered the issuance of 60,000,001 Class A shares as a result of the conversion of the notes issued to the Strategic Investor. The Private Placement also included an option to purchase additional shares. On August 31, 2007, the initial purchasers exercised their option to purchase additional shares, which closed on September 5, 2007 and resulted in the issuance of 2,824,540 shares. An additional over allotment purchase option of 2,375,460 shares has expired unexercised.

Basic and diluted loss per unit are identical in each year presented, as application of the treasury method for Apollo Class A share equivalents for the AOG Units for vested and unvested units are anti-dilutive. For the year ended December 31, 2009 and 2008, and for the period from July 13, 2007 through December 31, 2007, had the Class A shares been dilutive, the Company would have: (1) included an additional 240,000,000 shares from the conversion of the Class B share and vested shares from its Apollo Global Management restricted share units (RSUs) in the determination of diluted net income per Class A share and (2) adjusted net income related to amortization of the AOG Units and RSUs, as well

as its related tax effects.

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Holders of AOG Units are subject to the vesting requirements and transfer restrictions set forth in the agreements with the respective holders, and may up to 4 times each year (subject to the terms of the exchange agreement) exchange their AOG Units for Class A shares on a one-for-one basis. A limited partner must exchange one partnership unit in each of the Apollo Operating Group partnerships to effect an exchange for one Class A share. Prior to their conversion, AOG Units would not have rights to undistributed earnings (losses) of Apollo that otherwise would have been available to common shareholders. As a result, the AOG Units are not considered participating securities under U.S. GAAP. If fully converted, the result would be an additional 240,000,000 Class A shares added to the basic earnings per share calculation. Consequently, the Company applies the if converted method to determine the dilutive effect, if any, that the exchange of all AOG Units would have on basic earnings per Class A share. The assumed exchange of AOG Units includes an assumed tax effect resulting from the increased income (loss) allocated to the Company on the exchange of the AOG Units.

In addition to the vested RSUs as of December 31, 2009 and 2008, approximately 1.7 million RSUs granted to Apollo employees are entitled to distribution equivalents any time a dividend is declared. Once distributed to the employees, the distribution equivalents will not be returned to Apollo upon forfeiture of the award by such employee. Under U.S. GAAP, the unvested RSUs granted that are entitled to distribution equivalents are considered participating securities. Because no dividends were declared subsequent to the grant date of the unvested participating RSUs and these unvested RSUs are not subject to any contractual obligation to share in losses of the Company, the use of the two-class method was not required to separately present the unvested participating RSUs in the net loss per Class A share calculation.

Apollo has one Class B share held by Holdings. The voting power of the Class B share is reduced on a one vote per one AOG Unit basis in the event of an exchange of AOG Units for Class A shares, as discussed above. The Class B share has no net income (loss) per share as it does not participate in Apollo s earnings (losses) or distributions. The Class B share has no dividend or liquidation rights. The Class B share has voting rights on a pari passu basis with the Class A shares. The number of Class B shares outstanding did not change subsequent to the Private Placement. The Class B share has a super voting power of 240,000,000 votes.

The convertible debt issued to the Strategic Investors has participation rights in certain income under certain circumstances for the period from July 13, 2007 until August 8, 2007 (Private Placement) based on the number of Class A shares that the debt converted into (60,000,001 Class A shares). These shares are included in the computation of both basic and diluted earnings per Class A share using the two-class method for participating securities, in accordance with U.S. GAAP. Additionally, the interest expense associated with the convertible debt (including the BCF charge) has not been added back because the effect of doing so would be anti-dilutive.

On February 11, 2009, Apollo repurchased 1.7 million Class A shares for $2 per share. The repurchase was followed by a corresponding exchange and cancellation of AOG Units by the Apollo Operating Group. The Company s ownership interest in the Apollo Operating Group was 28.9% prior to the repurchase and 28.5% after the repurchase. As Holdings did not sell any AOG Units back, their ownership in the Apollo Operating Group increased from 71.1% to 71.5%.

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In accordance with new U.S. GAAP guidance on Non-Controlling Interests, companies are required to provide a pro-forma presentation of the pro-forma consolidated net income attributable to the parent and pro-forma earnings per share in the year of adoption of the guidance, if the results under prior guidance would have been significantly different. The following table presents the pro-forma impact to the Company s net loss and earnings per share had losses not been allocated to our Non-Controlling Interests in excess of their basis:

	Pro-Forma Year Ended December 31, 2009	
Net Loss Attributable to Apollo Global Management, LLC:		
Net Loss - as Reported	$	(155,176)
Net Losses Allocated to Non-Controlling Interests in Apollo Operating Group		(400,440)
Net Loss - Pro-Forma	$	(555,616)
Earnings per Share:		
Net Loss per Class A Share Attributable to Apollo Global Management, LLC - as Reported	$	(1.62)
Adjustment per Class A Share for Losses Attributable to Apollo Operating Group		(4.18)
Net Loss per Class A Share Attributable to Apollo Global Management, LLC - Pro-Forma	$	(5.80)

12. EQUITY-BASED COMPENSATION

AOG Units

At the time of the Reorganization, the Managing Partners and Contributing Partners received 240,000,000 AOG Units, all of which will vest over a period of either 60 or 72 months. The Reorganization agreements specify that the service inception date commenced on January 1, 2007 for the Managing Partners. The Company is accounting for the unvested AOG Units as compensation expense in accordance with U.S. GAAP. The unvested AOG Units are charged to compensation expense as the AOG Units vest over the service period on a straight-line basis. Compensation expense for the Contributing Partners has been calculated based on the enterprise fair value, which was determined based upon expected future cash flows, discounted back to present value of $28 per share as of July 13, 2007 less a 29% discount to reflect transfer restrictions. Additionally, the calculation of the compensation expense assumes a forfeiture rate for the Contributing Partners of up to 3%, based on Apollo s historical turnover experience. The Managing Partners compensation expense is also based on $28 per share less a 14% discount to reflect transfer restrictions on the Managing Partners units for certain restrictions, which include satisfaction of certain criteria related to transferability and ability to cause a change in control in the entity. The Managing Partners entered into an agreement among themselves (the Principals Agreement) which provides that, in the event a Managing Partner voluntarily terminates his employment with Apollo Global Management, LLC for any reason prior to January 1, 2012 or January 1, 2013, a portion of the equity interests held by that Managing Partner as of the completion of the Private Placement will be forfeited to the remaining Managing Partners who are employed by Apollo Global Management, LLC generally as of the date of such termination of employment. Generally, upon the termination of a Managing Partner s employment, for any reason, all unvested AOG Units received by the Managing Partner will be immediately forfeited without any payment or consideration; provided that (1) if such termination is due to death or permanent disability, 100% or 50%, respectively, of the unvested AOG Units will become vested, or (2) if such termination occurs in connection with a resignation or retirement, the amount forfeited is the number of unvested units. In the event

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that a Managing Partner breaches his or her restrictive covenants or is terminated for cause, all AOG Units (whether vested or unvested), and any AOG Units then held by the Managing Partner in respect of previously delivered unvested AOG Units, will be forfeited. Additionally, in connection with certain change of control events, any unvested AOG Units will automatically be deemed vested immediately prior to such change in control and their delivery may be accelerated. The terms of the Principals Agreement provided for partial vesting of the AOG Units as if they were granted on January 1, 2007, therefore six months of expense was recognized on July 13, 2007.

As a result of the service requirement, the fair value of the AOG Units of approximately $5.6 billion will be charged to compensation expense on a straight-line basis over the five or six year service period, as applicable. Accordingly, we have recognized $1,033.3 million, $1,034.9 million and $980.7 million of compensation expense in the Company s consolidated and combined statements of operations for the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009, there was $2.6 billion of total unrecognized compensation cost related to unvested shares that is expected to vest over the next three to four years.

	Apollo Operating Group Units	Weighted Average Grant Date Fair Value
Balance at July 13, 2007		$
Granted	240,000,000	23.49
Forfeited		
Vested	(41,275,930)	23.75
Balance at December 31, 2007	198,724,070	23.43
Granted		
Forfeited		
Vested	(43,984,314)	23.53
Balance at December 31, 2008	154,739,756	23.41
Granted		
Forfeited		
Vested	(43,907,662)	23.53
Balance at December 31, 2009	110,832,094	$ 23.35

Units Expected to Vest As of December 31, 2009, 110,295,527 of unvested AOG Units are expected to vest over the next three to four years.

RSUs

On October 24, 2007, the Company commenced the granting of Apollo Global Management, LLC units in the form of RSUs. These grants are accounted for as a grant of equity awards in accordance with U.S. GAAP. All of the RSUs granted in 2009 were granted to the Company s employees under the Company s equity compensation plan. The fair value of these plan-based awards was approximately $10.0 million, which is based on valuation methods that consider market comparables for transfer restrictions and lack of distributions until vested. For bonus grant awards, the valuation methods consider transfer restrictions and timing of distributions. Both valuations consider that dividend equivalents are paid in January of the next year after a dividend on Class A shares was declared. The total fair value will be charged to compensation expense on a straight-line basis over

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the vesting period, which can be twenty four quarters or annual vesting over 3 years. The forfeiture rate was 6.6%, 2.9% and 0.0% in 2009, 2008 and 2007 respectively. For the years ended December 31, 2009, 2008 and 2007, $60.7 million, $75.4 million and $5.3 million of compensation expense was recognized, respectively.

The following table summarizes RSU activity for the years ended December 31, 2009, 2008 and 2007:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RSUs Issued
Balance at July 13, 2007		$		
Granted	20,477,101	15.30		20,477,101
Forfeited				
Vested				
Balance at December 31, 2007	20,477,101	15.30		20,477,101
Granted	11,106,232	6.02		11,106,232
Forfeited	(925,003)	14.72		(925,003)
Vested	(5,986,867)	13.00	5,986,867	
Balance at December 31, 2008	24,671,463	11.70	5,986,867	30,658,330
Granted	3,221,335	3.09		3,221,335
Forfeited	(1,849,650)	10.08		(1,849,650)
Vested	(6,105,152)	10.37	6,105,152	
Balance at December 31, 2009	19,937,996	$ 10.87	12,092,019	32,030,015

Units Expected to Vest As of December 31, 2009, 18,741,716 RSUs are expected to vest.

RDUs

On June 15, 2006, the Company s subsidiary, AAA Holdings, L.P., purchased 3,700,000 RDUs of AP Alternative Assets, L.P. for $74.0 million. These units were purchased as part of the global private placement of AAA RDUs. During the year ended December 31, 2008, the Company s subsidiary, AAA Holdings, L.P. purchased an additional 2.2 million units of AAA for an aggregate purchase price of $26.2 million.

Incentive units that provide the right to receive RDUs following vesting are granted periodically to employees of Apollo Global Management, LLC and its affiliated management companies. These grants are accounted for as equity awards in accordance with U.S. GAAP. The RDUs subject to incentive units granted to employees generally vest over three years. In contrast, the Company s Managing Partners and Contributing Partners have received distributions of fully vested RDUs. The fair value of the grants are recognized on a straight-line basis over the vesting period (or upon grant in the case of fully vested RDUs). Vested RDUs can be converted into ordinary common units of AAA.

For the year ended December 31, 2007, 513,524 RDUs and 253,474 RDUs were granted to the Company s Managing Partners and Contributing Partners, respectively, prior to the Reorganization, which were treated as equity distributions in the amount of $10.3 million and $5.1 million,

respectively. For the year ended December 31, 2008, the Company granted awards covering a total of 2,422,496 RDUs, of those granted,

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982,839 RDUs were granted to the Company s Managing Partners as part of the contingent consideration distributed to the Managing Partners in exchange for their interests that were purchased during the Reorganization, which were treated as equity distributions in the amount of $12.7 million. As part of the total grants in 2008, 583,690 RDUs were granted to the Company s Contributing Partners, resulting in a compensation expense of $7.6 million for the year and 855,967 RDUs were granted to certain employees of the Company, resulting in an additional compensation expense of $7.3 million for the year. As of December 31, 2008, all units awarded to the Managing Partners and Contributing Partners were fully vested and delivered. The Company has not made any significant grants in 2009 of either RDUs or incentive units covering RDUs.

The forfeiture rate for unvested RDUs was 11.0%, 3.9% and 0.4% for the years ended December 31, 2009, 2008 and 2007, respectively. For the years ended December 31, 2009, 2008 and 2007, $5.8 million, $14.9 million and $3.9 million of compensation expense was recognized, respectively. There was $6.2 million and $6.8 million of vested but undelivered RDUs included in accrued compensation in the consolidated and combined financial statements as of December 31, 2009 and 2008, respectively.

The following table summarizes RDU activity for the year ended December 31, 2009, 2008 and 2007:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of RDUs Issued
Balance at January 1, 2007		$ 19.60		
Granted	1,354,998	19.60		1,354,998
Forfeited	(5,000)	19.60		(5,000)
Vested	(942,997)	19.60	942,997	
Balance at December 31, 2007	407,001	19.60	942,997	1,349,998
Granted	2,422,496	13.00		2,422,496
Forfeited	(110,546)	14.40		(110,546)
Vested	(2,040,302)	13.63	2,040,302	
Balance at December 31, 2008	678,649	14.57	2,983,299	3,661,948
Granted	2,667	1.07		2,667
Forfeited	(74,870)	14.23		(74,870)
Vested	(385,225)	15.65	385,225	
Balance at December 31, 2009	221,221	$ 12.95	3,368,524	3,589,745

Units Expected to Vest As of December 31, 2009, 194,674 RDUs are expected to vest.

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The following table summarizes the activity of RDUs available for future grants:

	RDUs Available For Future Grants
Balance at January 1, 2008	2,439,724
Purchases	2,175,139
Granted	(2,422,496)
Forfeited	110,546
Balance at December 31, 2008	2,302,913
Purchases	43,412
Granted	(2,667)
Forfeited	74,870
Balance at December 31, 2009	2,418,528

Restricted Stock Awards Apollo Commercial Real Estate Finance, Inc. (ACREF)

On September 29, 2009, 97,500 and 140,000 shares of ACREF restricted stock were granted to the Company and certain of the Company s employees, respectively. The fair value of the Company and employee awards is $1.8 million and $2.7 million, respectively. Additionally, on December 31, 2009, 5,000 shares of ACREF restricted stock awards were granted to the Company s employees. These awards vest over three years or twelve quarters with the first quarter vesting on January 1, 2010. The awards granted to the Company are accounted for as investments and deferred revenue in the consolidated and combined statement of financial condition. As these awards vest, the deferred revenue is recognized as management fees. The investment is accounted for using the equity method of accounting for awards granted to the Company and as a deferred compensation asset for the awards granted to employees. Compensation expense will be recognized on a straight line-basis over the vesting period for the awards granted to the employees. For the year ended December 31, 2009, $0.4 million of management fees and $0.2 million of compensation expense was recognized in the consolidated and combined statements of operations.

The following table summarizes activity for the ACREF restricted stock awards that were granted to both the Company and its employees for the year ended December 31, 2009:

	Unvested	Weighted Average Grant Date Fair Value	Vested	Total Number of Restricted Stock Awards Issued
Balance at January 1, 2009		$		
Granted employees of the Company	145,000	18.46		145,000
Granted the Company	97,500	18.48		97,500
Vested				

Balance at December 31, 2009	242,500	$ 18.47	242,500

Units Expected to Vest As of December 31, 2009, 227,950 ACREF restricted stock awards are expected to vest.

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Equity-based compensation is allocated based on ownership interests. Therefore, the amortization of the AOG Units is allocated to Shareholders Equity and the Non-Controlling Interests, which results in a difference in the amounts charged to equity-based compensation expense and the amounts credited to Shareholders Equity in the Company s consolidated and combined financial statements. Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2009:

	Total Amount	Non-Controlling Interests % in Apollo Operating Group	Allocated to Non-Controlling Interests in Apollo Operating Group (1)	Allocated to Apollo Global Management, LLC
AOG Units	$ 1,033,343	71.5%	$ 738,431	$ 294,912
RSUs	60,747			60,747
ACREF Restricted Stock Awards	217	71.5%	155	62
RDUs	5,799	71.5%	4,146	1,653
Total Equity-based Compensation	$ 1,100,106		$ 742,732	$ 357,374
Less RDUs and ACREF Restricted Stock Awards			(4,301)	(1,715)
Capital Increase Related to Equity-based Compensation			$ 738,431	$ 355,659

(1) Calculation based on average ownership percentage for the period after considering Class A share repurchase that took place in February 2009.

Below is a reconciliation of the equity-based compensation allocated to Apollo Global Management, LLC for the year ended December 31, 2008:

	Total Amount	Non-Controlling Interests % in Apollo Operating Group	Allocated to Non-Controlling Interests in Apollo Operating Group	Allocated to Apollo Global Management, LLC
AOG Units	$ 1,034,876	71.1%	$ 736,387	$ 298,489
RSUs	75,414			75,414
RDUs	14,894	71.1%	10,597	4,297
Total Equity-based Compensation	$ 1,125,184		$ 746,984	378,200
Less RDUs			(10,597)	(4,297)

Capital Increase Related to Equity-based Compensation	$ 736,387	$ 373,903

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13. RELATED PARTY TRANSACTIONS

As a management company, the Company is responsible for paying certain operating costs incurred by the funds and affiliates. These costs are reimbursable to the Company from the funds and are included in due from affiliates. Due from affiliates and due to affiliates are comprised of the following:

	December 31,	
	2009	**2008**
Due from Affiliates:		
Management and advisory fees receivable from capital markets funds	$ 25,904	$ 23,512
Due from private equity funds	17,120	22,310
Due from capital markets funds	12,574	8,627
Due from portfolio companies	62,379	64,475
Due from related party real estate management companies[(1)]		5,500
Due from Contributing Partners, employees and former employees	12,134	17,918
Other	3,567	2,837
Total Due From Affiliates	$ 133,678	$ 145,179
Due to Affiliates:		
Due to Managing Partners and Contributing Partners in connection with the tax receivable agreement	$ 514,044	$ 516,582
Due to Managing Partners	764	966
Due to private equity funds	32,046	34,429
Due to capital markets funds	314	38,617
Other	1,425	428
Total Due To Affiliates	$ 548,593	$ 591,022

(1) Due from related party real estate management companies primarily represents expense allocations from the Company.

Tax Receivable Agreement

Subject to certain restrictions, each of the Managing Partners and Contributing Partners has the right to exchange their vested AOG Units for the Company s Class A shares. Certain Apollo Operating Group entities have made an election under Section 754 of the U.S. Internal Revenue Code, as amended, which results in an adjustment to the tax basis of the assets owned by Apollo Operating Group at the time of the exchange. These exchanges will result in increases in tax deductions that will reduce the amount of tax that APO Corp. will otherwise be required to pay in the future. Additionally, the further acquisition of AOG Units from the Managing Partners and Contributing Partners also may result in increases in tax deductions and tax basis of assets that will further reduce the amount of tax that APO Corp. will otherwise be required to pay in the future.

APO Corp. entered into a tax receivable agreement with the Managing Partners and Contributing Partners that provides for the payment of 85% of the amount of cash savings, if any, in U.S. Federal, state, local and foreign income taxes that APO Corp. would realize, as defined in the agreement, as a result of the increases in tax basis of assets that resulted from the investment by the Strategic Investors. For purposes of the tax

receivable agreement, cash savings in income tax will be computed by comparing the actual income tax liability of APO Corp. to the amount of such taxes that APO Corp. would have been required to pay had there been no increase to

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the tax basis of the tangible and intangible assets of APO Corp. as a result of the exchanges and had APO Corp. not entered into the tax receivable agreement. These payments are expected to occur approximately over the next 20 years. As a result, a $520.3 million capital decrease and corresponding liability was recorded.

In December 2008, the Company made a cash payment to the Managing Partners and Contributing Partners amounting to $3.7 million resulting from the tax savings from the tax receivable agreement for the 2007 tax year. In September 2009, the Company made a $9.1 million payment against the tax receivable agreement from proceeds distributed by the Apollo Operating Group. In December 2009, the Company increased the liability an additional $6.6 million, due to a change in the projected state tax rates, thus increasing future tax savings resulting from the tax receivable agreement.

Additionally, the Managing Partners have agreed to defer 25% of their Tax Receivable Agreement payments for the 2010 tax year for a period of four years.

Special Allocation

In December 2009, the AMH partnership agreement was amended to provide for special allocations of income to APO Corp. and a reduction of income allocated to Holdings for the 2009 and 2010 calendar years. The amendment allows for a maximum allocation of income from Holdings of approximately $22.1 million in 2009 and reduces the income allocation to Holdings from 71.5% to 0% in 2010. As a result, the Company has allocated $22.1 million of AMH income to APO Corp. in 2009 and will not allocate any AMH income or loss in 2010 to Holdings.

Due to Managing Partners

On July 13, 2007, the Company established a payable for the amount of undistributed earnings of the contributed businesses, as discussed in note 1 under Reorganization of the Company. On October 8, 2008, the Investment Advisory Board of Fund IV and V agreed to not sell a portfolio company to Fund VI. This decision caused the remaining payable to be reversed. The reversal caused approximately $11.6 million to be accounted for as an equity contribution from the Managing Partners.

Due from Portfolio Companies

Apollo is entitled to receive advisory and transaction fees related to the acquisition and disposition of portfolio companies as well as ongoing monitoring of structured vehicle entities and portfolio company operations. From time to time, the Company also pays expenses on behalf of portfolio companies of the funds that it manages. These expenses normally relate to third-party costs. These charges are billed to and collected from the portfolio companies on a periodic basis.

Due from Contributing Partners, Employees and Former Employees

The Company has accrued a receivable from Contributing Partners, employees and former employees for the potential return of carried interest income that would be due if the private equity funds were liquidated at the balance sheet date. Also see Due to Private Equity Funds.

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Transactions with the Funds

Private Equity Funds

The agreements entered into with the funds allow the Company to receive management fees, payable semi-annually in advance. During the years ended December 31, 2009, 2008 and 2007, these fees ranged from 0.65% to 1.5% per annum of the aggregate third-party capital commitments of the funds invested capital or assets under management as defined by the relevant management agreement with the exception of management fees received by Apollo Alternative Assets, L.P. Management fees are reduced pursuant to the limited partnership agreements of the funds by a percentage of advisory fees and transaction fees received by the Company, net of costs of unconsummated transactions. Percentages, formula calculations, underlying agreements and terms vary and are defined in each management agreement. See note 16 for discussion of revenues earned and expenses incurred for the years ended December 31, 2009, 2008 and 2007.

Capital Markets Funds

The Company derives revenues from management fees and carried interest income. The management fees are calculated and payable based on gross or adjusted assets, capital commitments or the net asset value of the respective funds, as applicable. Management fee percentages generally vary from 0.75% to 2.0% per annum. Net asset value includes the value of investments of the fund, which are valued at fair value by the general partner, managing member or board of directors, as applicable, based on quoted market prices or independent market quotations obtained from recognized pricing services, market participants or other sources. See note 16 for discussion of revenues earned and expenses incurred for the years ended December 31, 2009, 2008 and 2007.

Management Fee Waiver and Notional Investment Program

As part of the Management Fee Waiver and Notional Investment Program, the Company elected to receive, in lieu of cash payment for management fees, profits interests in the funds in the amounts of $19.7 million, $35.7 million and $49.0 million the years ended December 31, 2009, 2008 and 2007, respectively. The Company has forgone a portion of management fee revenue it would have been entitled to receive in cash with respect to certain of the private equity funds it manages, and instead received profits interests in such funds and assigned these profits interests to employees and partners. The amount of management fees waived amounted to $19.7 million, $35.7 million and $27.9 million for the years ended December 31, 2009, 2008, and 2007, respectively. Compensation expense was $19.7 million, $35.4 million, and $21.6 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Prior to Reorganization, profits interests received from unconsolidated funds assigned to certain Managing Partners and Contributing Partners of the Company were treated as equity distributions. As a result, there was $27.4 million of profits interests received and accounted for as a distribution to Managing Partners and Contributing Partners during the year ended December 31, 2007.

During 2009 and 2008, the Company also paid $4.1 million and $0.7 million, respectively, to acquire additional ownership interests in Fund VI and Fund VII in connection with employees leaving the Company.

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Dividends/Distributions

The declaration, payment and determination of the amount of quarterly dividends are at the sole discretion of the Company.

On September 9, 2009, the Apollo Operating Group made a total distribution of $27.0 million to APO Corp. and Holdings, in accordance with their pro rata interests, to satisfy the liability under the tax receivable agreement. We distributed $17.9 million to the Managing Partners and Contributing Partners through their ownership of Holdings with the remaining $9.1 million being paid to APO Corp. to pay its liability under the tax receivable agreement.

On January 8, 2009, the Company declared a cash dividend of $0.05 per Class A share, which was paid on January 15, 2009. Of the $16.9 million aggregate distribution from the Apollo Operating Group, the Company received $4.9 million, and the remaining $12.0 million was paid to Holdings related to the tax year ended December 31, 2008. The Company also accrued $0.3 million for distribution equivalents on vested RSUs, which were paid in January 2010.

During December 2008, the Apollo Operating Group made a total distribution of $18.1 million to APO Corp. and Holdings, in accordance with their pro rata interests, to satisfy the liability under the tax receivable agreement for a portion of the tax savings APO Corp. realized as result of the acquisition of AOG Units from the Managing Partners and the Contributing Partners. We distributed $14.4 million to the Managing Partners and Contributing Partners through their ownership of Holdings, with the remaining $3.7 million being paid to APO Corp. to pay its liability under the tax receivable agreement.

The Company accrued $0.4 million in distribution equivalents during the third quarter of 2008, which related to unvested RSUs granted to employees that are subject to accelerated vesting conditions in respect of distributions in accordance with the Apollo Global Management, LLC 2007 Omnibus Equity Incentive Plan. These amounts were paid in January 2009.

On July 15, 2008, the Company declared a cash distribution amounting to $0.23 per Class A share, which included a second quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.07 per Class A share that primarily related to realizations from (i) portfolio companies, (ii) dividend income from a portfolio company, and (iii) interest income related to debt investments. This $77.6 million aggregate distribution was paid to the owners of the Apollo Operating Group. Of this amount, $22.4 million was received by Apollo Global Management, LLC and distributed on July 25, 2008, to its Class A shareholders of record on July 18, 2008, and the remaining $55.2 million was paid to Holdings.

On April 4, 2008, the Company declared a cash distribution amounting to $0.33 per Class A share, which included a first quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.17 per Class A share that primarily related to the realization of a fund portfolio company in February 2008. The $111.3 million aggregate distribution was paid to the owners of the Apollo Operating Group. Of this amount, $32.2 million was received by Apollo Global Management, LLC and distributed to its Class A shareholders of record on April 18, 2008, and the remaining $79.1 million was paid to Holdings.

The dividends declared in 2009 and 2008 are returns of amounts paid in by our Class A shareholders. All cash distributions paid to our Class A shareholders in 2009 and 2008 have been charged against additional paid in capital.

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Due to Private Equity Funds

On June 30, 2008, the Company entered into a credit agreement with Fund VI, pursuant to which Fund VI advanced $18.9 million of carried interest income to the limited partners of Apollo Advisors VI, L.P., who are also employees of the Company. The $18.9 million was otherwise distributable to the Company based on the respective partnership agreement between the Company and Fund VI. The $18.9 million loan accrues interest at an annual fixed rate of 3.45% and terminates on the earlier of June 30, 2017 or the termination of Fund VI. As of December 31, 2009, there was accrued interest of $1.0 million on the loan for a total outstanding loan balance of $19.9 million, of which approximately $6.3 million was a receivable from Contributing Partners and employees.

Assuming Fund VI liquidated on the balance sheet date, the Company has also accrued a liability to Fund VI of $13.1 million in association with the potential general partner obligation to return carried interest income that was previously distributed from Fund VI. Of this amount, approximately $3.5 million was a receivable from Contributing Partners and employees of the Company. The total liability to Fund VI is $33.0 million including the outstanding loan balance above, of which $9.8 million in total was a receivable from Contributing Partners and employees of the Company as of December 31, 2009.

Indemnity

Carried interest income from our funds can be distributed to us on a current basis, but is subject to repayment by the subsidiary of the Apollo Operating Group that acts as general partner of the fund in the event that certain specified return thresholds are not ultimately achieved. The Managing Partners, Contributing Partners and certain other investment professionals have personally guaranteed, subject to certain limitations, the obligation of these subsidiaries in respect of this general partner obligation. Such guarantees are several and not joint and are limited to a particular Managing Partner s or Contributing Partner s distributions. An existing shareholders agreement includes clauses that indemnify each of our Managing Partners and certain Contributing Partners against all amounts that they pay pursuant to any of these personal guarantees in favor of our funds (including costs and expenses related to investigating the basis for or objecting to any claims made in respect of the guarantees) for all interests that our Managing Partners and Contributing Partners have contributed or sold to the Apollo Operating Group.

Accordingly, in the event that our Managing Partners, Contributing Partners and certain investment professionals are required to pay amounts in connection with a general partner obligation for the return of previously made distributions, we will be obligated to reimburse our Managing Partners and certain Contributing Partners for the indemnifiable percentage of amounts that they are required to pay even though we did not receive the certain distribution to which that general partner obligation related. As of December 31, 2009, the Company has indemnified $23.2 million of such distributions related to Fund VI, which is included in the above accrued liability of $33.0 million due to Fund VI.

Litigation Settlement

On December 29, 2008, pursuant to the terms of a settlement agreement, the Company and certain of its affiliates paid Huntsman Corporation (Huntsman) $425 million. Of this amount, Apollo Management VI, L.P. paid $200 million on behalf of itself and the following Apollo entities: Apollo Management, L.P.; Apollo Global Management, LLC; Apollo Management IV, L.P.; Apollo Advisors IV, L.P.; Apollo Management V, L.P.; and Apollo Advisors V, L.P. As a result, a $200 million litigation settlement is included within the Company s consolidated and combined statements of operations for the year ended December 31, 2008. The remaining portion of the settlement was paid to Huntsman by Hexion Specialty Chemicals, Inc., a portfolio company that is

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outside of the Company s consolidated structure and therefore not included in the Company s financial statements. Hexion Specialty Chemicals, Inc. paid Huntsman $225 million on behalf of itself and the following Apollo entities comprising Apollo Funds IV and V: Apollo Investment Fund IV, L.P.; Apollo Overseas Partners IV, L.P.; Apollo Investment Fund V, L.P.; Apollo Overseas Partners V, L.P.; Apollo Netherlands Partners V(A), L.P.; Apollo Netherlands Partners V(B), L.P.; and Apollo German Partners V GmbH & Co. KG. The impact of this $225 million payment resulted in a decrease of approximately $31 million of carried interest income allocated to the general partner of Fund V. The $425 million payment was in settlement of Huntsman s defamation claim against all of the foregoing entities. The Company subsequently received insurance proceeds of $37.5 million from an insurance policy that covers litigation matters. The $37.5 million was included in other income (loss) within the Company s consolidated and combined statements of operations for the year ended December 31, 2009. There are no pending actions involving the Company or any of its subsidiaries in connection with the Hexion/Huntsman transaction.

Underwriting Fee Paid for ACREF

The Company incurred $8.0 million in underwriting expenses for the benefit of ACREF, which are contingently returnable to the Company if during any period of four consecutive calendar quarters during the sixteen full calendar quarters after the consummation of ACREF s initial public offering on September 29, 2009, their core earnings, as defined in the corresponding management agreement, for any such four-quarter period exceeds an 8% performance hurdle rate.

14. COMMITMENTS AND CONTINGENCIES

Financial Guarantees Apollo has provided financial guarantees on behalf of certain employees for the benefit of unrelated third-party lenders, in connection with their capital commitment to funds managed by Apollo. As of December 31, 2009, the maximum exposure relating to these financial guarantees approximated $5.2 million. Apollo has historically not incurred any liabilities as a result of these agreements and does not expect to in the future. Accordingly, no liability has been recorded in the accompanying consolidated and combined financial statements.

As the general partner of Apollo/Artus Investor 2007-I L.P. (Artus), the Company may be obligated for losses in excess of those allocable to the limited partners to the extent that there is negative equity in that fund. As of December 31, 2009, the maximum exposure to the Company relating to the negative basis was approximately $72.8 million after assuming the fair value of its investments were marked down to zero. Management views the possibility of this occurrence as remote, and as of December 31, 2009, the Company has no obligations to Artus. During the year ended December 31, 2009, the Company also recognized income of $38.4 million from the reversal of a general partner obligation, which is included in net gains (losses) from investment activities in the consolidated and combined statements of operations.

Investment Commitments As a limited partner, the general partner and manager of Apollo s private equity and capital markets funds, Apollo has unfunded capital commitments at December 31, 2009 and 2008 of $201.3 million and $175.7 million, respectively.

Apollo has an ongoing obligation to acquire additional common units of AAA, on a quarterly basis, in an amount equal to 25% of the aggregate after-tax cash distributions, if any, that are made to its affiliates pursuant to the carried interests distribution rights that are applicable to investments made through AAA Investments, L.P.

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Debt Covenants Apollo s debt obligations contain various customary loan covenants. As of December 31, 2009, the Company was not aware of any instances of noncompliance with any of these covenants.

Litigation and Contingencies We are, from time to time, party to various legal actions arising in the ordinary course of business, including claims and litigation, reviews, investigations and proceedings by governmental and self-regulatory agencies regarding our business. Although the ultimate outcome of these matters cannot be ascertained at this time, we are of the opinion, after consultation with counsel, that the resolution of any such matters to which we are a party at this time will not have a material adverse effect on our financial statements. Legal actions material to us could, however, arise in the future.

On or about March 21, 2009, an entity known as LLDVF, L.P., which alleges that it is an investor in certain notes with a face amount of $43,500,000 issued by Linens n Things, Inc. (Linens), commenced an action in the United States District Court for the District of New Jersey against, inter alia, Apollo Management V, L.P., two Apollo partners, certain Apollo investment entities relating to the Linens transaction, certain current and former officers and directors of Linens, and certain other investors in Linens, alleging violations of the Federal securities laws and the making of negligent misrepresentations respecting the financial condition and future prospects of Linens from at least March 27, 2007 until May 2, 2008, the date on which Linens filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. On July 10, 2009, the plaintiff effectuated service of the summons and complaint on the defendants. As stipulated by the parties and ordered by the Court, on September 23, 2009, the plaintiff filed an amended complaint, which asserted the same causes of action as alleged in the original complaint. The defendants moved to dismiss the amended complaint on November 23, 2009, and briefing by the parties on those motions has not been completed. In any event, the Apollo-related defendants deny the material allegations of the complaint and will contest this case vigorously. The Company does not believe that a loss from liability in this case is either probable or reasonably estimable. Defendants have pending motions to dismiss the action and believe the plaintiff s allegations lack factual and legal merit. In any event, the lawsuit is in its preliminary stages, no discovery has been taken and the Court has not heard arguments or ruled on the defendants pending motions to dismiss. As a result, no estimate of possible loss, if any, can be made.

Certain of Apollo s affiliates have received subpoenas from various government regulatory agencies and requests for information from certain Apollo investors seeking information regarding the use of placement agents. We are cooperating with such requests. CalPERS, one of our Strategic Investors, announced on October 14, 2009 that it has initiated a special review of the fees paid by its external managers to placement agents and their related activities. We are cooperating with the special review. It is not possible to predict the outcome or duration of government investigations related to placement agents or the special review. We believe that we have handled our placement agent relationships in an appropriate manner.

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Commitments Apollo leases office space and certain office equipment under various lease and sublease arrangements, which expire on various dates through 2022. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. Certain lease agreements contain renewal options, rent escalation provisions based on certain costs incurred by the landlord or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term and renewal periods where applicable. Apollo has entered into various operating lease service agreements in respect of certain assets. As of December 31, 2009, the approximate aggregate minimum future payments required on the operating leases were as follows:

	2010	2011	2012	2013	2014	Thereafter	Total
Aggregate minimum future payments	$ 23,151	$ 22,364	$ 22,246	$ 21,746	$ 21,233	$ 49,680	$ 160,420

Expenses related to non-cancellable contractual obligations for premises, equipment, auto and other assets was $35.1 million, $31.0 million and $13.7 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Contingent Obligations Carried interest income in both private equity funds and certain capital markets funds is subject to reversal in the event of future losses to the extent of the cumulative carried interest recognized in income to date. If all of the existing investments were liquidated at zero values, the amounts of cumulative revenues that have been recognized by Apollo through December 31, 2009 that would be reversed approximates $787.8 million. Management views the possibility of liquidating all existing investments at zero values as remote. Carried interest is affected by changes in the fair values of the underlying investments in the funds that we manage. Valuations, on an unrealized basis, can be significantly affected by a variety of external factors such as bond yields and industry trading multiples. Movements in these items can affect valuations quarter to quarter even if the underlying business fundamentals remain stable.

The table below indicates the maximum potential future reversal of carried interest income.

	As of December 31, 2009
Fund V	$ 406,455
Fund VII	177,578
Fund IV	95,547
COF I	70,093
COF II	38,155
Total	$ 787,828

For certain capital markets funds, the carried interest income is subject to repayment prior to year-end. Once the year is completed, any carried interest income paid during the year to the general partner is not subject to repayment in subsequent periods.

Additionally, at the end of the life of a fund there could be a payment due to the fund by the Company if it received as general partner more carried interest income than was ultimately earned. The current estimate of the

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general partner obligation for carried interest income previously distributed at December 31, 2009 is $13.1 million, as discussed in Due to Private Equity Funds in note 13. The general partner obligation amount, if any, will depend on the final realized values of investments at the end of the fund s life.

Certain private equity and capital markets funds are not generating carried interest income due to unrealized and realized losses in the current and prior reporting periods. In certain cases, carried interest income will not be generated until additional unrealized and realized gains occur. Any appreciation would first cover the deductions for invested capital, unreturned organizational expenses, operating expenses, management fees and priority returns based on the terms of the respective fund agreements.

15. MARKET AND CREDIT RISK

In the normal course of business, Apollo encounters market and credit risk concentrations. Market risk reflects changes in the value of investments due to changes in interest rates, credit spreads or other market factors. Credit risk includes the risk of default on Apollo s investments, where the counterparty is unable or unwilling to make required or expected payments.

Apollo s derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. Apollo seeks to minimize this risk by limiting its counterparties to highly rated major financial institutions with good credit ratings. Management does not expect any material losses as a result of default by other parties.

Apollo is exposed to economic risk concentrations insofar as Apollo is dependent on the ability of the funds to compensate them for the services that it provides to these funds. Further, the incentive income component of this compensation is based on the ability of the funds to generate returns above certain specified thresholds.

Additionally, Apollo is exposed to interest rate risk. Apollo has debt obligations which have variable rates. Interest rate changes may therefore affect the amount of interest payments, future earnings and cash flows. At December 31, 2009 and 2008, $933.8 million and $1,026.0 million of Apollo s debt balance had a variable interest, respectively. However $600.0 million of the debt has been effectively converted to a fixed rate using interest rate swaps as discussed in note 8. Substantially all amounts on deposit with major financial institutions that exceed insured limits are invested in interest-bearing accounts.

16. SEGMENT REPORTING

Apollo conducts its management and incentive businesses primarily in the United States and substantially all of its revenues are generated domestically. These businesses are conducted through the following three reportable segments:

Private equity primarily invests in control equity and related debt instruments, convertible securities and distressed debt investments;

Capital markets primarily invests in non-control debt and non-control equity investments, including distressed debt instruments; and

Real estate we recently organized a commercial real estate finance company and launched a vehicle to invest principally in legacy commercial mortgage-backed securities. We may seek to sponsor additional real estate funds that focus on opportunistic investments

in distressed debt and equity recapitalization transactions.

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These business segments are differentiated based on the varying investment strategies. The performance is measured by management on an unconsolidated basis because management makes operating decisions and assesses the performance of each of Apollo s business segments based on financial and operating metrics and data that excludes the effects of consolidation of any of the affiliated funds.

Our financial results vary, since carried interest, which generally constitutes a large portion of the income from the funds that we manage, as well as the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. As a result, we emphasize long-term financial growth and profitability to manage our business.

The following tables present the financial data for the Company s reportable segments further separated between the management and incentive business as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007, respectively, which we believe is useful to the reader. In our management business we have fairly stable revenue and expenses, while our incentive business is more event driven and can have significant fluctuations as it reflects the variable financial portion of our business. The financial results of the management entities, as reflected in the management business sections of the segment tables that follow, generally include management fee revenues, advisory and transaction fees and expenses exclusive of profit sharing expense. The financial results of the advisory entities, as reflected in the incentive business sections of the segment tables that follow, generally include carried interest income and profit sharing expenses.

Economic Net Income (Loss)

Economic Net Income (ENI) is a key performance measure used by management in evaluating the performance of Apollo s private equity, capital markets and real estate segments, as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the Company s performance. Management also uses ENI in making key operating decisions such as the following:

- Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires;

- Decisions related to capital deployment such as providing capital to facilitate growth for the business and/or to facilitate expansion into new businesses; and

- Decisions related to compensation expense, such as determining annual discretionary bonuses to its employees. As it relates to compensation, the philosophy has been and remains to better align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest earned in relation to the funds with those of the investors in the funds and those of the Company s shareholders. To achieve that objective, a certain amount of compensation is based on the Company s performance and growth for the year.

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. ENI represents segment income (loss) attributable to Apollo Global Management, LLC, which excludes the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the consolidated and combined financial statements. Certain amounts in 2008 and 2007 have been reclassified to conform with the 2009 presentation.

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The following tables present the financial data for Apollo s reportable segments, as of December 31, 2009 and 2008 for the years ended December 31, 2009, 2008, and 2007 respectively:

	As of and for the Year Ended December 31, 2009			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 48,642	$ 7,433	$	$ 56,075
Management fees from affiliates	260,478	144,578	1,201	406,257
Carried interest income from affiliates	310,871	193,525		504,396
Total Revenues	619,991	345,536	1,201	966,728
Expenses	361,327	218,234	24,540	604,101
Other Income	113,924	104,171	300	218,395
Economic Net Income (Loss)	$ 372,588	$ 231,473	$ (23,039)	$ 581,022
Total Assets	$ 1,062,043	$ 981,390	$ 13,852	$ 2,057,285

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s consolidated and combined financial statements as of and for the year ended December 31, 2009:

	As of and for the Year Ended December 31, 2009		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated and Combined
Revenues	$ 966,728	$	$ 966,728
Expenses	604,101	1,102,404[(1)]	1,706,505
Other income	218,395	454,706[(2)]	673,101
Economic Net Income	$ 581,022[(3)]	N/A	N/A
Total Assets	$ 2,057,285	$ 1,327,912[(4)]	$ 3,385,197

(1) Represents the addition of expenses of AAA and expenses related to equity-based compensation.

(2) Results from the following:

	For the Year Ended December 31, 2009
Net gains from investment activities	$ 471,873
Loss from equity method investments	(17,167)
Total Consolidation Adjustments	$ 454,706

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(3) The reconciliation of Economic Net Income to Net Loss reported in the consolidated and combined statements of operations consists of the following:

	For the Year Ended December 31, 2009
Economic Net Income	$ 581,022
Income tax provision	(28,714)
Net income attributable to Non-Controlling Interests in consolidated entities*	(7,818)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	400,440
Non-cash charges related to equity-based compensation	(1,100,106)
Net Loss Attributable to Apollo Global Management, LLC	$ (155,176)

* Excludes Non-Controlling Interests attributable to AAA.

(4) Represents the addition of assets of AAA and Commodities Trading Fund.

The following tables present additional financial data for Apollo s reportable segments for the year ended December 31, 2009:

	For the Year Ended December 31, 2009 Private Equity			For the Year Ended December 31, 2009 Capital Markets		
	Management	Incentive	Total	Management	Incentive	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 48,642	$	$ 48,642	$ 7,433	$	$ 7,433
Management fees from affiliates	260,478		260,478	144,578		144,578
Carried interest income from affiliates:						
Unrealized gains		262,890	262,890		120,126	120,126
Interest income				50,404	22,995	73,399
Realized gains		47,981	47,981			
Total Revenues	309,120	310,871	619,991	202,415	143,121	345,536
Compensation and benefits	127,751	124,048	251,799	88,686	43,500	132,186
Other expenses	109,528		109,528	86,048		86,048
Total Expenses	237,279	124,048	361,327	174,734	43,500	218,234
Other Income	58,701	55,223	113,924	19,309	84,862	104,171
Economic Net Income	$ 130,542	$ 242,046	$ 372,588	$ 46,990	$ 184,483	$ 231,473

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	For the Year Ended December 31, 2009		
	Management	Real Estate Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates	1,201		1,201
Carried interest income from affiliates			
Total Revenues	1,201		1,201
Compensation and benefits	10,919		10,919
Other expenses	13,621		13,621
Total Expenses	24,540		24,540
Other Income (Loss)	1,043	(743)	300
Economic Net Loss	$ (22,296)	$ (743)	$ (23,039)

	As of and for the Year Ended December 31, 2008			
	Private Equity Segment	Capital Markets Segment	Real Estate Segment	Total Reportable Segments
Revenues:				
Advisory and transaction fees from affiliates	$ 120,813	$ 24,368	$	$ 145,181
Management fees from affiliates	244,468	139,779		384,247
Carried interest (loss) income from affiliates	(844,579)	48,446		(796,133)
Total Revenues	(479,298)	212,593		(266,705)
Expenses	13,040	199,747	6,003	218,790
Other Loss	(61,971)	(63,484)		(125,455)
Economic Net Loss	$ (554,309)	$ (50,638)	$ (6,003)	$ (610,950)
Total Assets	$ 809,200	$ 838,700	$ 8	$ 1,647,908

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s consolidated and combined financial statements as of and for the year ended December 31, 2008:

	As of and for the Year Ended December 31, 2008		
	Total Reportable Segments	Consolidation Adjustments and Other	Consolidated and Combined
Revenues	$ (266,705)	$	$ (266,705)

Expenses	218,790	1,129,979[(1)]	1,348,769
Other loss	(125,455)	(1,186,239)[(2)]	(1,311,694)
Economic Net Loss	$ (610,950)[(3)]	N/A	N/A
Total Assets	$ 1,647,908	$ 826,624[(4)]	$ 2,474,532

(1) Represents the addition of expenses of AAA and expenses related to equity-based compensation.

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(2) Results from the following:

	For the Year Ended December 31, 2008
Net losses from investment activities	$ (1,230,656)
Income from equity method investments	44,417
Total Consolidation Adjustments	$ (1,186,239)

(3) The reconciliation of Economic Net Loss to Net Loss reported in the consolidated and combined statements of operations consists of the following:

	For the Year Ended December 31, 2008
Economic Net Loss	$ (610,950)
Income tax benefit	36,995
Net income attributable to Non-Controlling Interests in consolidated entities*	(14,918)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	801,799
Non-cash charges related to equity-based compensation	(1,125,184)
Net Loss Attributable to Apollo Global Management, LLC	$ (912,258)

* Excludes Non-Controlling Interests attributable to AAA.

(4) Represents the addition of assets of AAA.

The following tables present additional financial data for Apollo s reportable segments for the year ended December 31, 2008:

	For the Year Ended December 31, 2008			For the Year Ended December 31, 2008		
	Private Equity			Capital Markets		
	Management	Incentive	Total	Management[1]	Incentive[1]	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 120,813	$	$ 120,813	$ 24,368	$	$ 24,368
Management fees from affiliates	244,468		244,468	139,779		139,779
Carried interest (loss) income from affiliates:						
Unrealized losses		(1,206,060)	(1,206,060)		(5,240)	(5,240)

Interest income				49,829	3,857	53,686
Realized gains		361,481	361,481			
Total Revenues	365,281	(844,579)	(479,298)	213,976	(1,383)	212,593
Compensation and benefits	118,889	(482,682)	(363,793)	77,530		77,530
Other expenses	376,833		376,833	122,217		122,217
Total Expenses	495,722	(482,682)	13,040	199,747		199,747
Other Income (Loss)	5,081	(67,052)	(61,971)	9,678	(73,162)	(63,484)
Economic Net (Loss) Income	$ (125,360)	$ (428,949)	$ (554,309)	$ 23,907	$ (74,545)	$ (50,638)

(1) Carried interest income earned from AIC of $49.8 million and related incentive fee compensation expense of $9.0 million during 2008 have been reclassified to the management business from the incentive business to conform with the 2009 presentation.

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	For the Year Ended December 31, 2008		
	Management	Real Estate Incentive	Total
Revenues:			
Advisory and transaction fees from affiliates	$	$	$
Management fees from affiliates			
Carried interest income from affiliates			
Total Revenues			
Compensation and benefits	4,679		4,679
Other expenses	1,324		1,324
Total Expenses	6,003		6,003
Other Income			
Economic Net Loss	$ (6,003)	$	$ (6,003)

	For the Year Ended December 31, 2007		
	Private Equity Segment	Capital Markets Segment	Total Reportable Segments
Revenues:			
Advisory and transaction fees from affiliates	$ 90,408	$ 194	$ 90,602
Management fees from affiliates	149,180	100,244	249,424
Carried interest income from affiliates	656,901	80,186	737,087
Total Revenue	896,489	180,624	1,077,113
Expenses	679,917(1)	276,227(1)	956,144(1)
Other Income	27,500	4,377	31,877
Economic Net Income (Loss)	$ 244,072	$ (91,226)	$ 152,846

(1) Includes expenses related to beneficial conversion feature relating to Strategic Investor debt conversion, placement fees and transaction costs.

The following table reconciles the Total Reportable Segments to Apollo Global Management, LLC s consolidated and combined financial statements for the year ended December 31, 2007.

	For the Year Ended December 31, 2007		
	Total Reportable Segments	Consolidation Adjustments	Consolidated and Combined
Revenues	$ 1,077,113	$ (439,263)[(2)]	$ 637,850
Expenses	956,144	1,006,583[(3)]	1,962,727
Other Income	31,877	2,540,181[(4)]	2,572,058
Economic Net Income	$ 152,846[(5)]	N/A	N/A

(2) Revenues consist of: (i) addition of funds share of transaction and advisory fees, (ii) elimination of management fee income earned from funds, and (iii) elimination of carried interest income earned from funds.

(3) Represents the addition of expenses of the funds and expenses related to equity-based compensation.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(dollars in thousands, except share data)

(continued)

(4) Results from the following:

	For the Year Ended December 31, 2007
Net gains from investment activities	$ 2,279,336
Dividend income from affiliates	238,058
Interest income	33,079
Loss from equity method investments	(10,292)
Total Consolidation Adjustments	$ 2,540,181

(5) The reconciliation of Economic Net Income to Net Loss reported in the consolidated and combined statements of operations consists of the following:

	For the Year Ended December 31, 2007
Economic Net Income	$ 152,846
Income tax provision	(6,726)
Net income attributable to Non-Controlling Interests in consolidated entities*	(4,471)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	278,549
Non-cash charges related to equity-based compensation	(989,849)
Net Loss Attributable to Apollo Global Management, LLC	$ (569,651)

* Excludes Non-Controlling Interests attributable to AAA.

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APOLLO GLOBAL MANAGEMENT, LLC

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(dollars in thousands, except share data)

(continued)

The following tables present additional financial data for Apollo s reportable segments for the year ended December 31, 2007:

	For the Year Ended December 31, 2007 Private Equity			For the Year Ended December 31, 2007 Capital Markets		
	Management	Incentive	Total	Management[(1)]	Incentive[(1)]	Total
Revenues:						
Advisory and transaction fees from affiliates	$ 90,408	$	$ 90,408	$ 194	$	$ 194
Management fees from affiliates	149,180		149,180	100,244		100,244
Carried interest income from affiliates:						
Unrealized gains		387,906	387,906		5,216	5,216
Interest income				51,532	23,438	74,970
Realized gains		268,995	268,995			
Total Revenues	239,588	656,901	896,489	151,970	28,654	180,624
Compensation and benefits	70,226	307,739	377,965	79,327	3,189	82,516
Other expenses	301,952		301,952	193,711		193,711
Total Expenses	372,178	307,739	679,917	273,038	3,189	276,227
Other Income	16,836	10,664	27,500	3,027	1,350	4,377
Economic Net (Loss) Income	$ (115,754)	$ 359,826	$ 244,072	$ (118,041)	$ 26,815	$ (91,226)

(1) Carried interest income earned from AIC of $51.5 million and related incentive fee compensation expense of $10.3 million during 2007 have been reclassified to the management business from the incentive business to conform with the 2009 presentation.

17. SUBSEQUENT EVENTS

Approximately 6.7 million RSUs were granted to the Company s employees during the first quarter of 2010.

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ANNEX A

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

OF

APOLLO GLOBAL MANAGEMENT, LLC

DATED AS OF JULY 13, 2007

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This Amended and Restated Limited Liability Company Operating Agreement, dated as of July 13, 2007 (as amended, supplemented or restated from time to time, this *Agreement*), of Apollo Global Management, LLC, a Delaware limited liability company (the *Company*), is made and entered into and shall be effective as of this 13th day of July, 2007, by and among the Members (as defined below), AGM Management, LLC, a Delaware limited liability company (the *Manager*), and the Company.

WHEREAS, the Company was formed under the Delaware Act pursuant to a certificate of formation filed with the Secretary of State of the State of Delaware on July 3, 2007;

WHEREAS, the Company and certain Members originally entered into a Limited Liability Company Operating Agreement, dated as of July 3, 2007 (the *Original Agreement*), for the purpose of governing the affairs of, and the conduct of the business of, a limited liability company formed pursuant to the provisions of the Delaware Act;

WHEREAS, the parties hereto are entering into this Agreement to amend and restate the Original Agreement in its entirety as set forth herein and the Manager has authorized and approved an amendment and restatement of the Original Agreement on the terms set forth herein.

NOW, **THEREFORE,** the parties hereto, in consideration of the mutual covenants and undertakings contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 *Definitions*.

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

Affiliate of any Person means any other Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. Except as expressly stated otherwise in this Agreement, the term Affiliate with respect to the Company does not include at any time any Fund or Portfolio Company.

Aggregate Class B Vote has the meaning set forth in *Section 12.7(e)*.

Agreement has the meaning set forth in the recitals to this Agreement.

Agreement Among Principals means the Agreement Among Principals, dated as of the date hereof, by and among the Principals, Black Family Partners, L.P., a Delaware limited partnership, MJR Foundation LLC, a New York limited liability company, BRH and Holdings, as may be amended, supplemented or restated from time to time.

Apollo Employer means the Company (or such successor thereto or such other entity controlled by the Company or its successor as may be such Person s employer at such time, but does not include any Portfolio Companies).

Apollo Group means (i) the Manager and its Affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its Affiliates, including their respective general partners,

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members and limited partners, (iii) with respect to each Principal, such Principal and such Principal s Group, (iv) any former or current investment professional of or other employee of an Apollo Employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group) and any member of such Person s Group, (v) any former or current executive officer of an Apollo Employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group) and any member of such Person s Group; and (vi) any former or current director of an Apollo Employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group) and any member of such Person s Group.

Apollo Operating Group means (i) Apollo Management Holdings, L.P., a Delaware limited partnership, Apollo Principal Holdings I, L.P., a Delaware limited partnership, Apollo Principal Holdings II, L.P., a Delaware limited partnership, Apollo Principal Holdings III, L.P., a Cayman Islands exempted limited partnership, Apollo Principal Holdings IV, L.P., a Cayman Islands exempted limited partnership, and any successors thereto or other entities formed to serve as holding vehicles for the carry vehicles, management companies or other entities formed by the Company or its Subsidiaries to engage in the asset management business (including alternative asset management) and (ii) any such carry vehicles, management companies or other entities formed by the Company or its Affiliates to engage in the asset management business (including alternative asset management) and receiving management fees, incentive fees, fees paid by Portfolio Companies, carry or other remuneration which are not Subsidiaries of the Persons described in clause (i), excluding any Funds and any Portfolio Companies.

Applicable Law means, with respect to any Person, all provisions of laws, statutes, ordinances, rules, regulations, permits, certificates, judgments, decisions, decrees or orders of any Governmental Entity applicable to such Person.

Assets means all assets, whether, tangible or intangible and whether real, personal or mixed, at any time owned by the Company, including cash and investments acquired by the Manager for the account of the Company in the course of carrying on the activities of the Company, including the lending of money or the purchasing of shares, bonds, debentures, notes, warrants, options or other securities, instruments, rights or any other assets of the Company (whether convertible or exchangeable or not);

Audit Committee means a committee of the Board designated as such in accordance with Section 6.15 hereof, and composed entirely of one or more Independent Directors.

Beneficial Owner means, with respect to a Share, a Person who directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise has or shares: (A) voting power, which includes the power to vote, or to direct the voting of, such Share and/or (B) investment power, which includes the power to dispose, or to direct the disposition of, such Share. The terms Beneficially Own and Beneficial Ownership have correlative meanings.

Board means the Board of Directors of the Company.

Business Day means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

BRH means BRH Holdings, L.P., a Cayman Islands exempted limited partnership.

BRH Holdings means BRH Holdings GP, Ltd, a Cayman Islands exempted company.

BRH Holdings Cessation Date has the meaning set forth in *Section 3.2(c)*.

Capital Contribution means any cash, cash equivalents or the fair market value (as determined by the Manager) of any property or asset that a Member contributes to the Company pursuant to this Agreement.

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Carrying Value means, with respect to any Company asset, the asset s adjusted basis for U.S. federal income tax purposes, except that the initial carrying value of assets contributed to the Company shall be their respective gross fair market values on the date of contribution as determined by the Manager, and the Carrying Values of all Company assets shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in United States Treasury Regulation Section 1.704-1(b)(2)(iv)(f), except as otherwise provided herein, as of: (a) the date of the acquisition of any additional Share by any new or existing Members in exchange for more than a de minimis Capital Contribution; (b) the date of the distribution of more than a de minimis amount of Company assets to a Member; (c) the date a Share is relinquished to the Company; or (d) any other date specified in the United States Treasury Regulations; provided however that adjustments pursuant to clauses (a), (b) (c) and (d) above shall be made only if such adjustments are deemed necessary or appropriate by the Manager to reflect the relative economic interests of the Members. In the case of any asset that has a Carrying Value that differs from its adjusted tax basis, Carrying Value shall be adjusted by the amount of depreciation calculated for purposes of the definition of Net Income (Loss) rather than the amount of depreciation determined for U.S. federal income tax purposes, and depreciation shall be calculated by reference to Carrying Value rather than tax basis once Carrying Value differs from tax basis.

Certificate means a certificate issued in global form in accordance with the rules and regulations of the Depository Trust Company or in such other form as may be adopted by the Manager, issued by the Company evidencing ownership of one or more Class A Common Shares or Class B Common Shares or a certificate, in such form as may be adopted by the Manager, issued by the Company evidencing ownership of one or more other securities of the Company.

Certificate of Formation means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware, as may be amended, supplemented or restated from time to time.

Charitable Institution means an organization described in Section 501(c)(3) of the Code (or any corresponding provision of a future United State Internal Revenue law) which is exempt from income taxation under Section 501(a) thereof.

Charitable Beneficiary means one or more beneficiaries of a trust as determined pursuant to *Section 3.10(d)(vi)*, provided that each such organization must be described in Section 501(c)(3) of the Code and contributions to each such organization must be eligible for deduction under each of Sections 170(b)(1)(A), 2055 and 2522 of the Code.

Citizenship Certification means a properly completed certificate in such form as may be specified by the Manager by which a Member certifies that he, she or it (and if he, she or it is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

Class A Common Shares means the Class A Common Shares of the Company (including any non-voting Class A Common Shares held by an Investor or its Affiliates) representing limited liability company interests in the Company, having such rights associated with such Class A Common Shares as set forth in this Agreement and any equity securities issued or issuable in exchange for or with respect to such Class A Common Shares (i) by way of a dividend, split or combination of shares or (ii) in connection with a reclassification, recapitalization, merger, consolidation or other reorganization.

Class B Common Shares means the Class B Common Shares of the Company representing limited liability company interests in the Company, having such rights associated with such Class B Common Shares as set forth in this Agreement and any equity securities issued or issuable in exchange for or with respect to such Class B Common Shares (i) by way of a dividend, split or combination of shares or (ii) in connection with a reclassification, recapitalization, merger, consolidation or other reorganization.

Code means the Internal Revenue Code of 1986, as amended, supplemented or restated from time to time and any successor to such statute, and the rules and regulations promulgated thereunder.

Common Shares means the Class A Common Shares and Class B Common Shares.

Company has the meaning set forth in the recitals to this Agreement, including any successor entity thereto.

Company Group means the Company and each Subsidiary of the Company.

Company Group Member means a member of the Company Group.

Conflicts Committee means a committee of the Board designated as such in accordance with Section 6.15 hereof, and composed entirely of one or more Independent Directors.

Control means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contrast or otherwise, and controlling and controlled shall have meanings correlative thereto.

CS Rights Agreement means the Registration Rights Agreement, to be entered into by and between the Company and CS (as defined in the Shareholders Agreement), as it may be amended, supplemented or restated from time to time.

Current Market Price means with respect to any class of Shares as of any date, the average of the daily closing prices per Share of such class for the 20 consecutive Trading Days immediately prior to such date, or as otherwise determined in accordance with *Section 3.8(a)(ii)*.

Delaware Act means the Delaware Limited Liability Company Act, 6 Del. C. Section 18-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

Departing Manager means a former Manager from and after the effective date of any withdrawal of such former Manager.

DGCL means the Delaware General Corporation Law, as amended, supplemented or restated from time to time, and any successor to such statute.

Director means a member of the Board.

Eligible Citizen means a Person qualified to own interests in real property in jurisdictions in which any Company Group Member does business or proposes to do business from time to time, and whose status as a Member the Manager determines in its sole discretion does not or would not subject such Company Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

ERISA means the U.S. Employee Retirement Income Security Law of 1974, as amended, and rules and regulations promulgated thereunder.

ERISA Person means any Person which is, or is acting on behalf of, a Plan.

ERISA Trust has the meaning set forth in *Section 3.10(g)*.

Exchange Act means the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and the rules and regulations promulgated thereunder.

Exchange Agreement means the Exchange Agreement, dated as of date hereof, by and among the Company, each member of the Apollo Operating Group, Intermediate Holdings and the other parties thereto.

Fund means any pooled investment vehicle or similar entity sponsored or managed, directly or indirectly, by the Company or any of its Subsidiaries.

Governmental Entity means any Federal, state, county, city, local or foreign governmental, administrative or regulatory authority, commission, committee, agency or body (including any court, tribunal or arbitral body).

Group has the meaning set forth in Section 13(d) of the Exchange Act as in effect on the date of this Agreement.

Holdings means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership.

Indemnified Person means: (a) the Manager, (b) any Departing Manager; (c) any Affiliate of the Manager or any Departing Manager; (d) any member, partner, Tax Matters Partner (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of any Company Group Member, the Manager, any Departing Manager or any of their respective Affiliates; (e) any Person who is or was serving at the request of the Manager or any Departing Manager or any of their respective Affiliates as an officer, director, employee, member, partner, Tax Matters Partner, agent, fiduciary or trustee of another Person; *provided* that a Person shall not be an Indemnified Person by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services; and (f) any Person that the Manager in its sole discretion designates as an Indemnified Person for purposes of this Agreement.

Independent Director means a Director who meets the then current independence standards required of audit committee members established by the Exchange Act and the rules and regulations of the SEC thereunder and by each National Securities Exchange on which Shares are listed for trading.

Initial Offering means the earlier to occur of (i) a Private Placement or (ii) an IPO.

Initial Offering Registration Rights Agreements means any registration rights agreement approved by the Manager in connection with the consummation of an IPO.

Investment Company Act means the U.S. Investment Company Act of 1940, as amended, modified, supplemented or restated from time to time.

Investor means, each of the APOC Holdings, Ltd., a Cayman Islands exempted company, and California Public Employees Retirement System, a unit of the State and Consumer Services Agency of the State of California (together with its Affiliates that become Noteholders under the Strategic Agreement).

IPO means the earlier of (i) the consummation of an underwritten public offering of Class A Common Shares pursuant to an effective registration statement (other than on Forms S-4 or S-8 or successors and/or equivalents to such forms); *provided*, that no such underwritten public offering shall constitute an IPO for the purposes of this Agreement unless (x) it involves a sale to underwriters for distribution to the public representing a public float of at least 10% of the then Outstanding Voting Power of the Company (calculated on a fully-diluted basis as if all outstanding Operating Group Units have been exchanged for, and all outstanding Notes have been converted into, Class A Common Shares) and (y) such offering satisfies the Price Threshold, and (ii) the effectiveness of the shelf registration statement to be filed by the Company in respect of the Class A Common Shares to be sold in the Private Placement; in the case of clauses both (i) and (ii), such registration statement to be filed by the Company with the SEC or (in connection with a listing on the London Stock Exchange) with the Financial Services Authority of the United Kingdom.

IPO Date means the first date on which Class A Common Shares are delivered by the Company to the Underwriters pursuant to the provisions of the Underwriting Agreement.

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Lender Rights Agreement means the Lender Rights Agreement, dated as of the date hereof, by and among the Investors and the Company, as it may be amended, supplemented or restated from time to time.

Liquidator means one or more Persons selected by the Manager to perform the functions described in *Section 9.2* as liquidating trustee of the Company within the meaning of the Delaware Act.

Manager has the meaning set forth in the recitals.

Member means any Person owning any Share in the Company, including any Substitute Member or any Person admitted as a Member of the Company in accordance with *Article III* as a result of an issuance of Shares by the Company to such Person.

Merger Agreement has the meaning set forth in *Section 11.1*.

National Securities Exchange means an exchange registered with the SEC under Section 6(a) of the Exchange Act or any other exchange (domestic or foreign, and whether or not so registered) designated by the Manager as a National Securities Exchange.

Net Income (Loss) for any tax years means the taxable income or loss of the Company for such period as determined in accordance with the accounting method used by the Company for U.S. federal income tax purposes with the following adjustments; (i) any income of the Company that is exempt from U.S. federal income taxation and not otherwise taken into account in computing Net Income (Loss) shall be added to such taxable income or loss; (ii) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. federal income tax purposes, any depreciation, amortization or gain resulting from a disposition of such asset shall be calculated with reference to such Carrying Value; (iii) upon an adjustment to the Carrying Value of any asset, pursuant to the definition of Carrying Value, the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; and (iv) any expenditures of the Company not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Net Income (Loss) pursuant to this definition shall be treated as deductible items.

Non-citizen Assignee means a Person whom the Manager has determined in its sole discretion does not constitute an Eligible Citizen and as to whose Shares the Manager has become the Member, pursuant to *Section 3.8*.

Noteholder means any Person who holds a Note, other than Persons who acquired Notes in a transaction not permitted by the Notes, the Strategic Agreement, any substantially similar agreement pursuant to which additional Notes may be issued and the Lender Rights Agreement.

Notes means the 7% convertible senior unsecured notes of the Company, convertible into non-voting Class A Common Shares, as each may be amended, supplemented, restated or otherwise modified from time to time. Notes shall also include any additional Notes issued within ninety (90) days of the date hereof.

Operating Group Units refers to units in the Apollo Operating Group, each of which represent one limited partnership interest in each of the limited partnerships that comprise the Apollo Operating Group and any other securities issued or issuable in exchange for or with respect to such Operating Group Units (i) by way of a dividend, split or combination of shares or (ii) in connection with a reclassification, recapitalization, merger, consolidation or other reorganization. All calculations in respect of the Operating Group Units shall assume that all Operating Group Units shall have vested fully as of the date of determination.

Opinion of Counsel means a written opinion of counsel (who may be regular counsel to the Company or any of its Affiliates) acceptable to the Manager.

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Outstanding means, with respect to Company securities, all Company securities that are issued by the Company and reflected as outstanding on the Company s books and records as of the date of determination; *provided*, *however*, that if at any time any Person or Group (other than any member of the Apollo Group) Beneficially Owns 20% or more of any class of Outstanding Shares, all Shares owned by such Person or Group shall not be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Members to vote on any matter (unless otherwise required by Applicable Law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement; *provided*, *further*, that the foregoing limitation shall not apply: (i) to any Person or Group who acquired 20% or more of any Outstanding Shares of any class then Outstanding directly from any member of the Apollo Group; (ii) to any Person or Group who acquired 20% or more of any Outstanding Shares of any class then Outstanding directly or indirectly from a Person or Group described in *clause (i)* provided that the Manager shall have notified such Person or Group in writing that such limitation shall not apply; or (iii) to any Person or Group who acquired 20% or more of any Shares issued by the Company with the prior approval of the Manager; *provided*, *further*, that if at any time the Investor or any of its Affiliates Beneficially Owns any Class A Common Shares, no Class A Common Shares Beneficially Owned by the Investor or any of its Affiliates shall be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of Members to vote on any matter (unless otherwise required by Applicable Law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Agreement.

Percentage Interest means, as to any Class A Common Shares held by any Person (assuming the conversion of the Notes into Class A Common Shares), the product obtained by multiplying (a) 100% less the percentage applicable to the Shares referred to in clause (iii) by (b) the quotient obtained by dividing (x) the number of such Class A Common Shares held by such Person (determined on an as-converted basis) by (y) the total number of all Outstanding Class A Common Shares (determined on an as-converted basis), (ii) as to any Class B Common Shares, 0%, and (iii) as to any other Shares, the percentage established for such Shares by the Manager as a part of the issuance of such Shares.

Person shall be construed broadly and includes any individual, corporation, firm, partnership, limited liability company, joint venture, estate, business, association, trust, Governmental Entity or other entity.

Plan means (a) an employee benefit plan (within the meaning of Section 3(3) of ERISA) that is subject to Part 4 of Subtitle B Title I of ERISA, (b) a plan, individual retirement account or other arrangement that is subject to Section 4975 of the Code or any Similar Law, or (c) an entity whose underlying assets are considered to include plan assets of any such plan, account or arrangement pursuant to ERISA, the Code, any applicable Similar Law or otherwise;

Plan Asset Regulations means the plan asset regulations of the U.S. Department of Labor, 29 C.F.R. Sec. 2510.3-101 (as modified by Section 3(42) of ERISA);

Plan of Conversion has the meaning set forth in *Section 11.1*.

Portfolio Company means any Person in which any Fund owns or has made, directly or indirectly, an Investment (as defined in the Strategic Agreement).

Preferred Shares means a class of Shares that entitles the Record Holders thereof to a preference or priority over the Record Holders of any other class of Shares in: (i) the right to share profits or losses or items thereof; (ii) the right to share in Company distributions; or (iii) rights upon dissolution or liquidation of the Company.

Price Threshold has the meaning set forth in the Strategic Agreement.

Principal means each of Leon D. Black, Marc J. Rowan and Joshua J. Harris.

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Principal s Group means with respect to each Principal, such Principal and (i) such Principal s spouse, (ii) a lineal descendant of such Principal s parents, the spouse of any such descendant or a lineal descendent of any such spouse, (iii) a Charitable Institution controlled solely by such Principal and other members of such Principal s Group, (iv) a trustee of a trust (whether inter vivos or testamentary), all of the current beneficiaries and presumptive remaindermen of which are one or more of such Principal and Persons described in clauses (i) through (iii) of this definition, (v) a corporation, limited liability company or partnership, of which all of the outstanding shares of capital stock or interests therein are owned by one or more of such Principal and Persons described in clauses (i) through (iv) of this definition, (vi) an individual mandated under a qualified domestic relations order, or (vii) a legal or personal representative of such Principal in the event of his death or Disability. For purposes of this definition, (x) lineal descendants shall not include individuals adopted after attaining the age of eighteen (18) years and such adopted Person s descendants; and (y) presumptive remaindermen shall refer to those Persons entitled to a share of a trust s assets if it were then to terminate. No Principal shall ever be a member of the Principal Group of another Principal. As used herein, Principal s Group means individually, any member of a Principal s Group or, collectively, more than one member of a Principal s Group.

Private Placement means a private placement of Class A Common Shares pursuant to Rule 144A (or any successor provision) and Regulation S promulgated under the Securities Act, in an offering (i) to at least fifteen (15) purchasers and (ii) that requires the Company to file with the SEC a shelf registration statement permitting registered re-sales of the Class A Common Shares within eight (8) months of the consummation of such offering (subject to *Section 6.2(d)*); *provided*, *that* no such private placement shall qualify as a Private Placement for the purposes of this Agreement, unless (x) such offering satisfies the Price Threshold and (y) it involves engagement of one or more initial purchasers, placement agents or investment banks performing a similar role for the purpose of facilitating the distribution of Class A Common Shares representing at least 10% of the then outstanding equity interests of the Company (calculated on a fully-diluted basis as if all outstanding Operating Group Units have been exchanged for, and all outstanding Notes had been converted into, Class A Common Shares); *provided*, *further that* in the event that any Person purchases Class A Common Shares representing more than 25% of such offering, the amount in excess of 25% shall be disregarded for the purpose of determining whether the 10% threshold set forth in this clause (y) has been satisfied.

Prohibited Owner has the meaning set forth in *Section 3.10(a)*.

Quarter means, unless the context requires otherwise, a fiscal quarter, or, with respect to the first fiscal quarter after the IPO Date, the portion of such fiscal quarter after the IPO Date, of the Company.

Record Date means the date established by the Manager in its sole discretion for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Members or entitled to vote by ballot or give approval of Company action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Members; or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

Record Holder or *holder* means with respect to any Shares, the Person in whose name such Shares are registered on the books of the Transfer Agent as of the opening of business on a particular Business Day.

Registration Statement means (i) any registration statement or comparable U.K. filing, as it may be amended or supplemented from time to time, filed by the Company with the SEC or the Financial Services Authority of the United Kingdom (other than on Forms S-4 or S-8 or successors and/or equivalents to such forms), in each case, to register the offering and sale of the Class A Common Shares in the Initial Offering, or (ii) any Private Placement offering memorandum, as it may be amended or supplemented from time to time, prepared by the Company pursuant to an exemption from the Securities Act including, without limitation, Rule 144A and Regulation S promulgated under the Securities Act to effect a Private Placement of Class A Common Shares by the Company in the Initial Offering.

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Roll-up Agreements mean the several Roll-up Agreements, each dated as of the date hereof, among Holdings, BRH, the Company, APO Corp., a Delaware corporation, and APO Asset Co., LLC, a Delaware limited liability company, on the one hand, and a senior manager of Apollo, on the other hand, in each case, dated as of the date hereof.

SEC means the United States Securities and Exchange Commission or any similar agency then having jurisdiction to enforce the Securities Act.

Securities Act means the Securities Act of 1933, as amended, supplemented or restated from time to time, and the rules and regulations promulgated thereunder.

Share means a share of capital stock or other equity interests (including, the Class A Common Shares and the Class B Common Shares) of the Company or any options, warrants or other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, capital stock or other equity interests of the Company then outstanding (including, for the avoidance of doubt, the Notes).

Share Designation means, with respect to any additional Shares that may be issued by the Company in one or more classes in accordance with the terms of this Agreement, such designations, preferences, rights, powers and duties (which may be junior to, equivalent to, or senior or superior to, any existing classes of Shares), as shall be fixed by the Manager and reflected in a written action or actions approved by the Manager.

Shareholders Agreement means the Shareholders Agreement, dated as of the date hereof, by and among the Company, Holdings, BRH, Black Family Partners, L.P., a Delaware limited partnership, MJR Foundation LLC, a New York limited liability company, and each of the Principals, as it may be amended, supplemented or restated from time to time.

Similar Law means any state, local, non-U.S. or other laws or regulations that would have the same effect as the Plan Asset Regulations so as to cause the underlying assets of the Company to be treated as assets of an investing entity by virtue of its investment (or any beneficial interest) in the Company and thereby subject the Company and the Manager (or other Persons responsible for the investment and operation of the Company s assets) to laws or regulations that are similar to the fiduciary responsibility or prohibited transaction provisions contained in Title I of ERISA or Section 4975 of the Code.

Special Approval means either (a) approval by a majority of the members of the Conflicts Committee, as applicable, or (b) approval by the vote of the Record Holders of a majority of the voting power of the Outstanding Voting Shares (excluding Voting Shares owned by the Manager and its Affiliates).

Strategic Agreement means the Strategic Agreement, dated as of July 13, 2007, by and among the Company, the Investors, as it may be amended, supplemented or restated from time to time.

Subsidiary or *Subsidiaries* means, with respect to any Person, as of any date of determination, any other Person as to which such Person owns, directly or indirectly, or otherwise controls, more than 50% of the voting shares or other similar interests or the sole general partner interest or managing member or similar interest of such Person. The term Subsidiary does not include at any time any Funds or Portfolio Companies.

Substitute Member means a Person who is admitted as a Member of the Company pursuant to *Article III* as a result of a Transfer of Shares to such Person.

Surviving Business Entity has the meaning set forth in *Section 11.2(a)(ii)*.

Tax Matters Partner means the *tax matters partner* as defined in the Code.

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Tax Receivable Agreement means the Tax Receivable Agreement, dated as of the date hereof, by and among APO Corp., Apollo Principal Holdings II, L.P., a Delaware limited partnership, Apollo Principal Holdings IV, L.P., a Cayman Islands exempted limited partnership, Apollo Management Holdings, L.P., a Delaware limited partnership (together with all other Persons in which APO Corp. acquires a partnership interest, member interest or similar interest after the date thereof and who becomes party thereto by execution of a joinder), Holdings, the Principals and the Senior Managers party thereto, as such agreement may be amended, supplemented, restated or otherwise modified from time to time.

Trading Day means a day on which the principal National Securities Exchange on which such Shares of any class are listed or admitted to trading is open for the transaction of business or, if Shares of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

Transfer means a direct or indirect sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage.

Transfer Agent means, with respect to any class of Shares, such bank, trust company or other Person (including the Company or one of its Affiliates) as shall be appointed from time to time by the Company to act as registrar and transfer agent for such class of Shares; *provided* that if no Transfer Agent is specifically designated for such class of Shares, the Company shall act in such capacity.

Trust has the meaning set forth in *Section 11.2(g)*.

Trustee means the Person unaffiliated with the Company that is appointed by the Manager to serve as trustee of an ERISA Trust.

Underwriter means each Person named as an underwriter or purchaser in the Underwriting Agreement who is obligated to purchase Class A Common Shares pursuant thereto.

Underwriting Agreement means the underwriting agreement or the purchase agreement, as the case may be, expected to be entered into by the Company providing for the sale of Class A Common Shares in the Initial Offering, as it may be amended, supplemented or restated from time to time.

Voting Power means the aggregate number of votes that may be cast by holders of Voting Shares Outstanding as of the relevant Record Date.

Voting Share means a Class A Common Share (other than any Class A Common Shares Beneficially Owned by the Investor or any of its Affiliates), a Class B Common Share and any other Share of the Company that is designated as a Voting Share from time to time.

Section 1.2 *Interpretation*. In this Agreement, unless the context otherwise requires:

(a) words importing the singular include the plural and vice versa;

(b) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms;

(c) a reference to a clause, party, annex, exhibit or schedule is a reference to a clause of, and a party, annex, exhibit and schedule to this Agreement, and a reference to this Agreement includes any annex, exhibit and schedule hereto;

(d) a reference to a statute, regulations, proclamation, ordinance or by-law includes all statues, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Governmental Entity with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under the statute;

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(e) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;

(f) a reference to a party to a document includes that party s successors, permitted transferees and permitted assigns;

(g) the use of the term including means including, without limitation ;

(h) the words herein , hereof , hereunder and other words of similar import refer to this Agreement as a whole, including the annexes, schedules and exhibits, as the same may from time to time be amended, modified, supplemented or restated, and not to any particular section, subsection, paragraph, subparagraph or clause contained in this Agreement;

(i) the title of and the section and paragraph headings used in this Agreement are for convenience of reference only and shall not govern of affect the interpretation of any of the terms or provisions in this Agreement;

(j) where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates;

(k) the language used in this Agreement has been chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party; and

(l) unless expressly provided otherwise, the measure of a period of one month or year for purposes of this Agreement shall be that date of the following month or year corresponding to the starting date; *provided*, that if no corresponding date exists, the measure shall be that date of the following month or year corresponding to the next day following the starting date (for example, one month following February 18 is March 18, and one month following March 31 is May 1).

ARTICLE II

ORGANIZATION

Section 2.1 *Formation*. The Company has been formed as a limited liability company pursuant to the provisions of the Delaware Act. Except as expressly provided to the contrary in this Agreement, the rights, duties, liabilities and obligations of the Members and the administration, dissolution and termination of the Company shall be governed by the Delaware Act. All Shares shall constitute personal property of the owner thereof for all purposes and a Member has no interest in specific Company property.

Section 2.2 *Certificate of Formation*. The Certificate of Formation has been filed with the Secretary of State of the State of Delaware as required by the Delaware Act, such filing being hereby confirmed, ratified and approved in all respects. The Manager shall use all reasonable efforts to cause to be filed such other certificates or documents that it determines to be necessary or appropriate for the formation, continuation, qualification and operation of a limited liability company in the State of Delaware or any other state in which the Company may elect to do business or own property. To the extent that the Manager determines such action to be necessary or appropriate, the Manager shall direct the appropriate officers of the Company to file amendments to and restatements of the Certificate of Formation and do all things to maintain the Company as a limited liability company under the laws of the State of Delaware or of any other state in which the Company may elect to do business or own property, and any such officer so directed shall be an authorized person of the Company within the meaning of the Delaware Act for purposes of filing any such certificate with the Secretary of State of the State of Delaware. Subject to *Section 3.9(a)*, the Company shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Formation, any qualification document or any amendment thereto to any Member.

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Section 2.3 *Name*. The name of the Company shall be Apollo Global Management, LLC. The Company s business may be conducted under any other name or names, as determined by the Manager. The words Limited Liability Company , LLC or similar words or letters shall be included in the Company s name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The Manager may change the name of the Company at any time and from time to time by filing an amendment to the Certificate of Formation (and upon any such filing this Agreement shall be deemed automatically amended to change the name of the Company) and shall notify the Members of such change in the next regular communication to the Members.

Section 2.4 *Registered Office; Registered Agent; Principal Office; Other Offices*. Unless and until changed by the Manager, the registered office of the Company in the State of Delaware shall be located at 2711 Centerville Road, Suite 400, Wilmington, County of New Castle, Delaware 19808, and the registered agent for service of process on the Company in the State of Delaware at such registered office shall be Corporation Service Company. The principal office of the Company shall be located at 9 West 57th Street, 43rd Floor, New York, New York 10019 or such other place as the Manager may from time to time designate by notice to the Members. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Manager determines to be necessary or appropriate.

Section 2.5 *Purposes*. The purpose and nature of the business to be conducted by the Company shall be to: (a) engage directly in, or enter into or form any corporation, partnership, joint venture, limited liability company or other arrangement to engage indirectly in, any business activity that is approved by the Manager in its sole discretion and that lawfully may be conducted by a limited liability company organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Company pursuant to the agreements relating to such business activity; and (b) do anything necessary or appropriate in furtherance of *Section 2.5(a)*, including the making of capital contributions or loans to a Company Group Member. To the fullest extent permitted by Applicable Law, the Manager shall have no duty or obligation to propose or approve, and may decline to propose or approve, the conduct by the Company of any business free of any duty (including any fiduciary duty) or obligation whatsoever to the Company or any Member and, in declining to so propose or approve, shall not be deemed to have breached this Agreement, any other agreement contemplated hereby, the Delaware Act or any other provision of Applicable Law.

Section 2.6 *Powers*. The Company shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in *Section 2.5(a)* and for the protection and benefit of the Company.

Section 2.7 *Power of Attorney*.

(a) Each Member and Record Holder hereby constitutes and appoints the Manager and, if a Liquidator (other than the Manager) shall have been selected pursuant to *Section 9.2*, the Liquidator, severally (and any successor to the Liquidator by merger, Transfer, assignment, election or otherwise) and each of their authorized managers, officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices:

(A) all certificates, documents and other instruments (including this Agreement and the Certificate of Formation and all amendments or restatements hereof or thereof) that the Manager or the Liquidator, determines to be necessary or appropriate to form, qualify or continue the existence or qualification of the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property;

(B) all certificates, documents and other instruments that the Manager, or the Liquidator, determines to be necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement;

(C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the Manager or the Liquidator determines to be necessary or appropriate to reflect the dissolution, liquidation and termination of the Company pursuant to the terms of this Agreement;

(D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Member pursuant to, or other events described in, *Article III* or *Article IX* (including, without limitation, issuance and cancellations of Class B Common Shares pursuant to *Section 3.2*);

(E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class of Shares issued pursuant to *Section 3.2*; and

(F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger, consolidation or conversion of the Company pursuant to *Article XI*; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments that the Manager or the Liquidator determines to be necessary or appropriate to: (A) make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Members hereunder or is consistent with the terms of this Agreement; or (B) effectuate the terms or intent of this Agreement; *provided*, that when required by *Section 10.3* or any other provision of this Agreement that establishes a percentage of the Members or of the Members of any class or series required to take any action, the Manager, or the Liquidator, may exercise the power of attorney made in this *Section 2.7(a)* only after the necessary vote, consent, approval, agreement or other action of the Members or of the Members of such class or series, as applicable.

(b) Nothing contained in this *Section 2.7* shall be construed as authorizing the Manager, or the Liquidator, to amend, change or modify this Agreement except in accordance with *Article X* or as may otherwise be provided in this Agreement.

(c) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by Applicable Law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Member or Record Holder and the Transfer of all or any portion of such Member or Record Holder s Shares and shall extend to such Member or Record Holder s heirs, successors, assigns and personal representatives. Each such Member or Record Holder hereby agrees to be bound by any representation made by the Manager, or the Liquidator, pursuant to such power of attorney; and each such Member or Record Holder, to the maximum extent permitted by Applicable Law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the Manager, or the Liquidator, taken in good faith under such power of attorney in accordance with this *Section 2.7*. Each Member and Record Holder shall execute and deliver to the Manager, or the Liquidator, within 15 days after receipt of the request therefor, such further designations, powers of attorney and other instruments as such Manager or the Liquidator determines to be necessary or appropriate to effectuate this Agreement and the purposes of the Company.

Section 2.8 *Term*. The term of the Company commenced upon the filing of the Certificate of Formation in accordance with the Delaware Act and shall continue until the dissolution of the Company in accordance with the provisions of *Article IX*. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation as provided in the Delaware Act.

Section 2.9 *Title to Company Assets*. Title to Company assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof. Title to any or all of the Company assets may be held in the name of the Company one or more of its Affiliates or

one or more nominees, as the Manager may determine. All Company assets shall be recorded as the property of the Company in its books and records, irrespective of the name in which record title to such Company assets is held.

ARTICLE III

MEMBERS AND SHARES

Section 3.1 *Members.*

(a) A Person shall be admitted as a Member and shall become bound by the terms of this Agreement if such Person purchases or otherwise lawfully acquires any Share and becomes the Record Holder of such Share in accordance with the provisions of this *Article III*. A Person may become a Record Holder without the consent or approval of any of the Members. A Person may not become a Member without acquiring a Share.

(b) The name and mailing address of each Member shall be listed on the books and records of the Company maintained for such purpose by the Company or the Transfer Agent. The Secretary of the Company shall update the books and records of the Company from time to time as necessary to reflect accurately the information therein (or shall cause the Transfer Agent to do so, as applicable).

(c) Except as otherwise provided in the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member of the Company.

(d) Subject to *Article XI* and *Sections 3.8 and 3.10*, Members may not be expelled from or removed as Members of the Company. Members shall not have any right to withdraw from the Company; *provided*, *however*, that when a transferee of a Member s Shares becomes a Record Holder of such Shares, such Transferring Member shall cease to be a member of the Company with respect to the Shares so Transferred.

(e) Except to the extent expressly provided in this Agreement (including any Share Designation):

(i) no Member shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent that distributions, if any, made pursuant to this Agreement or upon dissolution of the Company may be considered as such by Applicable Law and then only to the extent provided for in this Agreement;

(ii) no interest shall be paid by the Company on Capital Contributions; and

(iii) except for any member of the Apollo Group, no Member, in its capacity as such, shall participate in the operation, management or control of the Company s business, transact any business in the Company s name or have the power to sign documents for or otherwise bind the Company.

(f) Any Member shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Company, including business interests and activities in direct competition with the Company Group, and none of the same shall constitute a breach of this Agreement or any duty (including fiduciary duties) otherwise existing at law, in equity or otherwise to any Company Group Member or Member. Neither the Company nor any of the other Members shall have any rights by virtue of this Agreement in any such business interests or activities of any Member.

Section 3.2 *Authorization to Issue Shares.*

(a) The Company may issue Shares, and options, rights, warrants and appreciation rights relating to Shares, for any Company purpose at any time and from time to time to such Persons for such consideration (which may be cash, property, services or any other lawful consideration) or for no consideration and on

such terms and conditions as the Manager shall determine, all without the approval of any Member. Each Share shall have the rights and be governed by the provisions set forth in this Agreement (including any Share Designation). Except to the extent expressly provided in this Agreement (including any Share Designation), no Share shall entitle any Member to any preemptive, preferential, or similar rights with respect to the issuance of Shares.

(b) As of the date of this Agreement, two classes of Shares have been designated: Class A Common Shares and Class B Common Shares. Subject to *Article XII*, the Shares shall entitle the Record Holders thereof to vote on any and all matters submitted for the consent or approval of Members generally. The Company has entered into the Lender Rights Agreement, the Shareholders Agreement and the CS Rights Agreement, which provide certain rights to the other parties thereto, including, without limitation, certain registration rights relating to the Shares. The Company, Holdings and the other parties thereto have entered into an Exchange Agreement which provides for the exchange by Holdings of Operating Group Units, on the one hand, for Class A Common Shares (or, at the election of the Company, cash), on the other hand.

(c) On the date of this Agreement, the Company shall issue one (1) Class B Common Share to BRH Holdings. On any date BRH Holdings may in its sole discretion elect to give up its Class B Common Share (the *BRH Holdings Cessation Date*), and the Company shall issue one (1) Class B Common Share to each holder of record on such date of an Operating Group Unit (other than the Company and its Subsidiaries) for each Operating Group Unit held, whether or not such Operating Group Unit is vested. In addition, on each date following the BRH Holdings Cessation Date that any Person that is not already a holder of a Class B Common Share shall become a holder of record of an Operating Group Unit (other than the Company and its Subsidiaries), whether or not such Operating Group Unit is vested, the Company shall issue one (1) Class B Common Share to such Person on such date for each Operating Group Unit held. In the event that a holder of a Class B Common Share shall subsequent to the BRH Holdings Cessation Date cease to be the record holder of any such Operating Group Unit, the Class B Common Share held by such holder with respect to such Operating Group Unit shall be automatically cancelled without any further action of any Person and such holder shall cease to be a Member with respect to such Class B Common Share so cancelled. Upon the issuance to it of a Class B Common Share, each holder thereof shall automatically and without further action be admitted to the Company as a Member of the Company.

(d) The Manager may, without the consent or approval of any Members, amend this Agreement and make any filings under the Delaware Act or otherwise to the extent the Manager determines that it is necessary or desirable in order to effectuate any issuance of Shares pursuant to this *Article III*, including, without limitation, an amendment of *Section 3.2(b)*.

Section 3.3 *Certificates*.

(a) Notwithstanding anything otherwise to the contrary herein, unless the Manager shall determine otherwise in respect of some or all of any or all classes of Shares, Shares shall not be evidenced by certificates.

(b) In the event that Certificates are issued:

(i) such Certificates shall be executed on behalf of the Company by the Manager (and by any authorized officer of the Company on behalf of the Manager).

(ii) No Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; *provided*, *however*, that if the Manager elects to issue certificates evidencing Shares in global form, the certificates evidencing Shares shall be valid upon receipt of a certificate from the Transfer Agent certifying that the certificates evidencing the Shares have been duly registered in accordance with the directions of the Company.

(iii) If any mutilated Certificate is surrendered to the Transfer Agent, the authorized officers of the Company, on behalf of the Manager, shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and class or series of Shares as the Certificate so surrendered.

(iv) The authorized officers of the Company, on behalf of the Manager, shall execute, and the Transfer Agent shall countersign and deliver, a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate:

(A) makes proof by affidavit, in form and substance satisfactory to the Manager, that a previously issued Certificate has been lost, destroyed or stolen;

(B) requests the issuance of a new Certificate before the Manager has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(C) if requested by the Manager, delivers to the Manager a bond, in form and substance satisfactory to the Manager, with surety or sureties and with fixed or open penalty as the Manager may direct to indemnify the Company, the Manager and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(D) satisfies any other reasonable requirements imposed by the Manager.

(v) If a Member fails to notify the Manager within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a Transfer of the Shares represented by the Certificate is registered before the Manager or the Transfer Agent receives such notification, the Member shall be precluded from making any claim against the Manager, the Company or the Transfer Agent for such Transfer or for a new Certificate. As a condition to the issuance of any new Certificate under this *Section 3.3*, the Manager may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent and the Manager) connected therewith.

Section 3.4 *Record Holders*. The Company shall be entitled to recognize the Record Holder as the owner of a Share and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Share on the part of any other Person, regardless of whether the Company shall have actual or other notice thereof, except as otherwise provided by Applicable Law, including any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Shares are listed for trading. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Shares, as between the Company on the one hand, and such other Person on the other, such representative Person shall be deemed the Record Holder of such Share.

Section 3.5 *Registration and Transfer of Shares*.

(a) No Share shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this *Article III*. Any Transfer or purported Transfer of a Share not made in accordance with this *Article III* shall be null and void.

(b) Nothing contained in this Agreement shall be construed to prevent a disposition by any equityholder of the Manager of any or all of the issued and outstanding equity interests in the Manager.

(c) The authorized officers of the Company shall keep or cause to be kept a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of *Section 3.5(d)*, the Company will provide for the registration and Transfer of Shares. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Shares and Transfers of such Shares as herein provided.

(d) In furtherance, and not in limitation, of this *Section 3.5*, in the event that Shares are evidenced by Certificates, the provisions of this *Section 3.5(c)* shall apply to any Transfer of Shares and the Company shall not recognize Transfers of a Certificate unless such Transfers are effected in the manner described in this *Section 3.5*. Upon surrender of a Certificate for registration of Transfer of any Shares evidenced by a

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Certificate to the Company, and subject to the provisions of this *Section 3.5(d)*, the authorized officers of the Company, on behalf of the Manager, shall execute and deliver, and the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder s instructions, one or more new Certificates evidencing the same aggregate number and type of Shares as was evidenced by the Certificate so surrendered. Except as otherwise provided in *Section 3.7*, the Company shall not recognize any Transfer of Shares evidenced by Certificates until the Certificates evidencing such Shares are surrendered for registration of such Transfer. No charge shall be imposed by the Manager for such Transfer; *provided* that as a condition to the issuance of any new Certificate under this *Section 3.5*, the Manager may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(e) Shares shall be freely transferable subject to the following: (i) the foregoing provisions of this *Section 3.5*; (ii) *Section 3.4*; (iii) *Section 3.6*; (iv) *Section 3.10*; (v) with respect to any series of Shares, the provisions of any Share Designations, or amendments to this Agreement establishing such series; (vi) any contractual provisions that are binding on any Member; and (vii) any provisions of Applicable Law, including the Securities Act.

Section 3.6 *Restrictions on Transfers*.

(a) Except as provided in *Section 3.6(c)* below, but notwithstanding the other provisions of this *Article III*, no Transfer of any Shares shall be made if such Transfer would:

(i) violate the then Applicable Law, including U.S. federal or state securities laws or rules and regulations of the SEC, any state securities commission or any other applicable securities laws of a Governmental Entity (including those outside the jurisdiction of the U.S.) with jurisdiction over such Transfer or have the effect of rendering unavailable any exemption under Applicable Law relied upon for a prior transfer of such Shares;

(ii) terminate the existence or qualification of the Company under the laws of the jurisdiction of its formation;

(iii) cause the Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for U.S. federal income tax purposes (to the extent not already so treated or taxed);

(iv) require the Company to be subject to the registration requirements of the Investment Company Act; or

(v) result in (A) all or any portion of the Assets of the Company becoming or being deemed to be plan assets (pursuant to ERISA, the Code or any applicable Similar Law or otherwise) of any existing or contemplated Member or be subject to the provisions of ERISA, Section 4975 of the Code, or any applicable Similar Law, or (B) the Manager becoming or being deemed to be a fiduciary with respect to any existing or contemplated Member pursuant to ERISA, the Code, any applicable Similar Law or otherwise.

(b) The Manager may impose restrictions on the Transfer of Shares if it receives an Opinion of Counsel that such restrictions are necessary or advisable to avoid a significant risk of the Company becoming taxable as a corporation or otherwise becoming taxable as an entity for U.S. federal income tax purposes. The Manager may impose such restrictions by amending this Agreement without the approval of the Members.

(c) Nothing contained in this *Article III*, or elsewhere in this Agreement, shall preclude (i) the Company from complying with its obligations under the Initial Offering Registration Rights Agreement or (ii) the settlement of any transactions involving Shares entered into through the facilities of any National Securities Exchange on which such Shares are listed for trading.

(d) By acceptance of the Transfer of any Share, and subject to compliance with *Sections 3.5* and *3.6* with respect to such Transfer, each transferee of a Share (including any nominee holder or an agent or

representative acquiring such Shares for the account of another Person): (i) shall be admitted to the Company as a Substitute Member with respect to the Shares so Transferred to such transferee when any such Transfer or admission is reflected in the books and records of the Company; (ii) shall be deemed to agree to be bound by the terms of this Agreement; (iii) shall become the Record Holder of the Shares so Transferred; (iv) grants powers of attorney to the officers of the Company and any Liquidator of the Company, as specified herein; and (v) makes the consents and waivers contained in this Agreement.

(e) Any Transfer of a Share shall not entitle the transferee to share in the profits and losses, to receive distributions, to receive allocations of income, gain, loss, deduction or credit or any similar item or to any other rights to which the transferor was entitled until the transferee becomes a Member pursuant to this *Article III*.

(f) The Transfer of any Shares and the admission of any new Member shall not constitute an amendment to this Agreement.

(g) For the avoidance of doubt, the restrictions on the Transfer of Shares contained herein shall be in addition to restrictions on the Transfer of Shares applicable to a Member pursuant to the terms of any agreement entered into among the Company and such Member.

Section 3.7 *Citizenship Certificates; Non-citizen Assignees*.

(a) If any Company Group Member is or becomes subject to any Applicable Law that, in the determination of the Manager in its sole discretion, creates a substantial risk of cancellation or forfeiture of any property in which the Company Group Member has an interest based on the nationality, citizenship or other related status of any Member, the Manager may request any Member (or, in the case of a Member that is an entity, its direct or indirect equity owners, as required) to furnish to the Manager, within 30 days after receipt of such request, an executed Citizenship Certification or such other information concerning his nationality, citizenship or other related status (or, if the Member is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such other Person) as the Manager may request. If a Member fails to furnish to the Manager within such 30-day period such Citizenship Certification or other requested information, or if upon receipt of such Citizenship Certification or other requested information the Manager determines, with the advice of counsel, that a Member is not an Eligible Citizen, the Shares owned by such Member shall be subject to redemption in accordance with the provisions of *Section 3.8*. The Manager also may require in its sole discretion that the status of any such Member be changed to that of a Non-citizen Assignee and, thereupon, the Manager (or its designee) shall be substituted for such Non-citizen Assignee as the Member in respect of such Shares.

(b) Upon dissolution of the Company, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to *Section 9.3* but shall be entitled to the cash equivalent thereof, and the Company shall provide cash in exchange for an assignment of the Non-citizen Assignee s share of the distribution in kind. Such payment and assignment shall be treated for the Company s purposes as a purchase by the Company from the Non-citizen Assignee of their Shares (representing their right to receive such share of such distribution in kind).

(c) At any time after such Member can and does certify that they have become an Eligible Citizen, a Non-citizen Assignee may, upon application to the Manager, request that with respect to any Shares of such Non-citizen Assignee not redeemed pursuant to *Section 3.8*, such Non-citizen Assignee be admitted as a Member, and upon approval of the Manager in its sole discretion, such Non-citizen Assignee shall be admitted as a Member and shall no longer constitute a Non-citizen Assignee and the Manager (or its designee) shall cease to be deemed to be the Member in respect of the Non-citizen Assignee s Shares.

Section 3.8 *Redemption of Shares of Non-citizen Assignees*.

(a) If at any time a Member fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in *Section 3.7(a)*, or if upon receipt of such Citizenship Certification or

other information the Manager determines, with the advice of counsel, that a Member is not an Eligible Citizen, the Manager, in its sole discretion, may cause the Company to, unless the Member establishes to the satisfaction of the Manager that such Member is an Eligible Citizen or has Transferred his, her or its Shares to a Person who is an Eligible Citizen and such Person furnishes a Citizenship Certification to the Manager prior to the date fixed for redemption as provided below, redeem the Shares of such Member as follows:

(i) The Manager shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Member, at his last address designated on the records of the Company or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been given when so mailed. The notice shall specify the redeemable Shares, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon the redemption of the redeemable Shares (or, if later in the case of redeemable Shares evidenced by Certificates, upon surrender of the Certificates evidencing such redeemable Shares) and that on and after the date fixed for redemption no further allocations or distributions to which the Member would otherwise be entitled in respect of the redeemable Shares will accrue or be made.

(ii) The aggregate redemption price payable by the Company for Shares redeemable under this *Section 3.8* shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Shares of the class to be so redeemed multiplied by the number of Shares of each such class included among the redeemable Shares, as determined by the Manager in its sole discretion. Prior to such time as the Shares are listed on a National Securities Exchange, the Current Market Price shall be determined by the Manager in its sole discretion. The redemption price shall be paid as determined by the Manager in its sole discretion, in cash or by delivery of a promissory note of the Company in the principal amount of the redemption price, bearing interest at the rate of 7% annually and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) The Member (or its duly authorized representative) shall be entitled to receive the payment for the redeemable Shares at the place of payment specified in the notice of redemption on the redemption date (or, if later in the case of redeemable Shares evidenced by Certificates, upon surrender by or on behalf of the Member, at the place specified in the notice of redemption, of the certificates, evidencing the redeemable Shares, duly endorsed in blank or accompanied by an assignment duly executed in blank).

(iv) After the redemption date, redeemable Shares shall no longer constitute Outstanding Shares.

(b) The provisions of this *Section 3.8* shall also be applicable to Shares held by a Member as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this *Section 3.8* shall prevent the recipient of a notice of redemption from Transferring his Shares before the redemption date if such Transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a Transfer, the Manager shall withdraw the notice of redemption; *provided*, the transferee of such Shares certifies to the satisfaction of the Manager in a Citizenship Certification that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

Section 3.9 *Rights of Members*.

(a) In addition to other rights provided by this Agreement or by Applicable Law, and except as limited by *Section 3.4(b)*, each Member shall have the right, for a purpose reasonably related to such Member s interest as a Member in the Company, upon reasonable written demand stating the purpose of such demand and at such Member s own expense:

(i) promptly after its becoming available, to obtain a copy of the Company s U.S. federal, state and local income tax returns for each year; and

(ii) to obtain a copy of this Agreement and the Certificate of Formation and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Formation and all amendments thereto have been executed.

(b) The Manager may keep confidential from the Members, for such period of time as the Manager determines in its sole discretion: (i) any information that the Manager believes to be in the nature of trade secrets; or (ii) other information the disclosure of which the Manager believes: (A) is not in the best interests of the Company Group; (B) could damage the Company Group or its business; or (C) that any Company Group Member is required by Applicable Law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Company, the primary purpose of which is to circumvent the obligations set forth in this *Section 3.9*).

Section 3.10 *ERISA Ownership Limitations*.

(a) Unless permitted by the Manager pursuant to a written waiver, any purported acquisition or holding of a Share with the assets of any Plan will be void and shall have no force and effect. In addition, if any ERISA Person acquires or holds Shares in violation of the foregoing sentence, (i) the Shares acquired or held by such ERISA Person shall be deemed to be Shares-in-Trust to prevent the Assets from being treated as plan assets that are subject to Title I of ERISA, Section 4975 of the Code or any Similar Laws; (ii) such Shares shall be transferred automatically and by operation of law to an ERISA Trust (as described below); and (iii) the ERISA Persons purportedly owning such Shares-in-Trust (the *Prohibited Owner*) shall submit such Shares for registration in the name of the ERISA Trust. Such transfer to an ERISA Trust and the designation of Shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the event that otherwise could have caused the Assets to be treated as plan assets that are subject to Title I of ERISA, Section 4975 of the Code or any Similar Laws. The Manager shall not permit a waiver of the type described in the first sentence of this Section 3.10(a) unless the Person for which such waiver is provided represents to the Manager in writing, or the Manager otherwise determines, that such purchase and holding of Shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of Similar Laws and will not cause the Assets to be treated as plan assets or equity participation in the Company by benefit plan investors to be significant (within the meaning of the Plan Asset Regulation).

(b) During the period prior to the discovery of the existence of the ERISA Trust, any transfer of Shares by an ERISA Person to a non-ERISA Person shall reduce the number of Shares-in-Trust on a one-for-one basis, and to that extent such Shares shall cease to be designated as Shares-in-Trust. After the discovery of the existence of the ERISA Trust, but prior to the redemption of all discovered Shares-in-Trust and/or the submission of all discovered Shares-in-Trust for registration in the name of the ERISA Trust, any transfer of Shares by an ERISA Person to a non-ERISA Person shall reduce the number of Shares-in-Trust on a one-for-one basis, and to that extent such Shares shall cease to be designated as Shares-in-Trust.

(c) If any Shares are deemed Shares-in-Trust, the Prohibited Owner shall immediately cease to own any right or interest with respect to such Shares and the Company will have the right to repurchase such Shares-in-Trust for an amount equal to their Current Market Price, which proceeds shall be payable to the Prohibited Owner.

(d) (i) Upon any purported transfer or other event that would result in a transfer of Shares to an ERISA Trust, such Shares shall be deemed to have been transferred to a Trustee as trustee of such ERISA Trust for the exclusive benefit of one or more Charitable Beneficiaries. Such transfer to the Trustee shall be deemed to be effective as of the close of business on the business day prior to the purported transfer or other event that results in the transfer to the ERISA Trust. Each Charitable Beneficiary shall be designated by the Company as provided below.

(ii) Shares held by the Trustee shall be issued and outstanding Shares of the Company. The Prohibited Owner shall have no rights in the Shares held by the Trustee. The Prohibited Owner shall not benefit economically from ownership of any Shares held in trust by the Trustee, shall have no

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rights to any distributions and shall not possess any rights to vote or other rights attributable to the Shares held in the ERISA Trust.

(iii) The Trustee shall have all consent rights and rights to distributions with respect to Shares held in the ERISA Trust, which rights shall be exercised for the exclusive benefit of the Charitable Beneficiary. Any distribution paid prior to the discovery by the Manager that the Shares have been transferred to the ERISA Trustee shall be paid by the recipient of such distribution to the Trustee upon demand and any distribution authorized but unpaid shall be paid when due to the Trustee. Any distribution so paid to the Trustee shall be held in trust for the Charitable Beneficiary. The Prohibited Owner shall have no consent rights with respect to Shares held in the ERISA Trust and, effective as of the date that the Shares have been transferred to the Trustee, the Trustee shall have the authority (at the Trustee s sole discretion) (A) to rescind as void any consent cast by a Prohibited Owner prior to the discovery by the Manager that the Shares have been transferred to the Trustee and (B) to recast such consent in accordance with the desires of the Trustee acting for the benefit of the Charitable Beneficiary, provided that if the Company has already taken irreversible action, then the Trustee shall not have the authority to rescind and recast such consent. Notwithstanding the foregoing, until the Manager has received notification that Shares have been transferred into an ERISA Trust, the Manager shall be entitled to rely on its Shares transfer and other Company records for purposes of preparing lists of Record Holders entitled to consent at meetings, determining the validity and authority of proxies and otherwise obtaining consents of Members.

(iv) Within 20 days of receiving notice from the Manager that Shares have been transferred to the ERISA Trust, the Trustee of the ERISA Trust shall sell the Shares held in the ERISA Trust to a Person, designated by the Trustee, whose ownership of the Shares will not violate the ownership limitations set forth herein. Upon such sale, the interest of the Charitable Beneficiary in the Shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner and to the Charitable Beneficiary as provided herein. The Prohibited Owner shall receive the lesser of (A) the price paid by the Prohibited Owner for the Shares or, if the Prohibited Owner did not give value for the Shares in connection with the event causing the Shares to be held in the ERISA Trust (*e.g.,* in the case of a gift, devise or other such transaction), the Current Market Price of the Shares on the day of the event causing the Shares to be held in the ERISA Trust and (B) the price received by the Trustee from the sale or other disposition of the Shares held in the ERISA Trust. Any net sales proceeds in excess of the amount payable to the Prohibited Owner shall be immediately paid to the Charitable Beneficiary. If, prior to the discovery by the Company that Shares have been transferred to the Trustee, such Shares are sold by a Prohibited Owner, then (X) such Shares shall be deemed to have been sold on behalf of the ERISA Trust and (Y) to the extent that the Prohibited Owner received an amount for such Shares that exceeds the amount that such Prohibited Owner was entitled to receive hereunder, such excess shall be paid to the Trustee upon demand.

(v) Shares transferred to the Trustee shall be deemed to have been offered for sale to the Company, or its designee, at a price per Share equal to the lesser of (1) the price per Share in the transaction that resulted in such transfer to the ERISA Trust (or, in the case of a devise or gift, the Current Market Price at the time of such devise or gift) and (2) the Current Market Price on the date the Company, or its designee, accepts such offer. The Company shall have the right to accept such offer until the Trustee has sold the Shares held in the ERISA Trust. Upon such a sale to the Company, the interest of the Charitable Beneficiary in the Shares sold shall terminate and the Trustee shall distribute the net proceeds of the sale to the Prohibited Owner.

(vi) By written notice to the Trustee, the Manager shall designate one or more non-profit organizations to be the Charitable Beneficiary of the interest in the Trust such that the Shares held in the ERISA Trust would not violate the restrictions set forth herein in the hands of such Charitable Beneficiary.

(e) The provisions of *Section 3.10* shall cease to apply and all Shares-in-Trust shall cease to be designated as Shares-in Trust and shall be returned, automatically and by operation of law, to their Prohibited Owners, all of which shall occur at such time as Shares qualify as a class of publicly-offered securities within the meaning of the Plan Asset Regulations.

ARTICLE IV

SPLITS AND COMBINATIONS.

Section 4.1 *Splits and Combinations*.

(a) Subject to *Section 4.1(d)*, the Company may make a pro rata distribution of Shares of any class or series to all Record Holders of such class or series of Shares, or may effect a subdivision or combination of Shares of any class or series so long as, after any such event, each Member shall have the same Percentage Interest in the Company as before such event, and any amounts calculated on a per Share basis (including voting rights) or stated as a number of Shares are proportionately adjusted.

(b) Whenever such a distribution, subdivision or combination of Shares is declared, the Manager shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such notice. The Manager also may cause a firm of independent public accountants selected by it to calculate the number of Shares to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The Manager shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) In the event that Certificates are issued, promptly following any such distribution, subdivision or combination, the Company may issue new Certificates to the Record Holders of Shares or options, rights, warrants or appreciation rights relating to Shares as of the applicable Record Date representing the new number of Shares or options, rights, warrants or appreciation rights relating to Shares held by such Record Holders, or the Manager may adopt such other procedures that it determines to be necessary or appropriate to reflect such changes. If any such combination results in a smaller total number of Outstanding Shares or outstanding options, rights, warrants or appreciation rights relating to Shares, the Company shall require, as a condition to the delivery to a Record Holder of any such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Company shall not issue fractional Shares upon any distribution, subdivision or combination of Shares. If a distribution, subdivision or combination of Shares would otherwise result in the issuance of fractional Shares, each fractional Share shall be rounded to the nearest whole Share (and a 0.5 Share shall be rounded to the next higher Share).

ARTICLE V

CAPITAL ACCOUNTS; ALLOCATIONS OF TAX ITEMS; DISTRIBUTIONS.

Section 5.1 *Maintenance of Capital Accounts; Allocations*.

(a) There shall be established for each Member on the books of the Company as of the date such Member becomes a Member a capital account (each being a "Capital Account"). Each Capital Contribution by any Member, if any, shall be credited to the Capital Account of such Member on the date such Capital Contribution is made to the Company. In addition, each Member s Capital Account shall be (a) credited with (i) such Member s allocable share of any Net Income of the Company, and (ii) the amount of any Company liabilities that are assumed by the Member or secured by any Company property distributed to the Member, (b) debited with (i) the amount of distributions (and deemed distributions) to such Member of cash

or the fair market value of other property so distributed, (ii) such Member s allocable share of Net Loss of the Company and expenditures of the Company described or treated under Section 704(b) of the Code as described in Section 705(a)(2)(B) of the Code, and (iii) the amount of any liabilities of the Member assumed by the Company or which are secured by any property contributed by the Member to the Company and (c) otherwise maintained in accordance with the provisions of the Code and the United States Treasury Regulations promulgated thereunder. Any other item which is required to be reflected in a Member s Capital Account under Section 704(b) of the Code and the United States Treasury Regulations promulgated thereunder or otherwise under this Agreement shall be so reflected. The Manager shall make such adjustments to Capital Accounts as it determines in its sole discretion to be appropriate to ensure allocations are made in accordance with a Member s interest in the Company. Interest shall not be payable on Capital Account balances. Notwithstanding anything to the contrary contained in this Agreement, the Manager shall maintain the Capital Accounts of the Members in accordance with the principles and requirements set forth in Section 704(b) of the Code and the United States Treasury Regulations promulgated thereunder. The Capital Account of each holder of Class B Common Shares shall at all times be zero, except to the extent such holder also holds Shares other than Class B Common Shares.

(b) Net Income (Loss) of the Company for each tax year shall be allocated among the Capital Accounts of the Members in a manner that as closely as possible gives economic effect to the manner in which distributions are made to the Members pursuant to the provisions of Sections 5.2(e) and 9.3.

(c) All items of income, gain, loss, deduction and credit of the Company shall be allocated among the Members for U.S. federal, state and local income tax purposes consistent with the manner that the corresponding constituent items of Net Income (Loss) shall be allocated among the Members pursuant to this Agreement, except as may otherwise be provided herein or by the Code. Notwithstanding the foregoing, the Manager in its sole discretion shall make such allocations for tax purposes as may be needed to ensure that allocations are in accordance with the interests of the Members in the Company, within the meaning of the Code and United States Treasury Regulations. The Manager shall determine all matters concerning allocations for tax purposes not expressly provided for herein in its sole discretion. For the proper administration of the Company and for the preservation of uniformity of Shares (or any portion or class or classes thereof), the Manager may (i) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of United States Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Shares (or any portion or class or classes thereof), and (ii) adopt and employ or modify such conventions and methods as the Manager determines in its sole discretion to be appropriate for (A) the determination for tax purposes of items of income, gain, loss, deduction and credit and the allocation of such items among Members and between transferors and transferees under this Agreement and pursuant to the Code and the United States Treasury Regulations promulgated thereunder, (B) the determination of the identities and tax classification of Members, (C) the valuation of Company assets and the determination of tax basis, (D) the allocation of asset values and tax basis, (E) the adoption and maintenance of accounting methods and (F) taking into account differences between the Carrying Values of Company assets and such asset adjusted tax basis pursuant to Section 704(c) of the Code and the United States Treasury Regulations promulgated thereunder.

(d) Allocations that would otherwise be made to a Member under the provisions of this Article V shall instead be made to the beneficial owner of Shares held by a nominee in any case in which the nominee has furnished the identity of such owner to the Company in accordance with Section 6031(c) of the Code or any other method determined by the Manager in its sole discretion.

Section 5.2 *Distributions to Record Holders*.

(a) Subject to the applicable provisions of the Delaware Act, the Manager may, in its sole discretion, at any time and from time to time, declare, make and pay distributions of cash or other assets to the Members. Subject to the terms of any Share Designation, distributions shall be paid to Members in accordance with their respective Percentage Interests as of the Record Date selected by the Manager. Notwithstanding anything otherwise to the contrary herein, the Company shall not make or pay any

distributions of cash or other assets with respect to the Class B Common Share except for distributions consisting only of additional Class B Common Shares paid proportionally with respect to each outstanding Class B Common Share.

(b) Notwithstanding *Section 5.2(a)*, in the event of the dissolution and liquidation of the Company, all distributions shall be made in accordance with, and subject to the terms and conditions of, *Section 9.3*.

(c) Pursuant to *Section 8.4*, the Company is authorized to withhold from payments or other distributions to the Members, and to pay over to any U.S. federal, state and local government or any foreign government, any amounts required to be so withheld pursuant to the Code or any other Applicable Law.

(d) Each distribution in respect of any Shares shall be paid by the Company, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Shares as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Company s liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(e) Notwithstanding anything in this Section 5.2 to the contrary, after an Initial Offering, the following amounts shall be distributed solely to holders of Class A Common Shares that acquired such shares as a result of the conversion of Notes into Class A Shares: (i) any interest on the Notes that was accrued and unpaid at the IPO Date, (ii) any amount Deemed Distribution Reserve as such term is defined in the Strategic Agreement and (iii) any other amount distributable solely to a Noteholder or former Noteholder pursuant to the Strategic Agreement after the IPO Date.

ARTICLE VI

MANAGEMENT AND OPERATION OF BUSINESS

Section 6.1 *Management*.

(a) The Manager shall conduct, direct and manage all activities of the Company for so long as the Apollo Group Beneficially Owns at least 10% of the Voting Power. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Company shall be exclusively vested in the Manager, and no other Member shall have any management power over the business and affairs of the Company. In the event that the Apollo Group no longer Beneficially Owns, in the aggregate, 10% or more of the Voting Power of the Company, the Board or its designee shall conduct, direct and manage all activities of the Company or, as contemplated under *Section 6.3*, shall exercise all of the powers granted to the Manager hereunder.

(b) In addition to the powers now or hereafter granted to the Manager under any other provision of this Agreement, the Manager, subject to *Section 6.1(a)* and *Section 6.2*, shall have full power and authority to do all things and on such terms as it determines, in its sole discretion, to be necessary or appropriate to conduct the business of the Company, to exercise all powers set forth in *Section 2.6* and to effectuate the purposes set forth in *Section 2.5*, including without limitation the power to:

(i) vest in the Board any or all powers over the business and affairs of the Company, as the Manager determines, in its sole discretion;

(ii) make any expenditures, lend or borrow money, assume or guarantee, or otherwise contract for, indebtedness and other liabilities, issue evidences of indebtedness, including indebtedness that is convertible or exchangeable into Company securities or options, rights, warrants or appreciation rights relating to Company securities, and incur any other obligations;

(iii) make tax, regulatory and other filings, or render periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Company;

(iv) acquire, dispose of, mortgage, pledge, encumber, hypothecate or exchange any or all of the assets of the Company or merge or otherwise combine the Company with or into another Person (subject, however, to any prior approval that may be required by *Section 6.2*, *Article XI*);

(v) use the assets of the Company (including cash on hand) for any purpose consistent with the terms of this Agreement, including the distribution of Company cash, the financing of the conduct of the operations of the Company Group; subject to applicable securities laws, the lending of funds to other Persons; the repayment or guarantee of obligations of any Company Group Member and the making of capital contributions to any Company Group Member;

(vi) negotiate, execute and perform any contract, conveyance or other instrument (including instruments that limit the liability of the Manager under contractual arrangements to all or particular assets of the Company, with the other party to the contract to have no recourse against the Manager or its assets other than its interest in the Company, even if same results in the terms of the transaction being less favorable to the Company than would otherwise be the case);

(vii) select, appoint and dismiss the Company s officers and employees (including employees having titles such as chief executive officer, senior managing director, president, vice president, secretary, treasurer or any other titles the Manager in its sole discretion may determine) a agents, representatives, outside attorneys, accountants, consultants and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) maintain insurance for the benefit of the Company Group, the Members and Indemnified Persons;

(ix) form, or acquire an interest in, and contribute property and make loans to, any limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Company s Subsidiaries from time to time);

(x) control any matters affecting the rights and obligations of the Company, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation, arbitration or mediation and the incurring of legal expense and the settlement of claims and litigation;

(xi) indemnify any Person against liabilities and contingencies to the extent permitted by Applicable Law;

(xii) enter into listing agreements with any National Securities Exchange and delist some or all of the Shares from, or request that trading be suspended on, any such exchange;

(xiii) purchase, sell or otherwise acquire or dispose of Company securities or options, rights, warrants or appreciation rights relating to Company securities;

(xiv) undertake any action in connection with the Company s participation in the management of the Company Group through its managers, directors, officers or employees or the Company s direct or indirect ownership of the Company Group Members, including, without limitation, all things described in or contemplated by any Registration Statement and the agreements described in or filed as exhibits to any Registration Statement;

(xv) cause to be registered for resale under the Securities Act and applicable state or non-U.S. securities laws, any securities of, or any securities convertible or exchangeable into securities of, the Company held by any Person;

(xvi) declare or pay any distributions of cash or other assets to Members;

(xvii) file a bankruptcy petition; and

(xviii) execute and deliver agreements with Affiliates of the Company or any Company Group Member to render services to a Company Group Member.

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(c) In exercising its authority under this Agreement, the Manager may, but shall be under no obligation to, take into account the tax consequences to any Member of any action taken (or not taken) by it. Neither the Company nor the Manager shall have any liability to a Member for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Member in connection with such decisions.

(d) Notwithstanding anything otherwise to the contrary herein, the Delaware Act or any Applicable Law, each of the Members and each other Person who may acquire an interest in Company securities hereby:

(i) approves, ratifies and confirms the execution, delivery and performance by the parties thereto of the Exchange Agreement, the Tax Receivable Agreement, the Strategic Agreement, the Notes, the Lender Rights Agreement, the Shareholders Agreement, the CS Rights Agreement, the Roll-up Agreements and the other agreements described in or contemplated by any Registration Statement;

(ii) agrees that the Manager is authorized to execute, deliver and perform on behalf of the Company the agreements referred to in *Section 6.1(d)(i)* and the other agreements, acts, transactions and matters described in or contemplated by any Registration Statement, without any further act, approval or vote of the Members or the other Persons who may acquire an interest in Company securities; and

(iii) agrees that the execution, delivery or performance by the Company, any Company Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement shall not constitute a breach by the Company of any duty that the Company may owe the Members or any other Persons under this Agreement (or any other agreements) or of any duty (fiduciary or otherwise) existing at law, in equity or otherwise.

Section 6.2 *Restrictions on Manager s Authority*.

(a) The Manager shall have the right to exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its duly authorized representatives or the duly authorized officers of the Company, and the Manager shall not be responsible for the misconduct or negligence on the part of any such officer or representative duly appointed or duly authorized by the Manager in good faith.

(b) Except as provided in *Article IX* and *Article XI*, the Manager may not sell, exchange or otherwise dispose of all or substantially all of the Company Group s assets, taken as a whole, in a single transaction or a series of related transactions without the approval of holders of a majority of the Voting Power of the Company; *provided*, *however*, that this provision shall not preclude or limit the Manager s ability, in its sole discretion, to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Company Group (including for the benefit of Persons other than members of the Company Group, including Affiliates of the Manager) and shall not apply to any forced sale of any or all of the assets of the Company Group pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 6.3 *Resignation of the Manager*. The Manager, may resign at any time by giving notice of such resignation in writing or by electronic transmission to the Board. Any such resignation shall take effect at the time specified therein. The acceptance of such resignation by the Board shall not be necessary to make it effective. The Manager may at any time designate a substitute manager that is a member of the Apollo Group, which substitute manager shall, upon the later of the acceptance of such designation and the effective date of such resignation of the departing Manager, be subject to the terms and conditions set forth in this Agreement and be deemed the Manager for all purposes hereunder. In the event the Manager resigns and does not designate a substitute manager in accordance with the terms of this Agreement, the Board shall conduct, direct and manage all activities of the Company and shall exercise all of the powers granted to the Manager hereunder.

Section 6.4 *Board Generally*. Following an Initial Offering, the Manager shall establish the Board, unless the Manager determines, in its sole discretion, to establish the Board prior to the Initial Offering. For so long as

the Apollo Group Beneficially Owns 10% or more of the Voting Power of the Company, the Manager shall (i) nominate and elect all Directors on the Board, (ii) set the number of Directors which shall constitute the Board and (iii) fill any vacancies on the Board. Each Director elected by the Manager shall hold office until such Director s successor is duly elected and qualified, or until such Director s death or until such Director resigns or is removed in the manner hereinafter provided. In the event that the Apollo Group Beneficially Owns less than 10% of the Voting Power of the Company, the number of directors which will constitute the Board shall be set by resolution of the Board.

Section 6.5 *Election of Directors*. In the event that the Apollo Group Beneficially Owns less than 10% of the Voting Power of the Company, (i) Directors shall be elected at the annual meeting of Members, except as provided in *Section 6.8* and each Director elected shall hold office until the succeeding meeting after such Director s election and until such Director s successor is duly elected and qualified, or until such Director s death or until such Director resigns or is removed in the manner hereinafter provided and (ii) Directors shall be elected by a plurality of the votes of Outstanding Voting Shares present in person or represented by proxy and entitled to vote on the election of Directors at any annual or special meeting of Members.

Section 6.6 *Removal*. For so long as the Apollo Group Beneficially Owns 10% or more of the Voting Power of the Company, any Director may be removed, with or without cause, at any time, by the Manager. In the event that the Apollo Group Beneficially Owns less than 10% of the Outstanding Voting Power of the Company, any Director or the whole Board may be removed, with or without cause, at any time, by the affirmative vote of holders of 50% of the Voting Power of the Company, given at an annual meeting or at a special meeting of Members called for that purpose.

Section 6.7 *Resignations*. Any Director may resign at any time by giving notice of such Director s resignation in writing or by electronic transmission to the Company. Any such resignation shall take effect at the time specified therein, or if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon receipt by the Company of such resignation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6.8 *Vacancies*. For so long as the Apollo Group Beneficially Owns 10% or more of the Voting Power of the Company, unless otherwise required by Applicable Law, any vacancy on the Board will be filled by a designee of the Manager. In the event that the Apollo Group Beneficially Owns less than 10% of the Voting Power of the Company, unless otherwise required by law, (i) any vacancy on the Board that results from newly created Directorships resulting from any increase in the authorized number of Directors may be filled by a majority of the Directors then in office, provided that a quorum is present, and any other vacancies may be filled by a majority of the Directors then in office, though less than a quorum, or by a sole remaining Director, (ii) any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of such Director s predecessor and until such Director s successor is duly elected or appointed and qualified, or until his or her earlier death, resignation or removal, (iii) if there are no Directors in office, then an election of Directors may be held in the manner provided by the DGCL, as though the Company were a Delaware corporation and as though the Members were stockholders of a Delaware corporation.

Section 6.9 *Chairman of Meetings*. The Manager may elect one of the Directors then in office as Chairman of the Board. At each meeting of the Board, the Chairman of the Board or, in the Chairman of the Board s absence, a Director chosen by a majority of the Directors present, shall act as chairman of the meeting. The Secretary of the Company shall act as secretary at each meeting of the Board. In case the Secretary shall be absent from any meeting of the Board, an Assistant Secretary shall perform the duties of secretary at such meeting; and in the absence from any such meeting of the Secretary and all the Assistant Secretaries, the chairman of the meeting may appoint any person to act as secretary of the meeting.

Section 6.10 *Place of Meetings*. The Board may hold meetings, both regular and special, either within or without the State of Delaware.

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Section 6.11 *Special Meetings; Notice*. Special meetings of the Board may be called by either the Manager, the Chairman of the Board, the Chief Executive Officer or, upon a resolution adopted by the Board, by the Secretary (or other officer of the Company if the Secretary is unavailable) on twenty-four (24) hours notice to each Director, either personally or by telephone or by mail, facsimile, wireless or other form of recorded or electronic communication, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under the circumstances. Notice of any such meeting need not be given to any Director, however, if waived by such Director in writing or by facsimile, wireless or other form of recorded or electronic communication, or if such Director shall be present at such meeting.

Section 6.12 *Action Without Meeting*. Any action required or permitted to be taken at any meeting by the Board or any committee thereof, as the case may be, may be taken without a meeting if a consent thereto is signed or transmitted electronically, as the case may be, by all members of the Board or of such committee, as the case may be, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the Board or such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 6.13 *Conference Telephone Meetings*. Members of the Board, or any committee thereof, may participate in a meeting of the Board or such committee by means of conference telephone or other communications equipment by means of which all Persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 6.14 *Quorum*. At all meetings of the Board, a majority of the then total number of Directors in office shall constitute a quorum for the transaction of business. At all meetings of any committee of the Board, the presence of a majority of the total number of members of such committee (assuming no vacancies) shall constitute a quorum. The act of a majority of the Directors or committee members present at any meeting at which there is a quorum shall be the act of the Board or such committee, as the case may be. If a quorum shall not be present at any meeting of the Board or any committee, a majority of the Directors or members, as the case may be, present thereat may adjourn the meeting from time to time without further notice other than announcement at the meeting.

Section 6.15 *Committees*. The Manager may designate one (1) or more committees consisting of one (1) or more Directors of the Company, which, to the extent provided in such designation, shall have and may exercise, subject to the provisions of this Agreement, the powers and authority granted hereunder. Such committee or committees shall have such name or names as may be determined from time to time by the Manager. A majority of all the members of any such committee may determine its action and fix the time and place, if any, of its meetings and specify what notice thereof, if any, shall be given, unless the Manager shall otherwise provide. The Manager shall have power to change the members of any such committee at any time to fill vacancies, and to discharge any such committee, either with or without cause, at any time. The Secretary of the Company shall act as Secretary of any committee, unless otherwise provided by the Board or the Committee. From after the IPO Date, the Manager shall cause the Company to form, constitute and empower each of the Audit Committee and the Conflicts Committee, which shall have such powers and rights as the Manager shall set forth in its written resolution.

Section 6.16 *Remuneration*. Unless otherwise expressly provided by the Manager, none of the Directors shall, as such, receive any stated remuneration for such Director s services; but the Manager may at any time and from time to time by resolution provide that a specified sum shall be paid to any Director, payable in cash or securities, either as such Director s annual remuneration as Director or member of any special or standing committee of the Board or as remuneration for such Director s attendance at each meeting of the Board or any such committee. The Manager may also provide that the Company shall reimburse each Director for any expenses paid by such Director on account of such Director s attendance at any meeting. Nothing in this *Section 6.16* shall be construed to preclude any Director from serving the Company in any other capacity and receiving remuneration therefor.

Section 6.17 *Reimbursement of the Manager*.

(a) Except as provided in this *Section 6.17* and elsewhere in this Agreement, the Manager shall not be compensated for its services as manager or general partner of any Company Group Member.

(b) The Manager shall be reimbursed on a monthly basis, or such other reasonable basis as the Manager may determine, in its sole discretion, for: (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Company Group (including salary, bonus, incentive compensation and other amounts paid to any Person including Affiliates of the Manager to perform services for the Company Group or for the Manager in the discharge of its duties to the Company Group); and (ii) all other expenses allocable to the Company Group or otherwise incurred by the Manager in connection with operating the Company Group s business (including expenses allocated to the Manager by its Affiliates). The Manager in its sole discretion shall determine the expenses that are allocable to the Company Group. Reimbursements pursuant to this *Section 6.17* shall be in addition to any reimbursement to the Manager as a result of indemnification pursuant to *Section 6.20*.

(c) The Manager may, in its sole discretion, without the approval of the other Members (who shall have no right to vote in respect thereof), propose and adopt on behalf of the Company Group equity benefit plans, programs and practices (including plans, programs and practices involving the issuance of Company securities or options, rights, warrants or appreciation rights relating to Company securities), or cause the Company to issue Company securities or options, rights, warrants or appreciation rights relating to Company securities in connection with, or pursuant to, any such equity benefit plan, program or practice or any equity benefit plan, program or practice maintained or sponsored by the Manager or any of its Affiliates in respect of services performed directly or indirectly for the benefit of the Company Group. The Company agrees to issue and sell to the Manager or any of its Affiliates any Company securities or options, rights, warrants or appreciation rights relating to Company securities that the Manager or such Affiliates are obligated to provide pursuant to any equity benefit plans, programs or practices maintained or sponsored by them. Expenses incurred by the Manager in connection with any such plans, programs and practices (including the net cost to the Manager or such Affiliates of Company securities or options, rights, warrants or appreciation rights relating to Company securities purchased by the Manager or such Affiliates from the Company to fulfill options or awards under such plans, programs and practices) shall be reimbursed in accordance with *Section 6.17(b)*.

Section 6.18 *Outside Activities*.

(a) The Manager, for so long as it is a manager of the Company: (i) agrees that its sole business will be to act as a manager, managing member or general partner, and to undertake activities that are ancillary or related thereto, of (x) the Company and any other limited liability company or partnership of which the Company is, directly or indirectly, a member or partner, or (y) any member of the Apollo Group; and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to: (A) its performance as manager, managing member or general partner of one or more Company Group Members or manager, managing member or general partner of one or more members of the Apollo Group; or (B) the acquiring, owning or disposing of debt or equity securities in any Company Group Member or member of the Apollo Group.

(b) Except insofar as the Manager is specifically restricted by *Section 6.18(a)*, each Indemnified Person shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Company Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Company Group Member, and none of the same shall constitute a breach of this Agreement or any duty otherwise existing at law, in equity or otherwise to any Company Group Member or any Member or Record Holder. None of any Company Group Member, any Member or any other Person shall have any rights by virtue of this Agreement or the relationship established hereby in any business ventures of any Indemnified Person.

(c) Subject to the terms of *Section 6.18(a)* and *(b)*, and subject to any agreement between the Manager or the Company and any Indemnified Person, but otherwise notwithstanding anything to the contrary herein: (i) the engaging in competitive activities by any Indemnified Person (other than the Manager) in accordance with the provisions of this *Section 6.18* is hereby approved by the Company and all the Members; (ii) it shall be deemed not to be a breach of the Manager s or any other Indemnified Person s duties or any other obligation of any type whatsoever of the Manager or any other Indemnified Person for the Indemnified Person (other than the Manager) to engage in such business interests and activities in preference to or to the exclusion of any Company Group Member; (iii) the Manager and the Indemnified Persons shall have no obligation hereunder or as a result of any duty otherwise existing at law, in equity or otherwise to present business opportunities to any Company Group Member; and (iv) the doctrine of corporate opportunity or other analogous doctrine shall not apply to any such Indemnified Person.

(d) The Manager may cause the Company or any other Company Group Member to purchase or otherwise acquire Company securities or options, rights, warrants or appreciation rights relating to Company securities. Affiliates of the Manager may acquire Shares or other Company securities or options, rights, warrants or appreciation rights relating to Company securities and, except as otherwise expressly provided in this Agreement, shall be entitled to exercise all rights of the Manager or a Member, as applicable, relating to such Shares or Company securities or options, rights, warrants or appreciation rights relating to Company securities.

Section 6.19 *Loans from the Manager; Loans or Contributions from the Company; Contracts with Affiliates; Certain Restrictions on the Manager.*

(a) Affiliates of the Manager may, but shall be under no obligation to, lend to any Company Group Member, and any Company Group Member may borrow from Affiliates of the Manager, funds needed or desired by the Company Group Member for such periods of time and in such amounts as the Manager may determine, in each case on terms that are fair and reasonable to the Company; *provided*, *however*, that the requirements of this *Section 6.19* conclusively shall be deemed satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to any transaction: (i) approved by Special Approval; (ii) the terms of which are no less favorable to the Company than those generally being provided to or available from unrelated third parties; or (iii) that is fair and reasonable to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Company).

(b) Any Company Group Member may lend or contribute to any other Company Group Member, and any Company Group Member may borrow from any other Company Group Member, funds on terms and conditions determined by the Manager. The foregoing authority shall be exercised by the Manager in its sole discretion and shall not create any right or benefit in favor of any Company Group Member or any other Person.

(c) Affiliates of the Manager may render services to a Company Group Member or to the Manager in the discharge of its duties as manager of the Company. Any services rendered to a Company Group Member by an Affiliate of the Manager shall be on terms that are fair and reasonable to the Company; *provided*, *however*, that the requirements of this *Section 6.19(c)* conclusively shall be deemed satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to any transaction: (i) approved by Special Approval; (ii) the terms of which are no less favorable to the Company than those generally being provided to or available from unrelated third parties; or (iii) that is fair and reasonable to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Company). The provisions of *Section 6.17* shall apply to the rendering of services described in this *Section 6.19(c)*.

(d) The Manager or any of its Affiliates may Transfer any property to, or purchase any property from, the Company, directly or indirectly, pursuant to transactions that are fair and reasonable to the Company; *provided*, *however* that the requirements of this *Section 6.19(d)* conclusively shall be deemed to be satisfied

and not a breach of any duty hereunder or existing at law, in equity or otherwise as to: (i) the transactions described in or contemplated by any Registration Statement; (ii) any transaction approved by Special Approval; (iii) any transaction, the terms of which are no less favorable to the Company than those generally being provided to or available from unrelated third parties; or (iv) any transaction that is fair and reasonable to the Company, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Company). With respect to any contribution of assets to the Company in exchange for Company securities or options, rights, warrants or appreciation rights relating to Company securities, the Conflicts Committee (if utilized), in determining whether the appropriate number of Company securities or options, rights, warrants or appreciation rights relating to Company securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Company against a low tax basis, and such other factors as the Conflicts Committee deems relevant under the circumstances.

Section 6.20 *Indemnification*.

(a) To the fullest extent permitted by Applicable Law but subject to the limitations expressly provided in this Agreement, all Indemnified Persons shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnified Person may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnified Person whether arising from acts or omissions to act occurring before or after the date of this Agreement; *provided*, *however*, that the Indemnified Person shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnified Person is seeking indemnification pursuant to this *Section 6.20*, the Indemnified Person acted in bad faith or engaged in fraud or willful misconduct. Notwithstanding the preceding sentence, except as otherwise provided in *Section 6.20(k)*, the Company shall be required to indemnify a Person described in such sentence in connection with any action, suit or proceeding (or part thereof) commenced by such Person only if the commencement of such action, suit or proceeding (or part thereof) by such Person was authorized by the Manager in its sole discretion.

(b) To the fullest extent permitted by Applicable Law, expenses (including legal fees and expenses) incurred by an Indemnified Person in appearing at, participating in or defending any indemnifiable claim, demand, action, suit or proceeding pursuant to *Section 6.20(a)* shall, from time to time, be advanced by the Company prior to a final and non-appealable determination that the Indemnified Person is not entitled to be indemnified upon receipt by the Company of an undertaking by or on behalf of the Indemnified Peron to repay such amount if it ultimately shall be determined that the Indemnified Person is not entitled to be indemnified pursuant to this *Section 6.20*. Notwithstanding the immediately preceding sentence, except as otherwise provided in *Section 6.20(k)*, the Company shall be required to indemnify an Indemnified Person pursuant to the immediately preceding sentence in connection with any action, suit or proceeding (or part thereof) commenced by such Person only if the commencement of such action, suit or proceeding (or part thereof) by such Person was authorized by the Manager in its sole discretion.

(c) The indemnification provided by this *Section 6.20* shall be in addition to any other rights to which an Indemnified Person may be entitled under this or any other agreement, pursuant to a vote of a majority of disinterested Directors with respect to such matter, as a matter of law, in equity or otherwise, both as to actions in the Indemnified Person s capacity as an Indemnified Person and as to actions in any other capacity (including any capacity under the Underwriting Agreement), and shall continue as to an Indemnified Person who has ceased to serve in such capacity.

(d) The Company may purchase and maintain (or reimburse the Manager or its Affiliates for the cost of) insurance, on behalf of the Manager, its Affiliates, any other Indemnified Person and such other Persons as the Manager shall determine in its sole discretion, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Company s activities or any such Person s activities on behalf of the Company, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this *Section 6.20*: (i) the Company shall be deemed to have requested an Indemnified Person to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Company also imposes duties on, or otherwise involves services by, such Indemnified Person to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnified Person with respect to an employee benefit plan pursuant to Applicable Law shall constitute fines within the meaning of *Section 6.20(a)*; and (iii) any action taken or omitted by an Indemnified Person with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Company.

(f) Any indemnification pursuant to this *Section 6.20* shall be made only out of the assets of the Company. In no event may an Indemnified Person subject the Members to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnified Person shall not be denied indemnification in whole or in part under this *Section 6.20* because the Indemnified Person had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this *Section 6.20* are for the benefit of the Indemnified Persons and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) The Manager and each Director and officer shall, in the performance of his, her or its duties, be fully protected in relying in good faith upon the records of the Company and on such information, opinions, reports or statements presented to the Company by any of the officers, directors or employees of the Company or any other Company Group Member, or committees of the Board, or by any other Person (including legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it) as to matters the Director or the Manager, as the case may be, reasonably believes are within such other Person s professional or expert competence.

(j) No amendment, modification or repeal of this *Section 6.20* or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnified Person to be indemnified by the Company, nor the obligations of the Company to indemnify any such Indemnified Person under and in accordance with the provisions of this *Section 6.20* as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or-in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(k) If a claim for indemnification (following the final disposition of the action, suit or proceeding for which indemnification is being sought) or advancement of expenses under this *Section 6.20* is not paid in full within thirty (30) days after a written claim therefor by any Indemnified Person has been received by the Company, such Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expenses of prosecuting such claim, including reasonable attorneys fees.

(l) This *Section 6.20* shall not limit the right of the Company, to the extent and in the manner permitted by Applicable Law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of Persons other than Indemnified Persons.

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Section 6.21 *Liability of Indemnified Persons*.

(a) Notwithstanding anything otherwise to the contrary herein, no Indemnified Person shall be liable to the Company, the Members, in their capacity as such, or any other Persons who have acquired interests in the Company securities, for any losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising as a result of any act or omission of an Indemnified Person, or for any breach of contract (including breach of this Agreement) or any breach of duties (including breach of fiduciary duties) whether arising hereunder, at law, in equity or otherwise, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnified Person acted in bad faith or engaged in fraud or willful misconduct.

(b) Any amendment, modification or repeal of this *Section 6.21* or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnified Persons under this *Section 6.21* as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnified Person hereunder prior to such amendment, modification or repeal.

Section 6.22 *Resolution of Conflicts of Interest; Standards of Conduct and Modification of Duties*.

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the Manager, one or more Directors or its or their respective Affiliates, on the one hand, and the Company, any Company Group Member or any Member, on the other hand, any resolution or course of action by the Manager or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Members, and shall not constitute a breach of this Agreement, of any agreement contemplated herein, or of any duty stated or implied by law or equity, including any fiduciary duty, if the resolution or course of action in respect of such conflict of interest is: (i) approved by Special Approval; (ii) on terms no less favorable to the Company, Company Group Member or Member, as applicable, than those generally being provided to or available from unrelated third parties; or (iii) fair and reasonable to the Company taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Company).

The Manager shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution, and the Manager may also adopt a resolution or course of action that has not received Special Approval. Failure to seek Special Approval shall not be deemed to indicate that a conflict of interest exists or that Special Approval could not have been obtained. If Special Approval is not sought and the Manager determines that the resolution or course of action taken with respect to a conflict of interest satisfies either of the standards set forth in *clauses (ii)* or *(iii)* of this *Section 6.22(a)*, then it shall be presumed that, in making its decision, the Manager acted in good faith, and in any proceeding brought by or on behalf of the Company, any Member or any other Person challenging such approval, the Person bringing or prosecuting such proceeding shall have the burden of overcoming such presumption. Notwithstanding anything otherwise to the contrary herein or any duty otherwise existing in law, equity, or otherwise, the existence of the conflicts of interest described in any Registration Statement are hereby approved by all Members and shall not constitute a breach of this Agreement or of any duty otherwise existing at law, in equity or otherwise.

(b) The Members hereby authorize the Manager, on behalf of the Company as a partner or member of a Company Group Member, to approve of actions by the directors, general partner, managers or managing member of such Company Group Member similar to those actions permitted to be taken by the Manager pursuant to this *Section 6.22*.

(c) Notwithstanding anything otherwise to the contrary herein or any Applicable Law, whenever in this Agreement or any other agreement contemplated hereby or otherwise, the Manager, in its capacity as the manager of the Company, is permitted to or required to make a decision in its sole discretion or

discretion or that it deems necessary or appropriate or necessary or advisable or under a grant of similar authority or latitude, then the Manager, or any of its Affiliates that cause it to make any such decision, shall, to the fullest extent permitted by Applicable Law, make such decision in its sole discretion (regardless of whether there is a reference to sole discretion or discretion), and shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting the Company or the Members, and shall not be subject to any other or different standards imposed by this Agreement, any other agreement contemplated hereby, under the Delaware Act or under any other Applicable Law or in equity. Whenever in this Agreement or any other agreement contemplated hereby or otherwise the Manager is permitted to or required to make a decision in its good faith then for purposes of this Agreement, the Manager, or any of its Affiliates that cause it to make any such decision, shall be conclusively presumed to be acting in good faith if such Person or Persons subjectively believe(s) that the decision made or not made is in or not opposed to the best interests of the Company.

(d) Notwithstanding anything otherwise to the contrary herein, the Manager and its Affiliates shall have no duty or obligation, express or implied, to: (i) sell or otherwise dispose of any asset of the Company Group; or (ii) permit any Company Group Member to use any facilities or assets of the Manager and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the Manager or any of its Affiliates to enter into such contracts shall be in such Person s sole discretion.

(e) Except as expressly set forth in this Agreement, to the fullest extent permitted by Applicable Law, neither the Manager nor any other Indemnified Person shall have any duties or liabilities, including fiduciary duties, to the Company, any Member or any other Person bound by this Agreement, and the provisions of this Agreement, to the extent that they restrict or otherwise modify or eliminate the duties and liabilities, including fiduciary duties, of the Manager or any other Indemnified Person otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of the Manager or such other Indemnified Person.

(f) The Members expressly acknowledge that the Manager is under no obligation to consider the separate interests of the Members (including, without limitation, the tax consequences to Members) in deciding whether to cause the Company to take (or decline to take) any actions, and that the Manager shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by Members in connection with such decisions.

Section 6.23 *Other Matters Concerning the Manager*.

(a) The Manager may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The Manager shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers or any duly appointed attorney or attorneys-in-fact, and the Manager shall not be responsible for the misconduct or negligence on the part of any such officer or attorney. Subject to the immediately preceding sentence, each such attorney shall, to the extent provided by the Manager in the power of attorney, have full power and authority to do and perform each and every act and duty that is permitted or required to be done by the Manager hereunder.

Section 6.24 *Reliance by Third Parties*. Notwithstanding anything otherwise to the contrary herein, any Person dealing with the Company shall be entitled to assume that the Manager, its representatives and any officer of the Company authorized by the Manager to act on behalf of and in the name of the Company has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Company and to enter into any authorized contracts on behalf of the Company, and such Person shall be entitled to deal with the

Manager, any such representative or any such officer as if it were the Company s sole party in interest, both legally and beneficially. Each Member hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the Manager, any such representative or any such officer in connection with any such dealing. In no event shall any Person dealing with the Manager or any such officer or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the Manager or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Company by the Manager or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that: (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect; (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Company; and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Company.

ARTICLE VII

BOOKS; RECORDS; ACCOUNTING AND REPORTS

Section 7.1 *Records and Accounting*. The Manager shall keep or cause to be kept at the principal office of the Company appropriate books and records with respect to the Company s business, including all books and records necessary to provide to the Members any information required to be provided pursuant to this Agreement. Any books and records maintained by or on behalf of the Company in the regular course of its business, including the record of the Members, books of account and records of Company proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; *provided*, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Company shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. generally accepted accounting principles.

Section 7.2 *Fiscal Year*. The fiscal year for tax and financial reporting purposes of the Company shall be a calendar year ending December 31 unless otherwise required by the Code or permitted by Applicable Law.

Section 7.3 *Reports*.

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Company, the Manager shall cause to be mailed or made available to each Record Holder, as of a date selected by the Manager, an annual report containing financial statements of the Company for such fiscal year of the Company, presented in accordance with U.S. generally accepted accounting principles, including a balance sheet and statements of operations, equity and cash flows, such statements to be audited by a registered public accounting firm selected by the Manager.

(b) As soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the Manager shall cause to be mailed or made available to each Record Holder, as of a date selected by the Manager in its sole discretion, a report containing unaudited financial statements of the Company and such other information as may be required by Applicable Law or any National Securities Exchange on which the Shares are listed for trading, or as the Manager determines to be necessary.

(c) The Manager shall be deemed to have made a report available to each Record Holder as required by this *Section 7.3* if it has either: (i) filed such report with the SEC via its Electronic Data Gathering, Analysis and Retrieval system and such report is publicly available on such system; or (ii) made such report available on any publicly available website maintained by the Company.

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ARTICLE VIII

TAX MATTERS

Section 8.1 *Tax Returns and Information*. The Company shall timely file all returns of the Company that are required for federal, state and local income tax purposes on the basis of the accrual method and its fiscal year. The Company shall use reasonable efforts to furnish to all Members necessary tax information as promptly as possible after the end of the fiscal year of the Company; *provided*, *however*, that delivery of such tax information may be subject to delay as a result of the late receipt of any necessary tax information from an entity in which the Company or any Company Group Member holds an interest. Each Member shall be required to report for all tax purposes consistently with such information provided by the Company.

Section 8.2 *Tax Elections*.

(a) The Manager shall determine whether to make or refrain from making the election provided for in Section 754 of the Code, and any and all other elections permitted by the tax laws of the U.S., the several states and other relevant jurisdictions, in its sole discretion. Notwithstanding anything otherwise to the contrary herein, for the purposes of computing the adjustments under Section 743(b) of the Code, the Manager shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Share will be deemed to be the lowest quoted closing price of the Shares on any National Securities Exchange on which such Shares are traded during the calendar month in which such Transfer occurs as is deemed to occur pursuant to this Agreement without regard to the actual price paid by such transferee.

(b) Except as otherwise provided herein, the Manager shall determine whether the Company should make any other elections permitted by the Code.

Section 8.3 *Tax Controversies*. The Manager (or such other person as required by applicable law) shall be the Tax Matters Partner. The Manager is authorized and required to represent the Company (at the Company s expense) in connection with all examinations of the Company s affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. Each Member agrees to cooperate with the Manager and to do or refrain from doing any or all things reasonably required by the Manager to conduct such proceedings. The Company shall give the Manager any required power of attorney to satisfy the intent of this Section 8.3.

Section 8.4 *Withholding*. Notwithstanding anything otherwise to the contrary herein, the Manager is authorized to take any action that may be required to cause the Company and other Company Group Members to comply with any withholding requirements established under the Code or any other Applicable Law including pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Company is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Member (including by reason of Section 1446 of the Code), the Manager may treat the amount withheld as a distribution of cash pursuant to *Sections 5.2* or *9.3* in the amount of such withholding from such Member.

Section 8.5 *Class B Common Shares*. For federal (and applicable state) income tax purposes, no Class B Common Shares shall be treated as outstanding limited liability company membership interests and holders that own only Class B Common Shares shall not be treated as Members.

Section 8.6 *Tax Receivable Agreement*. In the event the Company is taxed as a corporation for US federal income tax purposes, the Company will enter, and will cause APO LLC, Apollo Principal I, Apollo Principal III, and any other flow-through entity the Issuer owns interests in, to enter, into a tax receivable agreement substantially in the same form as the Tax Receivable Agreement.

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ARTICLE IX

DISSOLUTION AND LIQUIDATION

Section 9.1 *Dissolution*. The Company shall not be dissolved by the admission of Substitute Members or additional Members following the date hereof. The Company shall dissolve, and its affairs shall be wound up, upon:

(a) an election to dissolve the Company by the Manager that is approved by the Members holding a majority of the Voting Power of the Company;

(b) the sale, exchange or other disposition of all or substantially all of the assets and properties of the Company;

(c) the entry of a decree of judicial dissolution of the Company pursuant to the provisions of the Delaware Act; or

(d) at any time that there are no Members of the Company, unless the business of the Company is continued in accordance with the Delaware Act.

Section 9.2 *Liquidator*.

(a) Upon dissolution of the Company, the Manager shall select one or more Persons to act as Liquidator (which may be the Manager). The Liquidator (if other than the Manager) shall be entitled to receive such compensation for its services as may be approved by the Manager. The Liquidator (if other than the Manager) shall agree not to resign at any time without 15 days prior notice and may be removed at any time, with or without cause, by notice of removal approved by the Manager.

(b) Upon dissolution, death, incapacity, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers and duties of the original Liquidator) shall within 30 days thereafter be appointed by the Manager. The right to approve a successor or substitute Liquidator in the manner provided herein shall be deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this *Article IX*, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the Manager under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers) necessary or appropriate to carry out the duties and functions of the Liquidator hereunder for and during the period of time required to complete the winding up and liquidation of the Company as provided for herein.

Section 9.3 *Liquidation*. The Liquidator shall proceed to dispose of the assets of the Company, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as determined by the Liquidator, subject to Section 18-804 of the Delaware Act and the following:

(a) Subject to *Section 9.3(c)* the assets may be disposed of by public or private sale or by distribution in kind to one or more Members on such terms as the Liquidator and such Member or Members may agree. The Liquidator may defer liquidation or distribution of the Company s assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Company s assets would be impractical or would cause undue loss to the Members. The Liquidator may distribute the Company s assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Members. If any property is distributed in kind, the Member receiving the property shall be deemed for purposes of *Section 9.3(c)* to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Members. Notwithstanding anything otherwise to the contrary herein, the Members understand and acknowledge that a Member may be compelled to accept a distribution of any asset in kind from the Company despite the fact that the percentage of the asset distributed to such Member exceeds the percentage of that asset which is equal to the percentage in which such Member shares in distributions from the Company.

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(b) Liabilities of the Company include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of *Section 9.2*) and amounts to Members otherwise than in respect of their distribution rights under *Article V*. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be applied to other liabilities or distributed as additional liquidation proceeds.

(c) Upon dissolution and liquidation of the Company pursuant to Article IX, all property and all cash in excess of that required to discharge liabilities as provided in *Section 9.3(b)* shall be distributed to the Members pro rata in accordance with their respective Percentage Interests, and shall also take into consideration any liquidation preference that the Noteholders are entitled to receive under the Strategic Agreement.

Section 9.4 *Cancellation of Certificate of Formation*. Upon the completion of the distribution of Company cash and property as provided in *Section 9.3* in connection with the liquidation of the Company, the Certificate of Formation and all qualifications of the Company as a foreign limited liability company in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

Section 9.5 *Return of Contributions*. The Manager, the Members and the officers of the Company will not be personally liable for, or have any obligation to contribute or loan any monies or property to the Company to enable it to effectuate, the return of the Capital Contributions of the Members, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

Section 9.6 *Waiver of Partition*. To the maximum extent permitted by Applicable Law, each Member hereby waives any right to partition of the Company property.

ARTICLE X

AMENDMENT OF AGREEMENT

Section 10.1 *Amendments to be Adopted Solely by the Manager*. Each Member agrees that the Manager, without the approval of any Member, the Board or any other Person, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Company, the location of the principal place of business of the Company, the registered agent of the Company or the registered office of the Company;

(b) the admission, substitution, withdrawal or removal of Members in accordance with this Agreement;

(c) a change that the Manager determines in its sole discretion to be necessary or appropriate to qualify or continue the qualification of the Company as a limited liability company or a company in which the Members have limited liability under the laws of any state or other jurisdiction or to ensure that the Company Group Members will not be treated as associations taxable as corporations or otherwise taxed as entities for U.S. federal income tax purposes;

(d) a change that the Manager determines in its sole discretion to be necessary or appropriate to address changes in U.S. federal income tax regulations, legislation or interpretation;

(e) a change that the Manager determines in its sole discretion: (i) does not adversely affect the Members considered as a whole (including any particular class of Shares as compared to other classes of Shares, treating the Common Shares as a separate class for this purpose) in any material respect; (ii) to be

necessary, desirable or appropriate to: (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any U.S. federal or state or non-U.S. agency or judicial authority or contained in any U.S. federal or state or non-U.S. statute (including the Delaware Act); or (B) facilitate the trading of the Shares (including the division of any class or classes of Shares into different classes to facilitate uniformity of tax consequences within such classes of Shares) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Shares are or will be listed; (iii) to be necessary or appropriate in connection with action taken by the Manager pursuant to *Section 4.2*; or (iv) is required to effect the intent expressed in any Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(f) a change in the fiscal year or taxable year of the Company and any other changes that the Manager determines to be necessary or appropriate as a result of a change in the fiscal year or taxable year of the Company including, if the Manager shall so determine in its sole discretion, a change in the definition of Quarter and the dates on which distributions are to be made by the Company;

(g) an amendment that the Manager determines is necessary or appropriate based on advice of counsel, to prevent the Company, or the Manager or its partners, officers, trustees, representatives or agents (as applicable) from having a material risk of being in any manner subjected to the provisions of the Investment Company Act, the U.S. Investment Advisers Act of 1940, as amended, or plan asset regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(h) an amendment that the Manager determines in its sole discretion to be necessary, desirable or appropriate in connection with the creation, authorization or issuance of any class or series of Company securities or options, rights, warrants or appreciation rights relating to Shares;

(i) any amendment expressly permitted in this Agreement to be made by the Manager acting alone;

(j) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with *Section 11.3*;

(k) an amendment that the Manager determines in its sole discretion to be necessary or appropriate to reflect and account for the formation by the Company of, or investment by the Company in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Company of activities permitted by the terms of *Section 2.5* or *Section 6.1*;

(l) a merger, conversion or conveyance pursuant to *Section 11.3(d)*, including any amendment permitted pursuant to *Section 11.5*; or

(m) any other amendments substantially similar to the foregoing.

Section 10.2 *Amendment Procedures*. Except as provided in *Section 3.2*, *Section 10.1*, *Section 10.3* and *Section 11.5*, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by the Manager; *provided however*, that, to the fullest extent permitted by Applicable Law, the Manager shall have no duty or obligation to propose any amendment to this Agreement and may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Company or any Member or other Person bound by this Agreement and, in declining to propose an amendment, to the fullest extent permitted by Applicable Law, shall not be required to act in good faith or pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other Applicable Law or at equity. A proposed amendment shall be effective upon its approval by the Manager and the Members holding a majority of the Voting Power of the Company unless a greater or different percentage is required under this Agreement or by Delaware law. Each proposed amendment that requires the approval of the holders of a specified percentage of the Voting Power of the Company shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the Manager shall seek the written approval of the requisite percentage of the Voting Power of the Company or call a

meeting of the Members to consider and vote on such proposed amendment, in each case in accordance with the other provisions of this *Article X*. The Manager shall notify all Record Holders upon final adoption of any such proposed amendments.

Section 10.3 *Amendment Requirements*.

(a) Notwithstanding the provisions of *Section 10.1*, *Section 10.2* and *Section 11.5*, no provision of this Agreement that requires the vote or consent of Members holding, or holders of, a percentage of the Voting Power of the Company (including the Voting Power in respect of Voting Shares deemed owned by the Manager and its Affiliates) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of Members or holders of Voting Power of the Company whose aggregate Voting Power constitutes not less than the voting or consent requirement sought to be reduced.

(b) Notwithstanding the provisions of *Section 10.1* and *Section 10.2*, no amendment to this Agreement may: (i) enlarge the obligations of any a Member without his, her or its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to *Section 10.3(c)*; or (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to the Manager or any of its Affiliates without the Manager s consent, which consent may be given or withheld in its sole discretion.

(c) Except as provided in *Section 10.1* and *Section 11.3*, any amendment that would have a material adverse effect on the rights or preferences of any class of Shares in relation to other classes of Shares must be approved by the holders of not less than a majority of the Outstanding Shares of the class affected.

(d) Except as provided in *Section 10.1* and subject to *Section 12.7(c)*, this *Section 10.3* shall only be amended with the approval of the Members holding of at least 90% of the Voting Power of the Company.

ARTICLE XI

MERGER, CONSOLIDATION OR CONVERSION

Section 11.1 *Authority*. The Company may merge or consolidate with one or more limited liability companies or other business entities as defined in Section 18-209 of the Delaware Act, or convert into any such entity, whether such entity is formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation (*Merger Agreement*) or a written plan of conversion (*Plan of Conversion*), as the case may be, in accordance with this *Article XI*.

Section 11.2 *Procedure for Merger, Consolidation or Conversion*. Merger, consolidation or conversion of the Company pursuant to this *Article XI* requires the prior approval of the Manager; *provided*, *however*, that to the fullest extent permitted by Applicable Law, the Manager shall have no duty or obligation to consent to any merger, consolidation or other business combination of the Company and, to the fullest extent permitted by Applicable Law, may decline to do so free of any duty (including any fiduciary duty) or obligation whatsoever to the Company, any Member or any other Person bound by this Agreement and, in declining to consent to a merger, consolidation or other business combination, shall not be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other Applicable Law.

(a) If the Manager shall determine to consent to a merger or consolidation, the Manager shall approve the Merger Agreement, which shall set forth:

(i) the names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(ii) the name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the *Surviving Business Entity*);

(iii) the terms and conditions of the proposed merger or consolidation;

(iv) the manner and basis of exchanging or converting the rights or securities of, or interests in, each constituent business entity for, or into, cash, property, rights, or securities of or interests in, the Surviving Business Entity; and if any rights or securities of, or interests in, any constituent business entity are not to be exchanged or converted solely for, or into, cash, property, rights, or securities of or interests in, the Surviving Business Entity, the cash, property, rights, or securities of or interests in, any limited liability company or other business entity which the holders of such rights, securities or interests are to receive, if any;

(v) a statement of any changes in the constituent documents or the adoption of new constituent documents (the certificate of formation or limited liability company agreement, articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(vi) the effective time of the merger, which may be the date of the filing of the certificate of merger or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger or the time stated therein); and

(vii) such other provisions with respect to the proposed merger or consolidation that the Manager determines to be necessary or appropriate.

(b) If the Manager shall determine to consent to a conversion, the Manager may approve and adopt a Plan of Conversion containing such terms and conditions that the Manager determines to be necessary or appropriate.

Section 11.3 *Approval by Members of Merger, Consolidation or Conversion or Sales of Substantially All of the Company s Assets*.

(a) Except as provided in *Section 11.3(d)*, the Manager, upon its approval of the Merger Agreement or Plan of Conversion, as the case may be, shall direct that the Merger Agreement or Plan of Conversion, as applicable, be submitted to a vote of Members, whether at an annual meeting or a special meeting, in either case, in accordance with the requirements of *Article XII*. A copy or a summary of the Merger Agreement or Plan of Conversion, as applicable, shall be included in or enclosed with the notice of meeting.

(b) Except as provided in *Section 11.3(d)*, the Merger Agreement or Plan of Conversion, as applicable, shall be approved upon receiving the affirmative vote or consent of the holders of a majority of the Voting Power of the Company.

(c) Except as provided in *Section 11.3(d)*, after such approval by vote or consent of the Members, and at any time prior to the filing of the certificate of merger or a certificate of conversion pursuant to *Section 11.4*, the merger, consolidation or conversion may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement or the Plan of Conversion, as the case may be.

(d) Notwithstanding anything otherwise to the contrary herein, the Manager is permitted, without Member approval, to convert the Company into a new limited liability entity, or to merge the Company into, or convey all of the Company s assets to, another limited liability entity, which shall be newly formed and shall have no assets, liabilities or operations at the time of such conversion, merger or conveyance other than those it receives from the Company if: (i) the Manager has received an Opinion of Counsel that the conversion, merger or conveyance, as the case may be, would not result in the loss of the limited liability of any Member or cause the Company to be treated as an association taxable as a corporation or otherwise to

be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) the sole purpose of such conversion, merger or conveyance is to effect a mere change in the legal form of the Company into another limited liability entity; and (iii) the governing instruments of the new entity provide the Members and the Manager with substantially the same rights and obligations as are herein contained.

(e) No Member is entitled to dissenters rights of appraisal in the event of a merger, consolidation or conversion pursuant to this *Article XI*, a sale of all or substantially all of the assets of the Company or the Company s Subsidiaries, or any other similar transaction or event.

(f) The Manager may cause the Company to sell, exchange or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions, or approve on behalf of the Company any such sale, exchange or other disposition, or mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Company, in each case, without the approval of any Member.

(g) Without the approval of any Member, the Manager may, at any time, cause the Company to implement a reorganization whereby a Delaware statutory trust (the *ERISA Trust*) would hold all Outstanding Class A Common Shares and the holder of each Class A Common Share would receive, in exchange for such Class A Common Shares, a common share of the Trust which would represent one undivided beneficial interest in the Trust, and each common share of the Trust would correspond to one underlying Class A Common Share; *provided*, *however*, that the Manager will not implement such a trust structure if, in its sole discretion, it determines that such reorganization would be taxable or otherwise alter the benefits or burdens of ownership of the Class A Common Shares, including altering a Member s allocation of items of income, gain, loss, deduction or credit or the treatment of such items for U.S. federal income tax purposes. The Manager will also be required to implement the reorganization in such a manner that the reorganization does not have a material effect on the voting or economic rights of Class A Common Shares and Class B Common Shares.

(h) Each merger, consolidation or conversion approved pursuant to this *Article XI* shall provide that all holders of Class A Common Shares shall be entitled to receive the same consideration pursuant to such transaction with respect to each of their Class A Common Shares.

Section 11.4 *Certificate of Merger or Conversion*. Upon the required approval by the Manager of a Merger Agreement or a Plan of Conversion, as the case may be, a certificate of merger or certificate of conversion, as applicable, shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

Section 11.5 *Amendment of Agreement*. Pursuant to Section 18-209(f) of the Delaware Act, an agreement of merger, consolidation or other business combination approved in accordance with this *Article XI* may:

(a) effect any amendment to this Agreement; or

(b) effect the adoption of a new limited liability company agreement for a limited liability company if it is the Surviving Business Entity.

Any such amendment or adoption made pursuant to this *Section 11.5* shall be effective at the effective time or date of the merger, consolidation or other business combination.

Section 11.6 *Effect of Merger*.

(a) At the effective time of the certificate of merger, consolidation or similar certificate:

(i) all of the rights, privileges and powers of each of the business entities that has merged or consolidated, and all property, real, personal and mixed, and all debts due to any of those business entities shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity and all other things and causes of action belonging to

each of those business entities, shall be vested in the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities and duties had been incurred or contracted by it.

(b) It is the intent of the parties hereto that a merger or consolidation effected pursuant to this *Article XI* shall not be deemed to result in a Transfer or assignment of assets or liabilities from one entity to another.

Section 11.7 *Corporate Treatment; Change of Law*.

(a) In the event that the Manager determines the Company should seek relief pursuant to Section 7704(e) of the Code to preserve the status of the Company as a partnership for U.S. federal (and applicable state) income tax purposes, the Company and each Member shall agree to adjustments required by the tax authorities, and the Company shall pay such amounts as required by the tax authorities, to preserve the status of the Company as a partnership for tax purposes.

(b) If there is a change in the Code or other applicable tax law that causes the Company to be taxable as an association or a corporation, or otherwise imposes taxes with respect to the earnings of the Company or its Subsidiaries, directly or indirectly, on the Company, its Subsidiaries or its Members in a way that is materially different from the way in which such taxes are imposed as of the date hereof, then the Manager may take such measures as it determines, in consultation with tax counsel, are necessary or advisable to optimize the Company s tax structure, including causing the Company to be taxed as a corporation.

ARTICLE XII

MEMBER MEETINGS.

Section 12.1 *Member Meetings*.

(a) All acts of Members (other than the Manager) to be taken hereunder shall be taken in the manner provided in this *Article XII*. The Manager may, in its sole discretion, call meetings of the Members for the transaction of such business, at such time and place as the Manager shall specify.

(b) A failure to hold a meeting of the Members at a designated time shall not affect otherwise valid acts of the Company or work a forfeiture or dissolution of the Company.

(c) In the event that the Apollo Group Beneficially Owns less than 10% of the Voting Power of the Company and the annual meeting for election of Directors is not held on the date designated therefor, the Directors shall cause the meeting to be held as soon as is convenient. If there is a failure to hold the annual meeting for a period of 30 days after the date designated for the annual meeting, or if no date has been designated, for a period of 13 months after the latest to occur of the date of this Agreement or its last annual meeting, it is the intent of the parties that no annual meeting be held for that year. In such situations, the Manager will provide notice to all Members entitled to vote in the election of Directors as to the manner in which the election shall be conducted and the procedure that such Member must comply with in order to vote in the election of Directors.

(d) In the event that the Apollo Group Beneficially Owns less than 10% of the Voting Power of the Company, all elections of Directors will be by written ballots; if authorized by the Board, such requirement

of a written ballot shall be satisfied by a ballot submitted by electronic transmission, provided that any such electronic transmission must either set forth or be submitted with information from which it can be reasonably determined that the electronic transmission was authorized by the Member or proxyholder.

(e) Special meetings of the Members may only be called by either the Manager or the holders of a majority of the Voting Power of the Company.

Section 12.2 *Notice of Meetings of Members*.

(a) Notice, stating the place, day and hour of any annual or special meeting of the Members, as determined by the Manager, and: (i) in the case of a special meeting of the Members, the purpose or purposes for which the meeting is called; or (ii) in the case of an annual meeting, those matters that the Manager, at the time of giving the notice, intends to present for action by the Members, shall be delivered by the Company not less than 10 calendar days nor more than 60 calendar days before the date of the meeting, to each Record Holder who is entitled to vote at such meeting. Such further notice shall be given as may be required by Delaware law. Any previously scheduled meeting of the Members may be postponed, and any meeting of the Members may be canceled, by written notice of the Manager prior to the date previously scheduled for such meeting of the Members.

Section 12.3 *Record Date.* For purposes of determining the Members entitled to notice of or to vote at a meeting of the Members, the Manager may set a Record Date, which shall not be (a) less than 10 nor more than 60 days before the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Shares are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting (pursuant to *Section 12.6*), the date by which Members are requested in writing by the Manager to give such approvals. If no Record Date is fixed by the Manager, then (x) the Record Date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the day next preceding the day on which notice is given and (ii) the Record Date for determining the Members entitled to give approvals without a meeting shall be the date the first written approval is deposited with the Company. A determination of Members of record entitled to notice of or to vote at a meeting of Members shall apply to any adjournment or postponement of the meeting; *provided*, *however*, that the Manager may fix a new Record Date for the adjourned or postponed meeting.

Section 12.4 *Quorum: Required Vote for Member Action; Voting for Directors; Adjournment.*

(a) At any meeting of the Members, the holders of a majority of the Voting Power of the Company or of such class or series for which a meeting has been called, represented in person or by proxy, shall constitute a quorum of such class or classes or series unless any such action by the Members requires approval by holders of a greater percentage of Voting Power of such Shares, in which case the quorum shall be such greater percentage. The submission of matters to Members for approval shall occur only at a meeting of the Members duly called and held in accordance with this Agreement at which a quorum is present; *provided*, *however*, that the Members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Shares specified in this Agreement. Any meeting of Members may be adjourned from time to time by the chairman of the meeting to another place or time, without regard to the presence of a quorum.

(b) All matters properly submitted to Members for approval shall be determined by a majority of the Voting Power of the Company entitled to vote at such meeting and which are present in person or by proxy at such meeting (unless a greater percentage is required with respect to such matter under the Delaware Act, under the rules of any National Securities Exchange on which the Shares are listed for trading, or under the provisions of this Agreement, in which case the approval of Members holding Outstanding Shares that in the aggregate represent at least such greater percentage shall be required) and such determination shall be deemed to constitute the act of all of the Members.

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(c) Directors shall be elected by a plurality of the votes cast for a particular position.

(d) In the absence of a quorum, any meeting of Members may be adjourned from time to time by the affirmative vote of Members holding at least a majority of the Voting Power of the Company entitled to vote at such meeting represented either in person or by proxy, but no other business may be transacted, except as provided in this Article XII. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Company may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XII.

Section 12.5 *Conduct of a Meeting; Member Lists*. The Manager shall have full power and authority concerning the manner of conducting any meeting of the Members, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of this *Article XII*, the conduct of voting, the validity and effect of any proxies and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The Manager shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Company maintained by the Manager. The Manager may make such other regulations consistent with Applicable Law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Members, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes, the submission and examination of proxies and other evidence of the right to vote.

Section 12.6 *Action Without a Meeting*. On any matter that is to be voted on, consented to or approved by Members, the Members may take such action without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, shall be signed by the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted.

Section 12.7 *Voting and Other Rights*.

(a) Only those Record Holders of Outstanding Shares on the Record Date set pursuant to *Section 12.3* shall be entitled to notice of, and to vote at, a meeting of Members or to act with respect to matters as to which the holders of the Outstanding Shares have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the holders of Outstanding Shares shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Voting Shares on such Record Date. Each Class A Common Share shall entitle the holder thereof (other than the Investor or any of its Affiliates) to one vote for each Class A Common Share held of record by such holder as of the relevant Record Date. Each Class B Common Share shall entitle the holder thereof to vote in accordance with the provisions of *Section 12.7(e)*.

(b) With respect to Outstanding Shares that are held for a Person s account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Outstanding Shares are registered, such other Person shall, in exercising the voting rights in respect of such Outstanding Shares on any matter, and unless the arrangement between such Persons provides otherwise, vote such Outstanding Shares in favor of, and at the direction of, the Person who is the Beneficial Owner, and the Company shall be entitled to assume it is so acting without further inquiry.

(c) Notwithstanding anything otherwise to the contrary herein, for the avoidance of doubt, the Investor and each of its Affiliates shall be subject to the limitations on voting set forth in this *Section 12.7(c)* upon becoming a Member (whether at the time of conversion of the Note into Class A Common Shares or otherwise) and for so long as the Investor and its Affiliates Beneficially Own any Shares. Notwithstanding

anything otherwise to the contrary herein or the terms of any Class A Common Shares, the Investor and each of its Affiliates shall have no voting rights whatsoever with respect to the Company, including any voting rights that may otherwise exist for Members or Record Holders hereunder, under the Delaware Act, at law, in equity or otherwise; *provided*, that, (i) prior to an Initial Offering, any amendment to *Article IV*, *Article V*, *Article IX*, *Section 10.3*, or *Section 11.3* of this Agreement that would have a disproportionate adverse effect on the Noteholders must be consented to in writing by the Noteholders holding 66% of the aggregate principal balance of the then outstanding Notes; provided, that as long as either Investor (directly or indirectly) holds at least 50% of the outstanding principal amount of the Notes purchased by such Investor under the Strategic Agreement on the Closing Date (as such term is defined in the Strategic Agreement), such consent shall also require the separate prior consent of such Investor; and (ii) after an Initial Offering, any amendment to *Article IV*, *Article V*, *Article IX*, *Section 10.3*, or *Section 11.3* of this Agreement that would have a disproportionate adverse effect on the Investors and their Affiliates must be consented to in writing by the Investors and their Affiliates.

(d) Notwithstanding anything otherwise to the contrary herein, the Delaware Act or Applicable Law, each of the Members and each other Person who may acquire an interest in Shares hereby agrees that the holders of Class B Common Shares shall be entitled to receive notice of, be included in any requisite quora for and participate in any and all approvals, votes or other actions of the Members on an equivalent basis as holders of Class A Common Shares (including any and all notices, quora, approvals, votes and other actions that may be taken pursuant to the requirements of the Delaware Act or any other Applicable Law), in each case subject to and not in limitation of the rights of the holders of Class B Common Shares as provided in this Agreement.

(e) Notwithstanding anything otherwise to the contrary contained in this Agreement, the holders of Class B Common Shares, as such, collectively shall be entitled to a number of votes that is equal to the aggregate number of Operating Group Units outstanding as of the relevant Record Date, *less* the number of Class A Common Shares outstanding as of the same relevant Record Date (the *Aggregate Class B Vote*). Prior to the BRH Holdings Cessation Date, BRH Holdings shall be entitled to all of the votes to which the holders of Class B Common Shares, as such, collectively are then entitled. From and after the BRH Holdings Cessation Date, the Aggregate Class B Vote shall be allocated among all holders of Class B Common Shares (other than the Company or its Subsidiaries), if more than one, as BRH Holdings shall determine in its sole discretion. The number of votes to which the holders of Class B Common Shares shall be entitled shall be adjusted accordingly if (i) a holder of Class A Common Shares, as such, shall become entitled to a number of votes other than one for each Class A Common Share held and/or (ii) under the terms of the Exchange Agreement the holders of Operating Group Units party thereto shall become entitled to exchange each such Operating Group Unit for a number of Class A Common Shares other than one. The holders of Class B Common Shares shall vote together with the holders of Class A Common Shares as a single class and, to the extent that the holders of Class A Common Shares shall vote together with the holders of any other class of limited liability company interests, the holders of Class B Common Shares shall also vote together with the holders of such other class of limited liability company interests on an equivalent basis as the holders of Class A Common Shares.

(f) Notwithstanding anything otherwise to the contrary herein, and in addition to any other vote required by the Delaware Act or this Agreement, the affirmative vote of the holders of at least a majority of the voting power of the Class B Common Shares (excluding Class B Common Shares held by the Company and its Subsidiaries) voting separately as a class shall be required to alter, amend or repeal *Sections 12.7(d)* or *12.7(e)* or this *Section 12.7(f)*, or to adopt any provision inconsistent therewith.

Section 12.8 *Proxies and Voting*.

(a) On any matter that is to be voted on by Members, the Members may vote in person or by proxy, and such proxy may be granted in writing, by means of electronic transmission or as otherwise permitted by Applicable Law. Any such proxy shall be filed in accordance with the procedure established for the meeting. For purposes of this Agreement, the term electronic transmission means any form of

communication not directly involving the physical transmission of paper that creates a record that may be retained, retrieved and reviewed by a recipient thereof and that may be directly reproduced in paper form by such a recipient through an automated process. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

(b) The Manager may, and to the extent required by Applicable Law, shall, in advance of any meeting of Members, appoint one or more inspectors to act at the meeting and make a written report thereof. The Manager may designate one or more alternate inspectors to replace any inspector who fails to act.

(c) With respect to the use of proxies at any meeting of Members, the Company shall be governed by paragraphs (b), (c), (d) and (e) of Section 212 of the DGCL and other applicable provisions of the DGCL, as though the Company were a Delaware corporation and as though the Members were stockholders of a Delaware corporation.

ARTICLE XIII

GENERAL PROVISIONS

Section 13.1 *Addresses and Notices*. Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Member under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Member at the address described below. Any notice, payment or report to be given or made to a Member hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of such notice, payment or report to the Record Holder of such Shares at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Company, regardless of any claim of any Person who may have an interest in such Shares by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this *Section 13.1* executed by the Company, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Company is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Company of a change in his address) if they are available for the Member at the principal office of the Company for a period of one year from the date of the giving or making of such notice, payment or report to the other Members. Any notice to the Company shall be deemed given if received by the Secretary at the principal office of the Company designated pursuant to *Section 2.4*. The Manager may rely and shall be protected in relying on any notice or other document from a Member or other Person if believed by it to be genuine.

Section 13.2 *Further Assurances*. Each party hereto shall do and perform, or cause to be done and performed, all such further acts and things and shall execute and deliver all such other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the provisions of this Agreement and the consummation of the transactions contemplated hereby.

Section 13.3 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 13.4 *Integration*. This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto;

provided, that nothing contained herein shall be construed to amend or modify in any way the rights and obligations of the respective parties under the Agreement Among Principals, the Shareholders Agreement and the Investors Rights Agreement.

Section 13.5 *Creditors*. None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Company.

Section 13.6 *Waiver*. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 13.7 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Share pursuant to *Article III*, without need for execution hereto.

Section 13.8 *Applicable Law*. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to principles of conflict of laws. Prior to the Initial Offering, each Member: (i) irrevocably submits to the non-exclusive jurisdiction and venue of any Delaware state court or U.S. federal court sitting in Wilmington, Delaware in any action arising out of this Agreement; and (ii) consents to the service of process by mail. Nothing herein shall affect the right of any party to serve legal process in any manner permitted by Applicable Law or affect its right to bring any action in any other court.

Section 13.9 *Severability*. It is the desire and intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 13.10 *Consent of Members*. Each Member hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Members, such action may be so taken upon the concurrence of less than all of the Members and each Member shall be bound by the results of such action.

Section 13.11 *Facsimile Signatures*. The use of facsimile signatures affixed in the name and on behalf of the transfer agent and registrar of the Company on certificates representing Shares is expressly permitted by this Agreement.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered, all as of the date first set forth above.

APOLLO GLOBAL MANAGEMENT, LLC

By: AGM Management, LLC,

its Manager

By: BRH Holdings GP, Ltd.,

its Sole Member

By: /s/ John J. Suydam

Name: John J. Suydam

Title: Vice President

AGM MANAGEMENT, LLC

By: BRH Holdings GP, Ltd.,

its Sole Member

By: /s/ John J. Suydam

Name: John J. Suydam

Title: Vice President

APOC HOLDINGS, LTD

By: /s/ Authorized Signatory

California Public Employees Retirement System

By: /s/ Authorized Signatory

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

35,624,540 Class A Shares

Apollo Global

Management, LLC

Representing Class A Limited Liability Company Interests

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The information in this preliminary prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, dated October 7, 2010

Shares

Apollo Global Management, LLC

Class A Shares

Representing Class A Limited Liability Company Interests

This is an initial public offering of Class A shares, representing Class A limited liability company interests of Apollo Global Management, LLC.

We are selling Class A shares and the selling shareholders are selling Class A shares in this offering. We will not receive any of the proceeds from the Class A shares sold by the selling shareholders. To the extent that the underwriters sell more than Class A shares, the underwriters have the option to purchase up to an additional Class A shares from us and an additional Class A shares from the selling shareholders at the initial offering price less underwriting discounts and commissions.

Prior to this offering, there has been no public market for our Class A shares. The initial public offering price of our Class A shares is expected to be between $ and $ per share. We intend to apply to list our Class A shares on the New York Stock Exchange, under the symbol . The listing is subject to approval of our application.

Investing in our Class A shares involves risks. You should read the section entitled Risk Factors beginning on page 37 for a discussion of certain risk factors that you should consider before investing in our Class A shares. These risks include:

Apollo Global Management, LLC is managed by our manager, which is controlled and owned by our managing partners. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders.

Our Class A shareholders will have only limited voting rights on matters affecting our businesses and will have no right to elect our manager.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses without shareholder consent, each of which may result in additional risks and uncertainties in our businesses.

As discussed in Material Tax Considerations Material U.S. Federal Tax Considerations, Apollo Global Management, LLC will be treated as a partnership for U.S. Federal income tax purposes and you may therefore be subject to taxation on your allocable share of items of income, gain, loss, deduction and credit of Apollo Global Management, LLC. You may not receive cash distributions equal to your allocable share of our net taxable income or even in an amount sufficient to pay the tax liability that results from that income.

Members of the United States Congress have introduced legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and to apply to us, we would incur a material increase in our tax liability, which could result in a reduction in the value of our Class A shares.

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

	Per Class A Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Apollo Global Management, LLC	$	$
Proceeds, before expenses, to the selling shareholders	$	$

The underwriters expect to deliver the Class A shares against payment in New York, New York on or about , 2010.

Prospectus dated , 2010.

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THE SECURITIES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In considering the performance information relating to our funds contained herein, prospective Class A shareholders should bear in mind that the performance of our funds is not indicative of the possible performance of our Class A shares and is also not necessarily indicative of the future results of our funds, even if fund investments were in fact liquidated on the dates indicated, and there can be no assurance that our funds will continue to achieve, or that future funds will achieve, comparable results.

In addition, an investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. As a result of deconsolidation of most of our funds, we will not be consolidating those funds in our financial statements for periods after either August 1, 2007 or November 30, 2007.

This prospectus is solely an offer with respect to Class A shares, and is not an offer directly or indirectly of any securities of any of our funds.

The distribution of this prospectus and the offering and sale of the Class A shares in certain jurisdictions may be restricted by law. We require persons into whose possession this prospectus comes to inform themselves about and to observe any such restrictions. This prospectus does not constitute an offer of, or an invitation to purchase, any of the Class A shares in any jurisdiction in which such offer or invitation would be unlawful.

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VALUATION AND RELATED DATA

This prospectus contains valuation data relating to the Apollo funds and related data that have been derived from such funds. When considering the valuation and related data presented in this prospectus, you should bear in mind that the historical results of the private equity and capital markets funds that Apollo has managed or sponsored in the past are not indicative of the future results that you should expect from the Apollo funds or from us.

TERMS USED IN THIS PROSPECTUS

When used in this prospectus, unless the context otherwise requires:

AAA refers to AP Alternative Assets, L.P., a Guernsey limited partnership that generally invests alongside certain of our private equity funds and directly in certain of our capital markets funds and in other transactions that we sponsor and manage; the common units of AAA are listed on Euronext Amsterdam N.V. s Euronext Amsterdam by NYSE Euronext, which we refer to as Euronext Amsterdam ;

AAA Investments refers to AAA Investments, L.P., a Guernsey limited partnership through which AAA s investments are made;

AAOF refers to Apollo Asia Opportunity Master Fund, L.P., our Asian credit-oriented hedge fund, together with its feeder funds;

ACLF refers to Apollo Credit Liquidity Fund, L.P.;

AIC refers to Apollo Investment Corporation, our publicly traded business development company;

AIE I and AIE II mean AP Investment Europe Limited and Apollo Investment Europe II, L.P., respectively;

AMH refers to Apollo Management Holdings, L.P., a Delaware limited partnership owned by APO Corp. and Holdings;

APO Corp. refers to APO Corp., a Delaware corporation and a wholly-owned subsidiary of Apollo Global Management, LLC;

Apollo, we, us, our and the company refer collectively to Apollo Global Management, LLC and its subsidiaries, including the Ap Operating Group and all of its subsidiaries;

Apollo funds and our funds refer to the funds, alternative asset companies and other entities that are managed by the Apollo Operating Group;

Apollo Operating Group refers to (i) the limited partnerships through which our managing partners currently operate our businesses and (ii) one or more limited partnerships formed for the purpose of, among other activities, holding certain of our gains or losses on our principal investments in the funds, which we refer to as our principal investments ;

Apollo Real Estate refers to the entities that manage the Apollo Real Estate Investment Funds, a series of private real estate oriented funds initially established in 1993; our managing partners maintain a minority interest in Apollo Real Estate, but neither they nor we exert any managerial control;

Ares refers to Ares Corporate Opportunity Fund, which Apollo established in 1997 to invest predominantly in capital markets-based securities, including senior bank loans and high-yield and mezzanine debt, and other related funds; our managing partners maintain a minority interest in Ares, but neither they nor we exert any managerial control;

Artus refers to Apollo/Artus Investors 2007-1, L.P.;

Assets Under Management, or AUM, refers to the assets we manage or with respect to which we have control, including capital we have the right to call from our investors pursuant to their capital commitments to various funds. Our AUM equals the sum of:

(i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments plus non-recallable capital to the

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extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;

(ii) the net asset value, or NAV, of our capital markets funds, other than collateralized senior credit opportunity funds (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations), plus used or available leverage and/or capital commitments;

(iii) the gross asset values of our real estate entities and the structured portfolio vehicle investments included within the funds we manage, which includes the leverage used by such structured portfolio vehicles;

(iv) the incremental value associated with the reinsurance investments of the funds we manage; and

(v) the fair value of any other assets that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

During the year ended December 31, 2009, the company refined its definition of AUM to reflect leveraged products that had not been identified in our previous AUM definition. All AUM amounts have been recalculated utilizing the above definition.

Fee-generating AUM consists of assets that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. Management fees are normally based on net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, stockholders equity, invested capital or capital contributions, e defined in the applicable management agreement. Monitoring fees for AUM purposes are based on the total value of certain structured portfolio vehicle investments, which normally include leverage, less any portion of such total value that is already considered in fee-generating AUM.

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner and co-investment ownership, (c) unused credit facilities, (d) available commitments on those funds that generate management fees on invested capital and (e) structured portfolio vehicle investments that do not generate monitoring fees. We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income.

Our AUM measure includes assets under management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of assets under management contained in our operating agreement or in any of our Apollo fund management agreements.

carried interest, incentive income and carried interest income refer to interests granted to Apollo by an Apollo fund that entitle Apollo to receive allocations, distributions or fees calculated by reference to the performance of such fund or its underlying investments;

COF I and COF II mean Apollo Credit Opportunity Fund I, L.P. and Apollo Credit Opportunity Fund II, L.P., respectively;

co-founded means the individuals who joined Apollo in 1990, the year in which the company commenced business operations;

contributing partners refers to those of our partners (and their related parties) who indirectly own (through Holdings) Apollo Operating Group units;

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credit opportunity funds refers to our COF I, COF II, ACLF and Artus capital markets funds;

distressed funds refers to our SVF, VIF and SOMA capital markets funds;

EPF refers to Apollo European Principal Finance Fund, L.P., our European non-performing loan fund, together with its feeder funds;

feeder funds refer to funds that operate by placing substantially all of their assets in, and conducting substantially all of their investment and trading activities through, a master fund, which is designed to facilitate collective investment by the participating feeder funds. With respect to certain of our funds that are organized in a master-feeder structure, the feeder funds are permitted to make investments outside the master fund when deemed appropriate by the fund s investment manager;

Fund I, Fund II, Fund III, Fund IV, Fund V, Fund VI, and Fund VII mean Apollo Investment Fund, L.P., AIF II, L.P., Apo Investment Fund III, L.P., Apollo Investment Fund IV, L.P., Apollo Investment Fund V, L.P., Apollo Investment Fund VI, L.P. and Apollo Investment Fund VII, L.P., respectively, together with their parallel funds, as applicable;

distressed and hedge funds refers to certain of our capital markets funds, including SVF, VIF, SOMA, AAOF and certain of our strategic investment accounts;

gross IRR of a fund represents the cumulative investment-related cash flows for all of the investors in the fund on the basis of the actual timing of investment inflows and outflows (for unrealized investment assuming disposition on June 30, 2010 or other date specified) aggregated on a gross basis quarterly, and the return is annualized and compounded before management fees, carried interest and certain other fund expenses (including interest incurred by the fund itself) and measures the returns on the fund s investments as a whole without regard to whether all of the returns would, if distributed, be payable to the fund s investors;

Holdings means AP Professional Holdings, L.P., a Cayman Islands exempted limited partnership through which our managing partners and our contributing partners hold their Apollo Operating Group units;

IRS refers to the Internal Revenue Service;

managing partners refers to Messrs. Leon Black, Joshua Harris and Marc Rowan collectively and, when used in reference to holdings of interests in Apollo or Holdings, includes certain related parties of such individuals;

MIA represents a mirrored investment account established to mirror Funds I and II for investments in debt securities;

multiple of invested capital means (i) with respect to a given investment as of any date, the actual amount realized with respect to such investment plus the estimated fair market value of the remaining interest in such investment as of such date divided by the total capital invested in such investment through such date, and (ii) with respect to a fund as of any date, the aggregate actual amount realized in respect of such fund s investments plus the estimated fair market value of the fund s remaining interests in such investments as of such date divided by the lesser of the total capital invested in such investments and the total committed capital of such fund;

net IRR of a fund means the gross IRR applicable to all investors, including related parties which may not pay fees, net of management fees, organizational expenses, transaction costs, and certain other fund expenses (including interest incurred by the fund itself) and realized carried interest all offset to the extent of interest income, and measures returns based on amounts that, if distributed, would be paid to investors of the fund; to the extent that an Apollo private equity fund exceeds all requirements detailed within the applicable fund agreement, the estimated unrealized value is adjusted such that a percentage of up to 20.0% of the unrealized gain is allocated to the general partner, thereby reducing the balance attributable to fund investors;

net return for Value Funds, SOMA and AAOF represents the calculated return that is based on month-to-month changes in net assets and is calculated using the returns that have been geometrically linked based on capital contributions, distributions and dividend reinvestments, as applicable;

net return since inception, unless noted otherwise, represents the calculated return that is based on a fund s net cumulative change in net assets as a percentage of aggregate capital contributions from the inception of such fund through June 30, 2010. The calculated returns are geometrically linked based on capital contributions, distributions and dividend reinvestments, as applicable;

our manager means AGM Management, LLC, a Delaware limited liability company that is controlled by our managing partners;

Palmetto refers to Apollo Palmetto Strategic Partnership, L.P.;

permanent capital means capital of funds that do not have redemption provisions or a requirement to return capital to investors upon exiting the investments made with such capital, except as required by applicable law, which currently consist of AAA, Apollo Investment Corporation and Apollo Commercial Real Estate Finance, Inc.; such funds may be required, or elect, to return all or a portion of capital gains and investment income;

private equity investments refers to (i) direct or indirect investments in existing and future private equity funds managed or sponsored by Apollo, (ii) direct or indirect co-investments with existing and future private equity funds managed or sponsored by Apollo, (iii) direct or indirect investments in securities which are not immediately capable of resale in a public market that Apollo identifies but does not pursue through its private equity funds, and (iv) investments of the type described in (i) through (iii) above made by Apollo funds;

SIAs refers to strategic investment accounts including Palmetto, COF I, SOMA, the AGRE CMBS Fund L.P. and two other strategic investment accounts that invest alongside SVF;

SOMA refers to Apollo Special Opportunities Managed Account, L.P.;

SVF refers to Apollo Strategic Value Master Fund, L.P., together with its feeder funds;

total annualized return means the total compound annual rate of return for a security or index based on the change in market price, assuming the reinvestment of all dividends;

Value Funds refers to the SVF and VIF funds combined; and

VIF refers to Apollo Value Investment Master Fund, L.P., together with its feeder funds.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of this offering, but does not contain all of the information that you should consider before investing in our Class A shares. You should read the entire prospectus carefully, including the section entitled Risk Factors, our financial statements and the related notes and management s discussion and analysis thereof included elsewhere in this prospectus, before making an investment decision to purchase our Class A shares.

Apollo

Founded in 1990, Apollo is a leading global alternative asset manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate, with significant distressed expertise. We have a flexible mandate in the majority of the funds we manage that enables the funds to invest opportunistically across a company s capital structure. We raise, invest and manage funds on behalf of some of the world s most prominent pension and endowment funds, as well as other institutional and individual investors. As of June 30, 2010, we had Assets Under Management, or AUM, of $54.5 billion in our private equity, capital markets and real estate businesses. Our latest private equity fund, Fund VII, held a final closing in December 2008, raising a total of $14.7 billion. We have consistently produced attractive long-term investment returns in our private equity funds, generating a 39% gross IRR and a 26% net IRR on a compound annual basis from inception through June 30, 2010. A number of our capital markets funds have also performed well since their inception through June 30, 2010.

Apollo is led by our managing partners, Leon Black, Joshua Harris and Marc Rowan, who have worked together for more than 20 years and lead a team of 418 employees, including 140 investment professionals, as of June 30, 2010. This team possesses a broad range of transaction, financial, managerial and investment skills. We have offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Hong Kong and Mumbai. We operate our private equity, capital markets and real estate businesses in an integrated manner, which we believe distinguishes us from other alternative asset managers. Our investment professionals frequently share information across disciplines. We believe that this collaboration, including market insight, management, banking and consultant contacts, as well as investment opportunities, enables us to more successfully invest across a company s capital structure. This platform and the depth and experience of our investment team have enabled us to deliver strong long-term investment performance in our funds throughout a range of economic cycles. For example, Apollo s most successful private equity funds (in terms of net IRR), Funds I, II, MIA and Fund V, were initiated during economic downturns. Funds I, II and MIA, which generated a combined gross IRR of 47% and a combined net IRR of 37% on a compound annual basis since inception through the date of the disposition of their final investment on September 30, 2004, were initiated during the economic downturn of 1990 through 1993 and Fund V, which generated a gross IRR of 62% and a net IRR of 45% on a compound annual basis since inception through June 30, 2010, was initiated during the economic downturn of 2001 through late 2003. We began investing our latest private equity fund, Fund VII, in January 2008 in the midst of the current economic downturn. Similarly, with respect to our capital markets business, our flagship Value Funds, which were launched in 2003 and 2006, have also delivered attractive returns since inception across economic cycles.

Our objective is to achieve superior long-term risk-adjusted returns for our fund investors. The majority of our investment funds are designed to invest capital over periods of seven or more years from inception, thereby allowing us to generate attractive long-term returns throughout economic cycles. Our investment approach is value-oriented, focusing on nine core industries in which we have considerable knowledge, and emphasizing downside protection and the preservation of capital. We are frequently contrarian in our investment approach, which is reflected in a number of ways, including:

- our willingness to invest in industries that our competitors typically avoid;

the often complex structures we employ in some of our investments, including our willingness to pursue difficult corporate carve-out transactions;

our experience investing during periods of uncertainty or distress in the economy or financial markets when many of our competitors simply reduce their investment activity;

our orientation towards sole sponsored transactions when other firms have opted to partner with others; and

our willingness to undertake transactions that have substantial business, regulatory or legal complexity.

We have applied this investment philosophy over our 20-year history, allowing us to identify what we believe to be attractive investment opportunities, deploy capital across the balance sheet of industry leading, or franchise, businesses, and create value throughout economic cycles.

During the most recent global economic crisis, which we believe began in the third quarter of 2007, we have been relying on our deep industry, credit and financial structuring experience, coupled with our strengths as value-oriented, distressed investors, to deploy a significant amount of new capital. As examples of this, from the beginning of the second quarter of 2008 and through June 30, 2010, we have invested approximately $16.4 billion of capital across our private equity and capital markets funds focused on control distressed and buyout investments, leveraged loan portfolios and mezzanine, non-control distressed and non-performing loans. In addition, from the beginning of the third quarter of 2007 through June 30, 2010, the funds managed by Apollo have acquired approximately $12.7 billion in face value of distressed debt at discounts to par value and purchased approximately $27.7 billion in face value of leveraged senior loans at discounts to par value from financial institutions. Since we purchased these leveraged loan portfolios from highly motivated sellers, we were able to secure attractive long-term, low cost financing and select credits of companies well known to Apollo. The benchmark S&P/LSTA Leveraged Loan Index, which includes a group of securities we believe is similar to those owned by our funds, had a net return of approximately 3% during the six months ended June 30, 2010, and the performance of our leveraged loan investments has exceeded this benchmark during this period.

As in prior market downturns and periods of significant volatility, we have been purchasing distressed securities and continue to opportunistically build positions in high quality companies with stressed balance sheets in industries where we have expertise such as cable, chemicals, packaging and transportation. Our approach towards investing in distressed situations often requires us to purchase particular debt securities as prices are declining, since this allows us both to reduce our average cost and accumulate sizable positions which may enhance our ability to influence any restructuring plans and maximize the value of our distressed investments. As a result, our investment approach may produce negative short-term unrealized returns in certain of the funds we manage. However, we concentrate on generating attractive, long-term, risk-adjusted realized returns for our fund investors, and we therefore do not overly depend on short-term results and quarterly fluctuations in the unrealized fair value of the holdings in our funds.

In addition to deploying capital in new investments, we have been depending on our 20 years of experience to enhance value in the current investment portfolio of the funds we manage. We have been relying on our restructuring and capital markets experience to work proactively with our funds portfolio company management teams to generate cost and working capital savings, reduce capital expenditures, and optimize capital structures through several means such as debt exchange offers and the purchase of portfolio company debt at discounts to par value. For example, as of June 30, 2010, Fund VI and its underlying portfolio companies purchased or retired approximately $18.5 billion in face value of debt and captured approximately $9.2 billion of discount to par value of debt in portfolio companies such as CEVA Logistics, Harrah s Entertainment, Realogy and Momentive Performance Materials. In certain situations, such as CEVA Logistics, funds managed by Apollo are the largest owner of the total outstanding debt of the portfolio company. In addition to the attractive return profile associated

with these portfolio company debt purchases, we believe that building positions as senior creditors within the existing portfolio companies is strategic to the existing equity ownership positions. Additionally, the portfolio companies of Fund VI have implemented approximately $2.7 billion of cost savings programs on an aggregate basis from the date we acquired them through June 30, 2010, which we believe will positively impact their operating profitability.

Since the beginning of 2007, we have experienced significant globalization and expansion of our investment management activities. We have grown our global network by opening offices in Frankfurt, Luxembourg, Singapore, Hong Kong and Mumbai. Since the beginning of 2007, we have launched a new private equity fund, a new strategic investment account investing in commercial mortgage backed securities and a commercial real estate finance company, as well as several new capital markets funds and leveraged investment vehicles. These vehicles had a combined AUM of $34.0 billion as of June 30, 2010. In addition, in order to more fully leverage our long history of investing in the real estate sector, we continue to hire senior members of the real estate team. Similar to the growth and evolution of our real estate business, we expect to continue to grow our company by applying our value-oriented approach across related investment categories which we believe have synergies with our core business and provide attractive opportunities for us to continue to expand our equity base.

We had total AUM of $54.5 billion as of June 30, 2010, consisting of $33.5 billion in our private equity business, $18.9 billion in our capital markets business and $2.1 billion in our real estate business. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure to modify fee arrangements of our future funds. We have grown our total AUM at a 33.1% compound annual growth rate, or CAGR, from December 31, 2004 to June 30, 2010. In addition, we benefit from mandates with long-term capital commitments in both our private equity and capital markets businesses. Our long-lived capital base allows us to invest assets with a long-term focus, which is an important component in generating attractive returns for our investors. We believe our long-term capital also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets has historically been more challenging than during periods of economic expansion. As of June 30, 2010, approximately 91% of our AUM was in funds with a contractual life at inception of seven years or more, and 12% was in permanent capital vehicles with unlimited duration, as highlighted in the chart below:

We expect our growth in AUM to continue over time by seeking to create value in our funds existing private equity, capital markets and real estate investments, continuing to deploy our available capital in what we believe are attractive investment opportunities, and raising new funds and investment vehicles as market opportunities present themselves. See Risk Factors Risks Related to Our Businesses We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure to modify fee arrangements of our future funds.

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Our Businesses

We have three business segments: private equity, capital markets and real estate. We also manage (i) AAA, a publicly listed permanent capital vehicle, which invests substantially all of its capital in or alongside Apollo-sponsored entities, funds, and other investments, and (ii) several strategic investment accounts established to facilitate investments by third-party investors directly in Apollo-sponsored funds and other transactions. The diagram below summarizes our current businesses:

(1) All data is as of June 30, 2010. The chart does not reflect legal entities or assets managed by former affiliates.
(2) Includes three funds that are denominated in Euros and translated into U.S. dollars at an exchange rate of 1.00 to $1.22 as of June 30, 2010.

As a global alternative asset manager, we earn ongoing management and transaction and advisory fees. We also earn income based on the performance of our funds, and investment income from our investments as general partner and other direct investments. Carried interest from our private equity and certain of our capital markets funds allocates to us a portion of the investment gains that are generated on third-party capital that we invest and typically equals 20% of the returns generated net of fund expenses. Our ability to generate carried interest is an important element of our business and has historically accounted for a significant portion of our income.

Our financial results are highly variable, since carried interest (which generally constitutes a large portion of the income from the funds we manage), and the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. We manage our business and monitor our performance with a focus on long-term performance, an approach that mirrors the investment horizons of the funds we manage and is driven by the investment returns of our funds.

Private Equity

Our private equity business had total and fee-generating AUM of $33.5 billion and $27.5 billion as of June 30, 2010, respectively. Our private equity business grew total and fee-generating AUM by a 25.1% and 40.9% CAGR, respectively, from December 31, 2004 through June 30, 2010. From our inception in 1990 through June 30, 2010, our private equity business invested approximately $33.0 billion of equity capital. As of June 30, 2010, our private equity funds had $10.8 billion of uncalled capital commitments, providing us with a significant source of capital for future investment activities. Since inception through March 31, 2010, the

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returns of our private equity funds have performed in the top quartile for all U.S. buyout funds, as measured by Thomson Financial. Our private equity funds have generated a gross IRR of 39% and a net IRR of 26% on a compound annual basis from inception through June 30, 2010, as compared with a total annualized return of 6% for the S&P 500 Index over the same period. In addition, since our inception, our private equity funds (excluding Fund VII, which began investing less than 36 months prior to the valuation date) have achieved a 2.4x average multiple of invested capital. See The Historical Investment Performance of Our Funds for reasons why our historical private equity returns are not indicative of the future results you should expect from our current or future funds or from us.

As a result of our long history of private equity investing across market cycles, we believe we have developed a unique set of skills which we rely on to make new investments and to maximize the value of our existing investments. As an example, through our experience with traditional private equity buyouts, we apply a highly disciplined approach towards structuring and executing transactions, the key tenets of which include acquiring companies at below industry average purchase price multiples, and establishing flexible capital structures with long-term debt maturities and few, if any, financial maintenance covenants.

We believe we have a demonstrated ability to quickly adapt to changing market environments and capitalize on market dislocations through our traditional and distressed buyout approach. In prior periods of strained financial liquidity and economic recession, our private equity funds have made attractive investments by buying the debt of quality businesses (which we refer to as classic distressed debt), converting that debt to equity, seeking to create value through active participation with management and ultimately monetizing the investment. This combination of traditional buyout investing with a distressed option has been deployed through prior economic cycles and has allowed our funds to achieve attractive long-term rates of return in different economic and market environments. In addition, during prior economic downturns we have relied on our restructuring experience and worked closely with our funds portfolio companies to maximize the value of our funds investments. For example, during the economic downturn during 2001-2003, we successfully restructured several of the portfolio companies in Fund IV that were experiencing financial difficulties, and as a result, Fund IV was able to produce a multiple of invested capital of nearly 1.8x as of June 30, 2010. During this same time period, we relied on our credit market expertise to deploy approximately 54% of the capital from Fund V, primarily in distressed for control situations, and this fund generated a gross IRR of 62% and a net IRR of 45% on a compound annual basis as of June 30, 2010. See The Historical Investment Performance of Our Funds for a discussion of the reasons we do not believe our future IRRs will be similar to the IRRs for Fund V.

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The following charts summarize the breakdown of our funds private equity investments by type and industry from our inception through June 30, 2010.

Private Equity Investments by Type

Private Equity Investments by Industry

* Includes investments in special purpose entities that invest in debt-related securities of companies included in multiple industries.

Capital Markets

Since Apollo s founding in 1990, we believe our capital markets expertise has served as an integral component of our company s growth and success. Our credit-oriented capital markets operations commenced in 1990 with the management of a $3.5 billion high-yield bond and leveraged loan portfolio. Since that time, our capital markets activities have grown significantly, and leverage Apollo s integrated platform and utilize the same disciplined, value-oriented investment philosophy that we employ with respect to our private equity funds. Our capital markets operations are led by James Zelter, who has served as the managing partner of the capital markets business since April 2006. Our capital markets business had total and fee-generating AUM of $18.9 billion and $15.3 billion, respectively, as of June 30, 2010 and grew its total and fee-generating AUM by a 57.5% and 51.9% CAGR, respectively, from December 31, 2004 through June 30, 2010.

Our credit-oriented capital markets funds have been established to capitalize upon our investment experience and deep industry expertise. We seek to participate in capital markets businesses where we believe our industry expertise and experience can be used to generate attractive investment returns. As depicted in the chart below, our capital markets activities span a broad range of the credit spectrum, including non-performing loans, distressed debt, mezzanine debt, senior bank loans and value-oriented fixed income.

The value-oriented fixed income segment of the capital markets spectrum is the most recent investment area for Apollo, and it is characterized by its ability to generate attractive risk-adjusted returns relative to traditional fixed income investments. An example of our value-oriented fixed income investments is Athene Asset Management LLC, or Athene Asset Management. We established Athene Asset Management, which is substantially owned by a subsidiary of Apollo, to provide asset management services to Athene Life Re Ltd., or Athene Life Re, and other third parties. Athene Life Re is an Apollo sponsored vehicle formed to focus on opportunities in the life reinsurance sector. Athene Life Re sources, analyzes and negotiates the acquisition of fixed annuity policies from primary insurance companies. As of June 30, 2010, Athene Asset Management had approximately $1.2 billion of AUM, $0.3 billion of which was included in our real estate segment.

As of June 30, 2010, our capital markets funds included seven distressed and hedge funds with total AUM of $2.7 billion, three mezzanine funds with total AUM of $4.2 billion, four credit opportunity funds with total AUM of $9.1 billion, and a European non-performing loan fund with total AUM of $1.6 billion. Our capital markets segment also includes strategic investment accounts and Athene Asset Management.

Distressed and Hedge Funds

We currently manage seven distressed and hedge funds with total AUM of $2.7 billion as of June 30, 2010 that primarily invest in North America, Europe and Asia. Our distressed and hedge funds utilize similar valued-oriented investment philosophies as our private equity business and are focused on capitalizing on our substantial industry and credit knowledge.

Our distressed funds employ similar investment strategies, seeking to identify and capitalize on absolute-value driven investment opportunities. Utilizing flexible investment strategies, these funds primarily focus on investments in distressed companies before, during and after a restructuring, as well as undervalued securities. Investments are executed primarily through the purchase or sale of senior secured bank debt, second lien debt, high yield debt, trade claims, credit derivatives, preferred stock and equity.

We have been expanding our international presence and have launched new initiatives to capitalize on capital markets-oriented investment opportunities in Europe and Asia. Our Asian credit-oriented hedge fund is an investment vehicle that seeks to generate attractive risk-adjusted returns throughout economic cycles by capitalizing on investment opportunities in the Asian markets, excluding Japan, and targeting event-driven volatility across capital structures, as well as opportunities to develop proprietary platforms.

Mezzanine Funds

As of June 30, 2010, we managed U.S. and European-based mezzanine funds and related investment vehicles with total AUM of $4.2 billion as of June 30, 2010. AIC, a U.S.-based permanent capital vehicle, is a publicly traded, 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, as amended, or the Investment Company Act, and to be treated for tax purposes as a regulated investment company under the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. AIC raised over $900 million of permanent investment capital through its initial public offering on the NASDAQ in April 2004. Since that time, AIC has successfully completed several secondary offerings and raised approximately $1.9 billion of incremental permanent investment capital. AIC s primary focus is to generate both current income and capital appreciation primarily through investments in U.S. senior and subordinated loans, other debt securities and private equity. Our European mezzanine funds, which are unregistered private closed-end investment funds, were established to more fully capitalize upon mezzanine and subordinated debt opportunities with a primary focus in Western Europe.

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Senior Credit Funds

We manage senior credit funds, which currently comprise four credit opportunity funds, with total AUM of $9.1 billion as of June 30, 2010. We established our credit opportunity funds, which are primarily oriented towards the acquisition of leveraged loans and other performing senior debt, in late 2007 and 2008 with some of our largest investors in order to capitalize upon the supply-demand imbalances in the leveraged finance market. We have been actively investing these funds since they were formed and, together with our private equity funds, as of June 30, 2010, we have deployed approximately $24.5 billion, including leverage, in credit opportunity investments. We believe our credit opportunity funds benefit from the broad range of investment opportunities that arise as a result of our deep industry and credit expertise. As the opportunity set continues to evolve, we expect we will continue to offer the credit opportunity fund series to capitalize primarily upon senior credit opportunities in the market.

Non-Performing Loan Fund

In May 2007, we launched a European non-performing loan fund. Non-performing loans, or NPLs, are loans held by financial institutions that are in default of principal or interest payments for 90 days or more. We anticipate substantial growth in the European NPL market as financial institutions face increasing pressure to improve their balance sheets and make new loans. In December 2009, the fund closed with 1.3 billion ($1.6 billion using an exchange rate of 1.00 to $1.22 as of June 30, 2010) in total commitments. As of June 30, 2010, the fund has portfolio investments in the United Kingdom, Spain and Portugal.

Strategic Investment Vehicles

In addition to the funds described above, we manage other investment vehicles, including AAA and Palmetto, which have been established to invest either directly in or alongside certain of our private equity and capital markets funds and certain other transactions that we sponsor and manage.

AP Alternative Assets, L.P. (AAA)

AAA issued approximately $1.9 billion of equity capital in its initial offering in June 2006 to invest alongside certain of our private equity funds and directly in certain of our capital markets funds and certain other transactions that we sponsor and manage. The common units of AAA, which represent limited partner interests, are listed on Euronext Amsterdam. On June 1, 2007, AAA s investment vehicle, AAA Investments, entered into a credit facility that originally provided for a $900 million revolving line of credit, thus increasing the amount of cash that AAA Investments has available for making investments and funding its liquidity and working capital needs. AAA may incur additional indebtedness from time to time, subject to availability in the credit markets, among other things. In connection with AAA s ongoing liquidity management and deleveraging strategy, the revolving credit facility was permanently reduced to $537.5 million as of June 30, 2010. In October 2009, AAA Investments repaid $225.0 million to the lenders in return for the right for AAA Investments or one of its affiliates to purchase its debt in the future at a discount to par value, subject to certain conditions. In December 2009, February 2010 and June 2010, AAA purchased $25.0 million, $37.5 million and $75.0 million, respectively, of its own debt for a purchase price of 85% of par value. As a result of these purchases, the revolving credit facility was permanently reduced to $537.5 million as of June 30, 2010. On August 11, 2010, AAA purchased 6,777,308 of its common units and restricted depositary units, or RDUs, from holders participating in a tender offer announced on July 12, 2010, for an aggregate of $47.4 million.

Since its formation, AAA has allowed us to quickly target certain investment opportunities by capitalizing new investment vehicles formed by Apollo in advance of a lengthier third-party fundraising process. AAA Investments was the initial investor in one of our mezzanine funds, two of our distressed and hedge funds, and

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our non-performing loan fund. AAA Investments current portfolio also includes private equity co-investments in Fund VI and Fund VII portfolio companies, certain opportunistic investments and temporary cash investments. AAA may also invest in additional funds and other opportunistic investments identified by Apollo Alternative Assets, L.P., the investment manager of AAA. As of June 30, 2010, AAA Investments had total investments of approximately $1.6 billion.

Due to market volatility and the tightening of the credit markets, particularly during the fourth quarter of 2008 and first quarter of 2009, AAA Investments took certain steps in an effort to ensure that it continues to maintain appropriate cash reserves. As part of this process, beginning in the fourth quarter of 2008 and continuing into the third quarter of 2009, AAA Investments exercised the right to opt-out of new co-investments alongside Fund VI and Fund VII, as permitted by its co-investment agreements. AAA Investments opt-out decisions are made on a case-by-case basis taking into consideration reserves and liquidity at the time of the potential co-investment transaction. Beginning in the third quarter of 2009, AAA Investments resumed making co-investments alongside the private equity funds. In the fourth quarter of 2009, the co-investment agreements with Fund VI and Fund VII were amended. The co-investment agreement with Fund VI was amended to provide that no new co-investments will be made, and only follow-on investments that are expected to protect AAA Investments interests in its existing portfolio companies will be made going forward. The co-investment agreement with Fund VII was amended to provide that where a follow-on investment is made with Fund VII for reasons other than to protect AAA Investments interest in an existing portfolio company, it will be made at the co-investment percentage that has been set by the board of directors of AAA s managing general partner for the relevant year (or, if lower, at the percentage necessary to ensure that AAA Investments and Fund VII continue to hold the relevant portfolio company in the same proportions as it is then owned by each of them). The board of directors of AAA s managing general partner continues to set the Fund VII co-investment percentage for new co-investments at the beginning of each calendar year.

Strategic Investment Accounts

Institutional investors are expressing increasing levels of interest in SIAs since these accounts can provide investors with greater levels of transparency, liquidity and control over their investments as compared to more traditional investment funds. Based on the trends we are currently witnessing among a select group of large institutional investors, we expect our AUM that is managed through SIAs to continue to grow over time. As of June 30, 2010, over $7.0 billion of our total AUM and $4.7 billion of our fee-generating AUM was managed through SIAs.

One example of an SIA managed by Apollo is Palmetto, which we manage on behalf of a single investor. As of June 30, 2010, the capital commitments to Palmetto were $759.0 million, which included a capital commitment of $750.0 million from one institutional investor that is a large state pension fund and $9.0 million of current commitments from Apollo. Palmetto was established to facilitate investments by such third-party investor directly in our private equity and capital markets funds and certain other transactions that we sponsor and manage. As of June 30, 2010, Palmetto had committed approximately $399.7 million for investments primarily in our European non-performing loan fund, our private equity funds and SVF.

Real Estate

We have assembled a dedicated team to pursue real estate investment opportunities, which we refer to as Apollo Global Real Estate, or AGRE, and which we believe benefits from Apollo s long-standing history of investing in real estate-related sectors such as hotels and lodging, leisure and logistics. AGRE, which includes ten investment professionals as of June 30, 2010, is led by Joseph Azrack, who joined Apollo in 2008 with 30 years of real estate investment management experience, serving most recently as President and CEO of Citi Property Investors.

We believe our dedicated real estate platform benefits from, and contributes to, Apollo s integrated platform, and further expands Apollo s deep real estate industry knowledge and relationships. As of June 30, 2010, our real estate business had total and fee-generating AUM of $2.1 billion and $0.4 billion, respectively.

In addition to the funds described below, we may seek to serve as the manager of, or sponsor, a series of real estate funds that focus on other opportunistic investments in distressed debt and equity recapitalization transactions, including corporate real estate, distress for control situations and the acquisition and recapitalization of real estate portfolios, platforms and operating companies, including non-performing and deeply discounted loans.

On May 8, 2010, an affiliate of Apollo Global Management, LLC entered into a purchase and sale agreement to acquire a real estate private equity business from a financial institution. Upon closing of the acquisition, Apollo will be acquiring general partner interests in, and advisory agreements with, various real estate investment funds and co-invest vehicles and adding to our team of real estate investment professionals. The closing of the acquisition is subject to the receipt of certain third-party consents and the satisfaction of customary closing conditions. The transaction is expected to close during the fourth quarter of 2010.

Apollo Commercial Real Estate Finance, Inc.

In 2009, we launched Apollo Commercial Real Estate Finance, Inc. (NYSE: ARI), or ARI, a commercial real estate finance company managed by Apollo that has been formed primarily to originate, invest in, acquire, and manage senior performing commercial real estate mortgage loans, commercial mortgage backed securities, or CMBS, commercial real estate corporate debt and loans and other real estate-related investments in the United States. On September 29, 2009, ARI completed the initial public offering of 10 million shares of its common stock, at a price to the public of $20.00 per share, for gross proceeds of $200 million, and a concurrent private placement of 500,000 shares of its common stock to Apollo and certain of its affiliates at a price per share equal to the initial public offering price. The proceeds to ARI from the initial public offering and the concurrent private placement, net of related issuance costs, were approximately $208 million. As of June 30, 2010, ARI had total AUM of $539 million.

During September 2010, ARI completed an offering of 6.9 million shares, which generated gross proceeds of approximately $110.4 million. The proceeds will be used for general corporate purposes, including the repayment of debt and continued investment in target assets, with a focus on performing commercial first mortgage loans, commercial mortgage-backed securities, mezzanine financings and other real estate-related debt investments.

AGRE CMBS Fund L.P.

In December 2009, we launched AGRE CMBS Fund L.P., or AGRE CMBS Account, a real estate strategic investment account formed to invest principally in CMBS and leverage those investments by borrowing from the Federal Reserve Bank of New York s Term Asset-Backed Securities Loan Facility, or TALF. As of June 30, 2010, the AGRE CMBS Account had total AUM of $1.6 billion.

Competitive Strengths

Over our 20-year history, we have grown to be one of the largest alternative asset managers in the world, which we attribute to the following competitive strengths:

Our Investment Process and Approach to Investing Have Delivered a Strong Track Record. Our track record of generating attractive long-term risk-adjusted private equity fund returns is a key differentiating factor for our fund investors and, we believe, will allow us to continue to expand our AUM and capitalize

new investment vehicles. See The Historical Investment Performance of Our Funds for reasons why our historical returns are not indicative of the future results you should expect from our current or future funds or from us. Some of the elements that have enabled us to generate these attractive returns include:

Our flexibility to invest throughout market cycles and across the capital structure We have consistently invested capital on behalf of our investors throughout economic cycles by focusing on opportunities that we believe are often overlooked by other investors. We believe that our expertise in capital markets, focus on core industry sectors and investment experience allows us to respond quickly to changing environments. Our private equity funds have had success investing in buyouts and credit opportunities during both expansionary and recessionary economic periods.

Our deep industry expertise and focus on complex transactions We have substantial expertise in nine core industry sectors and our funds have invested in over 300 companies since inception. Our core industry sectors are chemicals; commodities; consumer and retail; distribution and transportation; financial and business services; manufacturing and industrial; media and leisure; packaging and materials; and satellite and wireless. We believe that situational and structural complexity often hides compelling value that competitors may lack the inclination or ability to uncover, and that our industry expertise and comfort with complexity help drive our performance.

Our investment expertise creates proprietary investment opportunities We believe our industry expertise allows us to create strategic platforms and approach new investments as a strategic buyer with synergies, cross-selling opportunities and economies of scale advantages over other purely financial sponsors. Fund VI and Fund VII have been the sole financial sponsor in 13 of their last 15 traditional private equity portfolio company buyouts.

Our collaboration with portfolio company management teams We possess two decades of experience working with management teams to help create significant long-term value for the portfolio companies of our funds. We believe we add value to our funds investments by working closely with the portfolio company management teams in a number of ways, such as generating cost and working capital savings and optimizing capital structures. For example, as of June 30, 2010, Fund VI and its underlying portfolio companies purchased or retired approximately $18.5 billion of debt and captured approximately $9.2 billion of discount to par value of debt. In addition, from the date of acquisition through June 30, 2010, Fund VI portfolio companies have implemented approximately $2.7 billion of cost savings programs on an aggregate basis, which we believe will positively impact their operating profitability.

Our Integrated Business Model. Generally, we operate our global franchise as an integrated investment platform with a free flow of information across our businesses. Each of our businesses contributes to and draws from our investment experience and deep industry expertise, thereby providing investment opportunities and intellectual capital to the other businesses, which we believe enables our funds to successfully invest across a company s capital structure. See Risk Factors Risks Related to Our Businesses Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers.

Our Strong, Longstanding Investor Relationships. We manage capital for hundreds of investors in our private equity funds, which include many of the world s most prominent pension funds, university endowments, financial institutions and individuals. Most of our private equity investors are invested in multiple Apollo private equity funds, and many have invested in one or more of our capital markets funds, including as seed investors in new strategies. We believe that our deep investor relationships have facilitated the growth of our existing businesses and will assist us with the launch of new businesses and investment offerings, thereby increasing our fee-generating AUM.

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Long-Term Capital Base. A significant portion of our $54.5 billion of AUM as of June 30, 2010 was long-term in nature. As of June 30, 2010, approximately 91% of our AUM was in funds with a contractual life at inception of seven years or more, including 12% that was in permanent capital vehicles with unlimited duration. Our long-lived capital base allows us to invest assets with a long-term focus, which we believe is an important component in generating attractive returns for our investors. We believe our long-term capital also leaves us well-positioned during economic downturns, when the fundraising environment for alternative assets has historically been more challenging than during periods of economic expansion.

The Continuity of Our Strong Management Team and Reputation. Our managing partners actively participate in the oversight of the investment activities of our funds, have worked together for more than 20 years and lead a team of 140 investment professionals as of June 30, 2010 who possess a broad range of transaction, financial, managerial and investment skills. We have developed a strong reputation in the market as an investor and partner who can make significant contributions to a business or investing decision, and we believe the longevity of our management team is a key competitive advantage.

Alignment of Interests with Investors in Our Funds and Shareholders. Fundamental to our business model is the alignment of interests of our professionals with those of the investors in our funds, and with those of our shareholders. From our inception through June 30, 2010, our professionals have committed or invested an estimated $1.0 billion of their own capital to our funds. In addition, our practice is to allocate a portion of the management fees and incentive income payable by our funds to our professionals, which we believe serves to incentivize those employees to generate superior risk-adjusted investment returns. Also, the majority of our employees own restricted share units, or RSUs, which vest over time, and our managing partners and contributing partners will own % of the company immediately after the offering. We expect to continue to increase the equity ownership held by our employees over time through additional grants of RSUs in lieu of cash compensation. We believe that the alignment of interests with our shareholders and fund investors helps us to raise new funds, continue to execute our growth strategy and deliver earnings to our shareholders.

Growth Strategy

Our growth and investment returns have been supported by an institutionalized and strategic organizational structure designed to promote teamwork, industry specialization, longevity of capital, compliance and regulatory excellence and internal systems and processes. Our ability to grow our AUM and revenues depends on our performance and on our ability to attract new capital and fund investors, which we have done successfully over the last 20 years.

The following are key elements of our growth strategy:

- continuing to achieve long-term returns in our funds;
- continuing our commitment to our fund investors;
- raising additional investment capital for our current businesses;
- expanding into new investment strategies, markets and businesses; and
- capitalize upon the benefits of being a public company, including the pursuit of complementary and strategic acquisitions.

We cannot assure you that our funds or our current businesses will be successful in raising the capital described above or that any capital they do raise will be on terms favorable to us or consistent with terms of capital that they have previously raised. See Risk Factors Risks Related to Our Businesses We may not be

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successful in raising new funds or in raising more capital for certain of our funds and may face pressure to modify fee arrangements of our future funds and Risk Factors Risks Related to Our Business Changes in the debt financing markets have negatively impacted the ability of our funds and their portfolio companies to obtain attractive financing for their investments and have increased the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income for a more detailed discussion of the risks.

Performance Results

Our revenues and other income consist principally of (i) management fees, which are based upon a percentage of the committed or invested capital (in the case of our private equity funds and certain of our capital markets funds), adjusted assets (in the case of AAA), gross invested capital or fund net asset value (in the case of the rest of our capital markets funds) and stockholders equity (in the case of ARI), (ii) transaction and advisory fees received from private equity and certain capital markets portfolio companies in respect of business and transaction consulting services that we provide, as well as advisory services provided to a capital markets fund, (iii) income based on the performance of our funds, which consists of allocations, distributions or fees from our private equity funds, AAA and our capital markets funds, and (iv) investment income from our investments as general partner and other direct investments primarily in the form of net gains from investment activities as well as interest and dividend income. Carried interest from our private equity funds and certain of our capital markets funds entitles us to an allocation of a portion of the income and gains from that fund and is as much as 20% of the net realized income and gains that are achieved by the funds net of fund expenses, generally subject to an annual preferred return for the limited partners of 8% with a catch-up allocation to us thereafter. The general partner of each of the funds accrues for its portion of carried interest at each balance sheet date for any changes in value of the funds underlying investments. For example, if one of our private equity funds were to exceed the preferred return threshold and generate $100 million of profits net of allocable fees and expenses from a given investment, our carried interest would entitle us to receive as much as $20 million of these net profits less appropriate compensation expense for our investment professionals.

Carried interest from most of our capital markets funds is as much as 20% of either the fund s income and gain or the yearly appreciation of the fund s net asset value. For such capital markets funds, we accrue carried interest on both realized and unrealized gains, subject to any applicable hurdles and high-water marks. Certain of our capital markets funds are subject to a preferred return. Our ability to generate carried interest is an important element of our business and has historically accounted for a very significant portion of our income. For the six months ended June 30, 2010, management fees, transaction and advisory fees, and carried interest income represented 69.3%, 12.5% and 18.2%, respectively, of our $303 million of revenues. See our condensed consolidated financial statements included elsewhere in this prospectus.

In considering the performance information contained in this prospectus, prospective Class A shareholders should bear in mind that such performance information is not indicative of the possible performance of our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. As a result of the deconsolidation of most of our funds, we will not be consolidating those funds in our financial statements for periods after either August 1, 2007 or November 30, 2007.

Management further evaluates our segments based on our management and incentive business within each segment. Our management business is generally characterized by the predictability of its financial metrics, including revenues and expenses. This business includes management fee revenues, advisory and transaction revenues, carried interest income from certain of our mezzanine funds, and expenses exclusive of profit sharing, which we believe are more stable in nature. The financial performance of our incentive business, which is dependent upon quarterly mark-to-market unrealized valuations in accordance with accounting principles

generally accepted in the United States of America, or U.S. GAAP, guidance applicable to fair value measurements, includes carried interest income and profit sharing expense in connection with our investment funds, and is generally less predictable and more volatile in nature.

For more information regarding the financial performance of our segments, refer to Summary Historical and Other Data, which includes our statement of operations information and our supplemental performance measure, Economic Net Income, or ENI, for our reportable segments and the management business and incentive business, as well as further reconciliation of ENI to Adjusted ENI to identify non-recurring or unusual items for the six months ended June 30, 2010 and 2009 and for the years ended December 31, 2009, 2008 and 2007.

The Private Offering Transactions and the Strategic Investors Transaction

On August 8, 2007, in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act, we sold 27,000,000 Class A shares, at an initial offering price of $24 per share, to (i) Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Credit Suisse (USA) LLC, which we refer to as the initial purchasers, for their resale to qualified institutional buyers that are also qualified purchasers in reliance upon Rule 144A under the Securities Act, and (ii) accredited investors, with the initial purchasers acting as placement agents, in a private placement, as defined in Rule 501(a) under the Securities Act. The initial purchasers exercised their over-allotment option and on September 5, 2007, we sold an additional 2,824,540 Class A shares to the initial purchasers at the price of $24 per share. We refer to this exempt sale of Class A shares to the initial purchasers and to accredited investors as the Rule 144A Offering. We entered into a registration rights agreement with the initial purchasers in the Rule 144A Offering, pursuant to which we undertook to register under the Securities Act the Class A shares sold in the Rule 144A Offering. All of the Class A shares being offered by the selling shareholders in this offering were issued in the Rule 144A Offering.

In connection with the Rule 144A Offering, on July 16, 2007, we entered into a purchase agreement with Credit Suisse Securities (USA) LLC, one of the Rule 144A Offering initial purchasers, pursuant to which Credit Suisse Management LLC, or the CS Investor, purchased from us in a private placement that closed concurrently with the Rule 144A Offering an aggregate of $180 million of the Class A shares at a price per share of $24, or 7,500,000 Class A shares. Pursuant to a shareholders agreement we entered into with the CS Investor, the CS Investor agreed not to sell its Class A shares for a period of one year from August 8, 2007, the closing date of the Rule 144A Offering. We entered into a registration rights agreement with the CS Investor in connection with the private placement transaction pursuant to which we undertook to register under the Securities Act the Class A shares sold therein. We refer to our sale of Class A shares to the CS Investor as the Private Placement and to the Private Placement and the Rule 144A Offering collectively as the Private Offering Transactions.

On July 13, 2007, we sold securities to the California Public Employees Retirement System, or CalPERS, and an affiliate of the Abu Dhabi Investment Authority, or ADIA, in return for a total investment of $1.2 billion. We refer to CalPERS and ADIA as the Strategic Investors. Upon completion of the Private Offering Transactions, the securities that we sold to the Strategic Investors converted into non-voting Class A shares. We refer to the foregoing issuance of securities, our use of proceeds from that sale and the conversion of such securities into non-voting Class A shares as the Strategic Investors Transaction. Pursuant to a lenders rights agreement we have entered into with the Strategic Investors, the Strategic Investors have agreed not to sell any of their Class A shares for a period of two years after the date on which the shelf registration statement of which this prospectus forms a part becomes effective, or the shelf effectiveness date, subject to limited exceptions. Thereafter, the amount of Class A shares they may sell is subject to a limit that increases with each year. See Certain Relationships and Related Party Transactions Lenders Rights Agreement Transfer Restrictions. The Strategic Investors are two of the largest alternative asset investors in the world and have been

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significant investors with us in multiple funds covering a variety of strategies. In total, from our inception through the date hereof, the Strategic Investors have invested or committed to invest approximately $7.6 billion of capital in us and our funds. The Strategic Investors have been significant supporters of our integrated platform, with one or both having invested in multiple private equity and capital markets funds. The Strategic Investors have no obligation to invest further in our funds, and any future investments by the Strategic Investors in our funds or other alternative investment categories will likely depend on the performance of our funds, the performance of each Strategic Investor s overall investment portfolio and other investment opportunities available to them.

On April 20, 2010, we announced that we have entered into a new strategic relationship agreement with CalPERS. The new strategic relationship agreement provides that we will reduce management and other fees charged to CalPERS on credit-related funds that we manage, or in the future will manage, solely for CalPERS by $125 million over the next five years or as close a period as required to provide CalPERS with that benefit. The agreement further provides that we will not use a placement agent in connection with securing any future capital commitments from CalPERS.

Structure and Formation of the Company

Apollo Global Management, LLC is a holding company whose primary assets are 100% of the general partner interests in each limited partnership included in the Apollo Operating Group, which is described below under Holding Company Structure. Immediately after the offering, % of the limited partner interests of the Apollo Operating Group entities will be held by Apollo Global Management, LLC through intermediate holding companies, and the remaining % of the limited partner interests of the Apollo Operating Group entities will be owned directly by Holdings, an entity 100% owned, directly or indirectly, by our managing partners and contributing partners. The limited partner interests that the company and Holdings own in the Apollo Operating Group entities represent the company s and Holdings economic interests in the Apollo Operating Group. With limited exceptions, the Apollo Operating Group owns each of the operating entities included in our historical consolidated and combined financial statements as described below under Our Assets.

Apollo Global Management, LLC is owned by its Class A and Class B shareholders. Holders of our Class A shares and Class B share vote as a single class on all matters presented to the shareholders, although the Strategic Investors do not have voting rights in respect of any of their Class A shares. We have issued to BRH Holdings GP, Ltd., or BRH, a single Class B share solely for purposes of granting voting power to BRH. BRH is the general partner of Holdings and is a Cayman Islands exempted company owned and controlled by our managing partners. The Class B share does not represent an economic interest in Apollo Global Management, LLC. The voting power of the Class B share, however, increases or decreases with corresponding changes in Holdings economic interest in the Apollo Operating Group.

Our shareholders vote together as a single class on the limited set of matters on which shareholders have a vote. Such matters include a proposed sale of all or substantially all of our assets, certain mergers and consolidations, certain amendments to our operating agreement and an election by our manager to dissolve the company.

We intend to continue to employ our current management structure with strong central control by our managing partners and to maintain our focus on achieving successful growth over the long term. This desire to preserve our existing management structure is one of the principal reasons why upon listing of our Class A shares on the New York Stock Exchange, if achieved, we have decided to avail ourselves of the controlled company exception from certain of the NYSE governance rules. This exception eliminates the requirements that we have a majority of independent directors on our board of directors and that we have a compensation committee and a

nominating and corporate governance committee composed entirely of independent directors. It is also the reason that the managing partners chose to have a manager that manages all of our operations and activities, with only limited powers retained by the board of directors, as long as the Apollo control condition, which is discussed below under Our Manager, is satisfied.

We refer to the formation of the Apollo Operating Group described below under Holding Company Structure, Our Manager, Our Assets and Equity Interests Retained by Our Managing Partners and Contributing Partners, the deconsolidation of most Apollo funds described below under Deconsolidation of Apollo Funds and the borrowing under the AMH credit facility and the related distribution to our managing partners described below under Distribution to Our Managing Partners Prior to the Private Offering Transactions, collectively, as the Reorganization.

Prior to the Reorganization, our business was conducted through a number of entities as to which there was no single holding entity but that were separately owned by our managing partners. In order to facilitate the Rule 144A Offering, which closed in August 2007, we effected the Reorganization to form a new holding company structure. Additional entities were formed during 2008 to create our current holding company structure.

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The diagram below depicts our current organizational structure (see Our Structure for a more detailed diagram)[1].

(1) Immediately after the offering, investors in the Rule 144A Offering and investors in the offering (together, the Public Investors) will hold % of the Class A shares, the CS Investor will hold % of the Class A shares, and the Strategic Investors will hold % of the Class A shares. Immediately after the offering, the Class A shares held by Public Investors will represent % of the total voting power of our shares entitled to vote and % of the economic interests in the Apollo Operating Group. Immediately after the offering, Class A shares held by the CS Investor will represent % of the total voting power of our shares entitled to vote and % of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights and immediately after the offering, will represent % of the economic interests in the Apollo Operating Group. Such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the Strategic Investors Transaction.

(2) Our managing partners own BRH, which in turn holds our only outstanding Class B share. Immediately after the offering, the Class B share will represent % of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our managing partners economic interests are instead represented by their indirect ownership, through Holdings, of % of the limited partner interests in the Apollo Operating Group immediately after the offering.

(3) Through BRH Holdings, L.P., our managing partners own limited partner interests in Holdings.
(4) Immediately after the offering, will represent % of the limited partner interests in each Apollo Operating Group entity. The Apollo Operating Group units held by Holdings are exchangeable for Class A shares, as described below under Equity Interests Retained by Our Managing Partners and Contributing Partners. Our managing partners, through their interests in BRH and Holdings, will own % of the Apollo Operating Group units immediately after the offering. Our contributing partners, through their ownership interests in Holdings, will own % of the Apollo Operating Group units immediately after the offering.
(5) BRH is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement. See Description of Shares Operating Agreement for a description of the authority that our manager exercises.
(6) Immediately after the offering, will represent % of the limited partner interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC also indirectly owns 100% of the general partner interests in each Apollo Operating Group entity.

Holding Company Structure

Apollo Global Management, LLC, through three intermediate holding companies (APO Corp., APO Asset Co., LLC and APO (FC), LLC), will own % of the economic interests of, and operates and controls all of the businesses and affairs of, the Apollo Operating Group and its subsidiaries immediately after the offering. Holdings will own the remaining % of the economic interests in the Apollo Operating Group immediately after the offering. Apollo Global Management, LLC consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as Non-Controlling Interests in Apollo Global Management, LLC s consolidated financial statements.

The Apollo Operating Group consists of the following partnerships: Apollo Principal Holdings I, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings II, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings III, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IV, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings V, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VI, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VII, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VIII, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IX, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), and Apollo Management Holdings, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes). Apollo Global Management, LLC conducts all of its material business activities through the Apollo Operating Group.

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions. Apollo Principal Holdings I, L.P. holds certain of our domestic general partners of our private equity funds and our domestic co-invest vehicles of our private equity funds as well as the domestic general partner of one of our real estate funds; Apollo Principal Holdings VI, L.P. holds certain of our domestic general partners of our private equity funds and our domestic co-invest vehicles of our private equity funds and certain of our capital markets funds; Apollo Principal Holdings II, L.P. holds certain of our domestic general partners of capital markets funds; Apollo Principal Holdings III, L.P. and Apollo Principal Holdings VII, L.P. generally hold our foreign general partners of private equity funds, including the foreign general partner of AAA Investments, our private equity foreign co-invest vehicles, one of our capital markets foreign co-invest vehicles, and one of our capital markets domestic co-invest vehicles; Apollo Principal Holdings IV, L.P. holds our foreign general partners of capital markets funds; Apollo Principal Holdings VIII, L.P. holds two capital markets foreign co-invest vehicles; Apollo Principal Holdings IX, L.P. holds the domestic general partners of certain of our capital markets funds; and AMH holds the management companies for our private equity funds (including AAA), our capital markets funds and our real estate funds.

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Our structure is designed to accomplish a number of objectives, the most important of which are as follows:

We are a holding company that is qualified as a partnership for U.S. Federal income tax purposes. Our intermediate holding companies enable us to maintain our partnership status and to meet the qualifying income exception. See also Material Tax Considerations Material U.S. Federal Tax Considerations Taxation of the Company Taxation of Apollo for a discussion of the qualifying income exception.

We have historically used multiple management companies to segregate operations for business, financial and other reasons. Going forward, we may increase or decrease the number of our management companies or partnerships within the Apollo Operating Group, based on our views regarding the appropriate balance between (a) administrative convenience and (b) continued business, financial, tax and other optimization.

Our Manager

Our operating agreement provides that so long as the Apollo Group (as defined below) beneficially owns at least 10% of the aggregate number of votes that may be cast by holders of outstanding voting shares, our manager, which is 100% owned by BRH, will conduct, direct and manage all activities of Apollo Global Management, LLC. We refer to the Apollo Group s beneficial ownership of at least 10% of such voting power as the Apollo control condition. So long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. See Description of Shares.

For purposes of our operating agreement, the Apollo Group means (i) our manager and its affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its affiliates, including their respective general partners, members and limited partners, (iii) with respect to each managing partner, such managing partner and such managing partner s group (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended, the Exchange Act), (iv) any former or current investment professional of or other employee of an Apollo employer (as defined below) or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group), (v) any former or current executive officer of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group) and (vi) any former or current director of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group). With respect to any person, Apollo employer means Apollo Global Management, LLC or such other entity controlled by Apollo Global Management, LLC or its successor as may be such person s employer.

Holders of our Class A shares and Class B share have no right to elect our manager, which is controlled by our managing partners through BRH. Although our manager has no business activities other than the management of our businesses, conflicts of interest may arise in the future between us and our Class A shareholders, on the one hand, and our managing partners, on the other. The resolution of these conflicts may not always be in our best interests or those of our Class A shareholders. We describe the potential conflicts of interest in greater detail under Risk Factors Risks Related to Our Organization and Structure Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders. We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. Our operating agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

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Our Assets

Prior to the Private Offering Transactions, our managing partners contributed to the Apollo Operating Group their interests in each of the entities included in our historical consolidated and combined financial statements, but excluding the excluded assets described under Our Structure Reorganization Excluded Assets. As discussed further below, the managing partners received partnership interests in Holdings (representing an indirect ownership interest of an equivalent number of Apollo Operating Group units) in respect of the interests they contributed to the Apollo Operating Group.

Certain assets were not contributed to the Apollo Global Management, LLC structure as these assets were either at the end of their life (*e.g.*, general partners of Funds I, II and III) or these assets were owned by the managing partners and the contributing partners. The managing partners chose which assets were to be included in the Apollo Global Management, LLC structure. Except for the general partners of Funds I, II and III, none of the excluded assets were included in the combined financial statements of the Apollo Operating Group prior to the Reorganization. As a result of the Reorganization, the general partner interests were treated as distributions to the managing partners and other Reorganization adjustments in the Statements of Changes in Shareholders Equity and Partners Capital. See our consolidated and combined financial statements included elsewhere in this prospectus.

The following is a condensed list of excluded assets from the Reorganization (for a more detailed description, see Our Structure Reorganization Excluded Assets);

- our managing partners personal investments or co-investments in our funds (subject to certain limitations);
- amounts owed to any managing partners pursuant to any Apollo deferral or waiver programs or carried interest earned but held in escrow;
- our managing partners interests in Apollo Real Estate, Ares and the general partners of Funds I, II and III;
- compensation and benefits paid or given to the managing partners consistent with the terms of their employment agreements (as described below under Management Executive Compensation Employment Non-Competition and Non-Solicitation Agreements with Managing Partners);
- director options issued prior to January 1, 2007 by any of our funds portfolio companies;
- an entity partially owned by our managing partners (without any economics) that has 100% voting control over the investment of Fund VI in Harrah s Entertainment, Inc.; and
- other miscellaneous, non-core assets.

In addition, prior to the Private Offering Transactions, our contributing partners contributed to the Apollo Operating Group a portion of their rights to receive a portion of the management fees and incentive income that are earned from management of our funds, or points. We refer to such contributed points as partner- contributed interests. In return for a contribution of points, each contributing partner received an interest in Holdings (representing an indirect, unit-for-unit ownership interest of an equivalent number of Apollo Operating Group units).

Prior to the exchange, the points held by each managing partner and contributing partner were designated values based upon the estimated 2007 cash flows of each entity that was contributed to the Apollo Operating Group and from which such partner was to receive management fees and incentive income. The 2007 estimated cash flow of the entities contributed was agreed between the managing partners and the contributing partners to be the best proxy for measuring the total value of the interests that were contributed by each partner to the Apollo

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Operating Group. As such, the partnership interests in Holdings that were granted to each managing partner and contributing partner correspond to the aggregate value of the points such partner contributed. Specifically, for purposes of determining the number of Apollo Operating Group units each managing partner and contributing partner was to receive, the aggregate value of the points contributed by a given partner was divided by the aggregate value of all points contributed by all of the managing partners and contributing partners to determine a percentage of the ownership such partner had in the Apollo Operating Group prior to the completion of the Private Offering Transactions and the Strategic Investors Transaction (for each managing partner and contributing partner, his or her AOG Ownership Percentage). In order to achieve the offering size targeted in the Private Offering Transactions within the proposed offering price range per Class A share, the managing partners also determined the aggregate amount of units that the Apollo Operating Group should issue and have outstanding immediately prior to the completion of the Private Offering Transactions and Strategic Investors Transaction. This aggregate amount of Apollo Operating Group units was then allocated to each managing partner and contributing partner based upon their respective AOG Ownership Percentage. For example, if a partner contributed points constituting an AOG Ownership Percentage of 10% of the aggregate value of all points contributed to the Apollo Operating Group, such partner received 10% of the aggregate amount of Apollo Operating Group units issued and outstanding prior to the completion of the Private Offering Transactions and Strategic Investors Transaction.

Each contributing partner continues to own directly those points that such contributing partner did not contribute to the Apollo Operating Group or sell to the Apollo Operating Group in connection with the Strategic Investors Transaction. Each contributing partner remained entitled (on an individual basis and not through ownership interests in Holdings) to receive payments in respect of his partner-contributed interests with respect to fiscal year 2007 based on the date his partner-contributed interests were contributed or sold as described below under Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization. The Strategic Investors similarly received a pro rata portion of our net income prior to the date of the Private Offering Transactions for our fiscal year 2007, calculated in the same manner as for the managing partners and contributing partners, as described in more detail under Our Structure Strategic Investors Transaction. In addition, we issued points in Fund VII, and intend to issue points in future funds, to our contributing partners and other of our professionals.

As a result of these contributions and the contributions of our managing partners, the Apollo Operating Group and its subsidiaries generally are entitled to:

all management fees payable in respect of all our current and future funds as well as transaction and other fees that may be payable by these funds portfolio companies (other than fees that certain of our professionals have a right to receive, as described below);

50% 66% (depending on the particular fund investment) of all incentive income earned from the date of contribution in relation to investments by our current private equity and capital markets funds (with the remainder of such incentive income continuing to be held by certain of our professionals);

all incentive income earned from the date of contribution in relation to investments made by our future private equity and capital markets funds, other than the percentage we determine to allocate to our professionals, as described below; and

all returns on current or future investments of our own capital in the funds we sponsor and manage.

With respect to our existing funds that are currently investing, as well as any future funds that we may sponsor, we intend to continue to allocate a portion of the management fees, transaction and advisory fees and incentive income earned in relation to these funds to our professionals, including the contributing partners, in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately 30% to 50% of carried interest income earned in relation to our funds will be

allocated to our investment professionals, although these percentages may fluctuate up or down over time. When apportioning carried interest income to our professionals, we typically cause our general partners in the underlying funds to issue these professionals limited partner interests, thereby causing our percentage ownership of the limited partner interests in these general partners to fluctuate. Our managing partners will not directly receive any allocations of carried interest income, and all of their rights to receive carried interest income earned in relation to our actively investing funds and future funds will be solely through their ownership of Apollo Operating Group units until July 13, 2012.

In addition, we expect to continue to pay approximately 35% to 50% of management fees and transaction and advisory fees to our employees for salary, bonus and benefit costs, excluding equity-based compensation. These percentages may fluctuate over time based on our actual performance each year.

The income of the Apollo Operating Group (including management fees, transaction and advisory fees and carried interest income) benefits Apollo Global Management, LLC to the extent of its equity interest in the Apollo Operating Group. See Business Fees, Carried Interest, Redemption and Termination.

Equity Interests Retained by Our Managing Partners and Contributing Partners

In exchange for the contribution of assets described above and after giving effect to the Strategic Investor Transactions, Holdings (which is owned by BRH and the contributing partners) received 80.0% of the limited partnership units in the Apollo Operating Group. We use the terms Apollo Operating Group unit or unit in/of Apollo Operating Group to refer to a limited partnership unit in each of the Apollo Operating Group partnerships. We refer to the managing partners and contributing partners contribution of assets to the Apollo Operating Group and Holdings receipt of Apollo Operating Group units in exchange therefor as the Apollo Operating Group Formation.

Our managing partners, through their interests in BRH and Holdings, will own % of the Apollo Operating Group units and, through their ownership of BRH, the Class B share that we have issued to BRH, in each case immediately after the offering. Our managing partners have entered into an agreement, which we refer to as the Agreement Among Managing Partners, providing that each managing partner s interest in the Apollo Operating Group units that he holds indirectly through his interest in BRH and Holdings is subject to vesting. Each of Messrs. Harris and Rowan vests in his interest in the Apollo Operating Group units in 60 equal monthly installments, and Mr. Black vests in his interest in the Apollo Operating Group units in 72 equal monthly installments. Although the Agreement Among Managing Partners was entered into on July 13, 2007, for purposes of its vesting provisions, our managing partners are credited for their employment with us since January 1, 2007. In the event that a managing partner terminates his employment with us for any reason, he will be required to forfeit the unvested portion of his Apollo Operating Group units to the other managing partners. The number of Apollo Operating Group units that must be forfeited upon termination depends on the cause of the termination. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners. However, this agreement may be amended and the terms and conditions of the agreement may be changed or modified upon the unanimous approval of the managing partners. We, our shareholders (other than the Strategic Investors, as set forth under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its obligations.

Pursuant to a shareholders agreement that we entered into with our managing partners prior to the Private Offering Transactions, which we refer to as the Managing Partners Shareholders Agreement, no managing partner may voluntarily effect transfers of the interests in Apollo Operating Group units that such managing partner owns through BRH and Holdings or Class A shares into which such Apollo Operating Group units are

exchanged, or his Equity Interests, for a period of two years after the shelf effectiveness date, subject to certain exceptions, including an exception for certain transactions entered into by one or more managing partners the results of which are that the managing partners no longer exercise control over us or the Apollo Operating Group or no longer hold at least 50.1% of the economic interests in us or the Apollo Operating Group. The transfer restrictions applicable to Equity Interests held by our managing partners and the exceptions to such transfer restrictions are described in more detail under Certain Relationships and Related Party Transactions Managing Partner Shareholders Agreement Transfer Restrictions. Our managing partners and contributing partners also were granted demand, piggyback and shelf registration rights through Holdings which are exercisable six months after the shelf effectiveness date.

Our contributing partners, through their interests in Holdings, will own % of the Apollo Operating Group units immediately after the offering. Pursuant to the agreements by which our contributing partners contributed their partner-contributed interests to the Apollo Operating Group and received interests in Holdings, which we refer to as the Roll-Up Agreements, no contributing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date. The transfer restrictions applicable to Equity Interests held by our contributing partners are described in more detail under Certain Relationships and Related Party Transactions Roll-Up Agreements.

Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements described above), upon 60 days written notice prior to a designated quarterly date, each managing partner and contributing partner will have the right to cause Holdings to exchange the Apollo Operating Group units that he owns through his partnership interest in Holdings for Class A shares, to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held indirectly through Holdings by our managing partners and contributing partners. Upon receipt of the notice described above, APO Corp., one of our intermediate holding companies, will purchase from us the number of Class A shares that are exchangeable for the Apollo Operating Group units to be surrendered by the managing partner or contributing partner. To effect the exchange, a managing partner or contributing partner, through Holdings, must then simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received from our intermediate holding companies. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased. If and when any managing partner or contributing partner, through Holdings, exchanges an Apollo Operating Group unit for a Class A share of Apollo Global Management, LLC, the relative economic ownership positions of the exchanging managing partner or contributing partner and of the other equity owners of Apollo (whether held at Apollo Global Management, LLC or at the Apollo Operating Group) will not be altered. We considered whether this redemption feature results in accounting implications under U.S. GAAP which requires securities with redemption features that are not solely within the control of the issuer to be classified outside of permanent equity. The extent of our obligation is to (i) exchange physical Class A shares for Apollo Operating Group units and (ii) sell the shares at the prevailing market price on behalf of the holder. We never have any future cash obligations to the unit holders. Specifically, in the event we are unable to sell the Class A shares, we are not required to provide liquidity to the holders of Apollo Operating Group units in any manner. Rather, in the event that we were unable to sell the Class A shares, the transaction would essentially be unwound and the Class A shares would be converted back to Apollo Operating Group units. Based on U.S. GAAP and the terms of this feature, we are deemed to control settlement by delivery of our own shares, and as noted above, we have reserved for issuance a sufficient number of shares to settle any contracts. As such, Non-Controlling Interest is reported in the consolidated and combined financial statements of the company within shareholders equity, separately from the total Apollo Global Management, LLC shareholders equity.

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Deconsolidation of Apollo Funds

Certain of our private equity and capital markets funds have historically been consolidated into our financial statements, due to our controlling interest in certain funds notwithstanding that we have only a non-controlling equity interest in these funds. Consequently, our pre-Reorganization financial statements do not reflect our ownership interest at fair value in these funds, but rather reflect on a gross basis the assets, liabilities, revenues, expenses and cash flows of our funds. We amended the governing documents of most of our funds to provide that a simple majority of the funds unaffiliated investors have the right to liquidate that fund. These amendments, which became effective on either August 1, 2007 or November 30, 2007, deconsolidated these funds that have historically been consolidated in our financial statements. Accordingly, we no longer reflect the share that other parties own in total assets and Non-Controlling Interests in these respective funds. The deconsolidation of these funds will present our financial statements in a manner consistent with how Apollo evaluates its business and the related risks. Accordingly, we believe that deconsolidating these funds will provide investors with a better understanding of our business.

Tax Considerations

We believe that under current law, Apollo Global Management, LLC is treated as a partnership and not as a corporation for U.S. Federal income tax purposes. An entity that is treated as a partnership for U.S. Federal income tax purposes is not a taxable entity and incurs no U.S. Federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its U.S. Federal income tax liability, regardless of whether cash distributions are then made. Investors in this offering will be deemed to be limited partners of Apollo Global Management, LLC for U.S. Federal income tax purposes. Accordingly, an investor will generally be required to pay U.S. Federal income taxes with respect to the income and gain of Apollo Global Management, LLC that is allocated to such investor, even if Apollo Global Management, LLC does not make cash distributions. See Material Tax Considerations Material U.S. Federal Tax Considerations for a summary discussing certain U.S. Federal income tax considerations related to the purchase, ownership and disposition of our Class A shares as of the date of this offering.

The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects. On May 28, 2010, the House of Representatives passed H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010. If enacted, this bill would preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules and could change the character of portions of our income from capital gain to ordinary income. Such legislation does provide a transition rule that could defer corporate treatment for 10 years. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects, Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced and the House of Representatives has passed legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares and Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

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Other jurisdictions have also introduced legislation to increase taxes with respect to carried interest. For instance, on June 29, 2010, the New York State Legislature introduced legislation to expand New York s non-resident personal income to include carried interest. If passed, this legislation would be retroactive to January 1, 2010. It is unclear whether this legislation or other legislation will be enacted.

Distribution to Our Managing Partners Prior to the Private Offering Transactions

On April 20, 2007, AMH, one of the entities in the Apollo Operating Group, entered into a credit facility, or the AMH credit facility, under which AMH borrowed a $1.0 billion variable-rate term loan. We used these borrowings to make a $986.6 million distribution to our managing partners and to pay related fees and expenses. This distribution was a distribution of prior undistributed earnings, and an advance on possible future earnings, of AMH. As a result, this distribution caused the managing partners accumulated equity basis in AMH to become negative. As of the date hereof, the AMH credit facility is guaranteed by Apollo Management, L.P.; Apollo Capital Management, L.P.; Apollo International Management, L.P.; Apollo Principal Holdings II, L.P.; Apollo Principal Holdings IV, L.P.; Apollo Principal Holdings V, L.P.; Apollo Principal Holdings IX, L.P.; and AAA Holdings, L.P. and matures on April 20, 2014. It is secured by (i) a first priority lien on substantially all assets of AMH and the guarantors and (ii) a pledge of the equity interests of each of the guarantors, in each case subject to customary carveouts.

Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization

We made distributions to our managing partners and contributing partners that represented all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 were treated as having been earned prior to that date. Undistributed earnings of the contributed businesses through the date of the Reorganization that were attributable to the managing partners and contributing partners for the sold portion of their interest were $238.4 million and $148.6 million, respectively, and were recorded in the consolidated and combined financial statements as a component of due to affiliates and profit sharing payable, respectively. There were no undistributed earnings that were attributable to the managing partners and contributing partners for the sold portion of their interest at the June 30, 2010 and December 31, 2009 balance sheet dates.

In addition, we have also entered into a tax receivable agreement with our managing partners and contributing partners which requires us to pay them 85% of any tax savings received by APO Corp. from our step-up in tax basis. In our condensed consolidated financial statements, the item due to affiliates includes $499.0 million and $514.0 million that was payable to our managing partners and contributing partners in connection with the tax receivable agreement as of both June 30, 2010 and December 31, 2009, respectively.

As part of the Reorganization, the managing partners and the contributing partners received the following:

Apollo Operating Group units having a fair value per unit of $24 and $20 issued to the managing partners and contributing partners respectively on issuance date with a total approximate value of $5.6 billion (subject to five- or six-year vesting);

$1.2 billion in cash in July 2007, excluding any potential contingent consideration;

In January 2008 and April 2008, a preliminary and final distribution related to a contingent consideration of $37.7 million. The determination of the amount and timing of the distribution were based on net income with discretionary adjustments, all of which were determined by Apollo Management Holdings GP, LLC, the general partner of AMH. Included in the distribution were AAA

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RDUs valued at approximately $12.7 million and a distribution of interests in Apollo VIF Co-Investors, LLC in settlement of deferred compensation units in Apollo Value Investment Offshore Fund, Ltd. of approximately $0.8 million; and

The fair value of carried interest related to the sale of portfolio companies where definitive sales contracts were executed but had not closed at July 13, 2007. We accrued an estimated payment of approximately $387.0 million at December 31, 2007, of which $200.2 million was distributed during the year ended December 31, 2008. The definitive sales contract in respect of which the remaining $186.8 million was accrued was terminated during the fourth quarter of 2008 and, as a result, no amounts were accrued at June 30, 2010 and December 31, 2009.

The Historical Investment Performance of Our Funds

In this Prospectus Summary and elsewhere in this prospectus, we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments and the general partners of which have not been contributed to Apollo Global Management, LLC.

When considering the data presented in this prospectus, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. As a result of the deconsolidation of most of our funds, we will not be consolidating those funds in our financial statements for periods after either August 1, 2007 or November 30, 2007. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares. There can be no assurance that any Apollo fund will continue to achieve the same results as historically achieved.

Moreover, the historical returns of our funds should not be considered indicative of the future results you should expect from such funds or from any future funds we may raise, in part because:

market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we have experienced for the last two years and may continue to experience for the foreseeable future;

our funds returns have benefited from investment opportunities and general market conditions that currently do not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;

our private equity funds rates of return, which are calculated on the basis of net asset value of the funds investments, reflect unrealized gains and unrealized losses, which gains and losses may never be realized;

our funds returns have historically benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;

the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record;

Fund VI and Fund VII are several times larger than our previous private equity funds, and we may not be able to deploy this additional capital as profitably as our prior funds;

the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;

our track record with respect to our capital markets and real estate funds is relatively short as compared to our private equity funds;

in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and periods of high liquidity in debt markets, which may result in lower returns for the funds; and

our newly established funds may generate lower returns during the period that they take to deploy their capital.

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated an 11% gross IRR and an 8% net IRR since inception through June 30, 2010, while Fund V has generated a 62% gross IRR and a 45% net IRR since inception through June 30, 2010. Accordingly, the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests. See Risk Factors Risks Related to Our Businesses The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

Recent Developments

On August 2, 2010, we declared a cash distribution amounting to $0.07 per Class A share, which was paid on August 25, 2010 to our Class A shareholders of record as of August 13, 2010.

Effective July 1, 2010, Gene Donnelly was appointed Chief Financial Officer of the company.

Investment Risks

An investment in our Class A shares involves a high degree of risk. Some of the more significant challenges and risks include those associated with our susceptibility to conditions in the global financial markets and global economic conditions, the volatility of our revenue, net income and cash flow, our dependence on our managing partners and other key investment professionals, our ability to retain and motivate our existing investment professionals and recruit, retain and motivate new investment professionals in the future and risks associated with adverse changes in tax law and other legislative or regulatory changes. See Risk Factors for a discussion of the factors you should consider before investing in our Class A shares.

Our Corporate Information

Apollo Global Management, LLC was formed in Delaware on July 3, 2007. Our principal executive offices are located at 9 West 57th Street, New York, New York 10019, and our telephone number is (212) 515-3200. We maintain a website at *www.agm.com*. We do not incorporate the information on our website into this prospectus and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

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The Offering

Shares Offered by Apollo Global Management, LLC in the Offering	Class A shares
Shares Offered by the Selling Shareholders in the Offering	Class A shares
Option to purchase additional Class A shares from Apollo Global Management, LLC and the Selling Shareholders	Class A shares from Apollo Global Management, LLC and Class A shares from the Selling Shareholders.
Shares Outstanding After the Offering:	
Class A Shares	Class A shares
Class B Shares	1 Class B share
Shares Held by Our Managing Partners Immediately After the Offering:	
Class A Shares	None
Class B Share	Our managing partners indirectly hold the single Class B share that we have issued to BRH, which will represent % of the total voting power of our shares entitled to vote immediately after the offering.
Apollo Operating Group Units Held Immediately After the Offering:	
By Us	or % of the total Apollo Operating Group units
Indirectly By Our Managing Partners and Contributing Partners	240,000,000 or % of the total Apollo Operating Group units
Voting:	
Class A Shares	One vote per share (except that Class A shares held by the Strategic Investors and their affiliates do not have any voting rights).
Class B Share	240,000,000 votes immediately after the offering. In the event that a managing partner or contributing partner, through Holdings, exercises his right to exchange the Apollo

	Operating Group units that he owns through his partnership interest in Holdings for Class A shares, the voting power of the Class B share will be proportionately reduced.
Voting Rights	Holders of our Class A shares (other than the Strategic Investors and their affiliates, who have no voting rights) and our Class B share vote together as a single class on all matters submitted to our shareholders for their vote or approval. So long as the Apollo control condition is satisfied, however, our manager manages all of our operations and

activities and exercises substantial control over extraordinary matters and other structural changes. You will have only limited voting rights on matters affecting our businesses and will have no right to elect our manager, which is owned and controlled by our managing partners. Moreover, our managing partners, through their ownership of BRH, will hold % of the total combined voting power of our shares entitled to vote immediately after the offering, and thus are able to exercise control over all matters requiring shareholder approval. See Description of Shares.

Use of Proceeds

We estimate that the net proceeds from the offering of Class A shares by us, at an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the front cover of this prospectus, and after deducting estimated underwriting discounts, will be approximately $ million. We will not receive any of the proceeds from the sale of Class A shares by the selling shareholders participating in the offering. The selling shareholders will receive all of the proceeds from the sale of their Class A shares in the offering.

We intend to use the net proceeds received by us in the offering for general corporate purposes and to fund growth initiatives.

Cash Dividend Policy

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. Our quarterly dividend is determined based on available cash flow from our management companies as well as any special activities which provide excess cash flow from our private equity or capital markets funds. Items such as the sale of a portfolio company, dividends from portfolio companies and interest income from the funds debt investments typically provide excess cash flows for distribution. In light of the continued turmoil in the global financial markets, we have been taking steps to ensure that we continue to maintain appropriate reserves to invest in new businesses and to meet obligations that may arise should the markets deteriorate further. Because we will not know what our actual available cash flow from operations will be for any year until sometime after the end of such year, we expect that a fourth quarter dividend payment, if any, may be adjusted to take into account actual net after-tax cash flow from operations for that year. Our Class B shareholder is not entitled to any dividends.

The declaration, payment and determination of the amount of our quarterly dividend will be at the sole discretion of our manager. We

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cannot assure you that any dividends, whether quarterly or otherwise, will or can be paid. See Cash Dividend Policy for a discussion of the factors our manager is likely to consider in regard to our payment of cash dividends.

Because we are a holding company that owns intermediate holding companies, the funding of each dividend, if declared, will occur in three steps, as follows:

first, we will cause one or more entities in the Apollo Operating Group to make a distribution to all of its partners, including our wholly-owned subsidiaries APO Corp., APO (FC), LLC and APO Asset Co., LLC (as applicable), and Holdings, on a pro rata basis;

second, we will cause our intermediate holding companies, APO Corp., APO (FC), LLC and APO Asset Co., LLC (as applicable), to distribute to us, from their net after-tax proceeds, amounts equal to the aggregate dividend we have declared; and

third, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

If Apollo Operating Group units are issued to other parties, such as employees, such parties would be entitled to a portion of the distributions from the Apollo Operating Group as partners described above.

In addition, the partnership agreements of the Apollo Operating Group partnerships provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the general partners of such partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. Federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). The Apollo Operating Group partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year were otherwise insufficient to cover such tax liabilities and all such distributions will be made to all partners on a pro rata basis based upon their respective interests in the applicable partnership. On January 8, 2009, we declared a special tax distribution amounting to $0.05 per Class A share. The distribution was paid on January 15, 2009 to Class A shareholders of record on January 12, 2009. No such tax distribution will necessarily be required to be distributed by us for future periods, and there can be no assurance that we will pay cash dividends on the Class A shares in an amount sufficient to cover any tax liability arising from the ownership of Class A shares.

Managing Partners and Contributing Partners Exchange Rights	Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements), at any time and from time to time, each managing partner and contributing partner has the right to cause Holdings to exchange Apollo Operating Group units for Class A shares to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held by our managing partners and contributing partners. To effect an exchange, a managing partner or contributing partner, through Holdings, must simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly reduced. If and when any managing partner or contributing partner, through Holdings, exchanges an Apollo Operating Group unit for a Class A share of Apollo Global Management, LLC, the relative economic ownership positions of the exchanging managing partner or contributing partner and of the other equity owners of Apollo (whether held at Apollo Global Management, LLC or at the Apollo Operating Group) will not be altered. See Our Structure Reorganization Holding Company Structure for further discussion of our Reorganization structure.

Any exchange of the Apollo Operating Group units generally is expected to result in increases in the tax basis of the tangible and intangible assets of APO Corp. that would not otherwise have been available. These increases in tax basis are expected to increase (for tax purposes) the depreciation and amortization deductions available to APO Corp. and therefore reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. APO Corp. has entered into a tax receivable agreement with Holdings whereby it agrees to pay to Holdings 85% of the amount of actual cash savings, if any, in U.S. Federal, state and local income taxes that APO Corp. realizes as a result of these increases in tax basis. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Apollo Operating Group units in the future, or if we become taxable as a corporation for U.S. Federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms. See Certain Relationships and Related Party Transactions Tax Receivable Agreement.

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NYSE Listing	We intend to apply for our Class A shares to be listed on the New York Stock Exchange, or NYSE, under the symbol . The listing is subject to approval of our application.
Risk Factors	Please read the section entitled Risk Factors beginning on page 37 for a discussion of some of the factors you should carefully consider before deciding to invest in our Class A shares.

References in this section to the number of our Class A shares outstanding, and the percent of our voting rights held, exclude:

- 240,000,000 Class A shares issuable upon exchange of the Apollo Operating Group units and interests in our Class B share by Holdings on behalf of our managing partners and contributing partners;
- interests granted or reserved under our equity incentive plan, consisting of:
  - 20,477,101 restricted share units, or RSUs, (net of forfeited awards) that were granted during the year ended December 31, 2007, subject to vesting, to certain employees and consultants;
  - an additional 10,181,229 RSUs (net of forfeited awards) that were granted during the year ended December 31, 2008, subject to vesting, to certain employees and consultants;
  - 1,371,685 RSUs (net of forfeited awards) that were granted during the year ended December 31, 2009, subject to vesting, to certain employees;
  - 7,404,810 RSUs (net of forfeited awards) that were granted during the six months ended June 30, 2010, subject to vesting, to certain employees; and
  - effective as of January 1, 2010, 78,706,931 Class A shares were reserved for issuance under the equity incentive plan. Under certain circumstances, the plan is subject to automatic increases annually. As of June 30, 2010, 39,272,106 Class A shares remained available for issuance pursuant to our equity incentive plan.

Except as otherwise indicated, all information contained in this prospectus assumes:

- an initial public offering price of $ per Class A share, which is the midpoint of the estimated offering price range set forth on the front cover of this prospectus; and
- the underwriters do not exercise their over-allotment option to purchase up to an additional Class A shares from us and/or the selling shareholders.

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Summary Historical and Other Data

The following summary historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with Our Structure, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical consolidated and combined financial statements and related notes included elsewhere in this prospectus.

We derived the summary historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the years ended December 31, 2009, 2008 and 2007 and the summary historical consolidated and combined statements of financial condition data as of December 31, 2009 and 2008 from our consolidated and combined financial statements, which are included elsewhere in this prospectus.

We derived the summary consolidated and combined statements of financial condition data as of December 31, 2007 from our audited consolidated and combined financial statements which are not included in this prospectus.

We derived the summary historical condensed consolidated statement of operations of Apollo Global Management, LLC for the three and six months ended June 30, 2010 and 2009 and the summary historical condensed consolidated statement of financial condition data as of June 30, 2010 from our unaudited condensed consolidated financial statements, which are included elsewhere in this prospectus. The unaudited condensed consolidated financial statements of Apollo Global Management, LLC have been prepared in accordance with U.S. GAAP for interim financial information and Rule 10-01 of Regulation S-X under the Exchange Act. Management believes it has made all necessary adjustments (consisting of normal recurring items) so that the unaudited condensed consolidated financial statements are presented fairly and that estimates made in preparing Apollo Global Management, LLC s unaudited condensed consolidated financial statements are reasonable and prudent.

The summary historical financial data are not indicative of our expected future operating results. In particular, after undergoing the Reorganization on July 13, 2007 and providing liquidation rights to investors of most of the funds we manage on either August 1, 2007 or November 30, 2007, Apollo Global Management, LLC no longer consolidates in its financial statements the majority of the funds that have historically been consolidated in our financial statements.

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	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007[f]
				(in thousands)			
Statement of Operations Data							
Revenues:							
Advisory and transaction fees from affiliates	$ 26,844	$ 7,427	$ 37,913	$ 15,898	$ 56,075	$ 145,181	$ 150,191
Management fees from affiliates	106,112	94,442	209,916	189,538	406,257	384,247	192,934
Carried interest (loss) income from affiliates	(53,676)	39,840	55,045	92,998	504,396	(796,133)	294,725
Total Revenues	79,280	141,709	302,874	298,434	966,728	(266,705)	637,850
Expenses:							
Compensation and benefits	313,997	342,646	688,874	684,216	1,495,010	843,600	1,450,330
Interest expense	9,502	12,748	20,324	26,105	50,252	62,622	105,968
Interest expense beneficial conversion feature							240,000
Professional fees	9,539	8,811	22,404	14,383	33,889	76,450	81,824
Litigation settlement[a]						200,000	
General, administrative and other	16,990	11,930	31,503	22,788	61,066	71,789	36,618
Placement fees	680	1,417	4,541	3,765	12,364	51,379	27,253
Occupancy	5,361	7,296	10,808	13,370	29,625	20,830	12,865
Depreciation and amortization	6,041	6,109	12,146	12,098	24,299	22,099	7,869
Total Expenses	362,110	390,957	790,600	776,725	1,706,505	1,348,769	1,962,727
Other (Loss) Income:							
Net (losses) gains from investment activities	(11,005)	279,666	100,716	113,068	510,935	(1,269,100)	2,279,263
Net losses from investment activities of consolidated variable interest entities	(19,432)		(265)				
(Loss) income from equity method investments	(1,712)	32,572	6,168	23,134	83,113	(57,353)	1,722
Interest income	300	293	662	701	1,450	19,368	52,500
Gain from repurchase of debt[b]		36,193		36,193	36,193		
Dividend income from affiliates							238,609
Other income (loss), net[c]	25,264	23,218	21,906	39,151	41,410	(4,609)	(36)
Total Other (Loss) Income	(6,585)	371,942	129,187	212,247	673,101	(1,311,694)	2,572,058
(Loss) Income Before Income Tax (Provision) Benefit	(289,415)	122,694	(358,539)	(266,044)	(66,676)	(2,927,168)	1,247,181
Income tax (provision) benefit	(12,727)	(945)	(16,782)	(7,116)	(28,714)	36,995	(6,726)
Net (Loss) Income	(302,142)	121,749	(375,321)	(273,160)	(95,390)	(2,890,173)	1,240,455
Net loss (income) attributable to Non-Controlling Interests in consolidated entities[d]	23,744	(257,232)	(107,398)	(117,161)	(460,226)	1,176,116	(2,088,655)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group[e]	203,274	98,108	346,913	276,767	400,440	801,799	278,549

Net Loss Attributable to Apollo Global Management, LLC	$ (75,124)	$ (37,375)	$ (135,806)	$ (113,554)	$ (155,176)	$ (912,258)	$ (569,651)
Dividends Declared per Class A share	$ 0.07	$	$ 0.07	$ 0.05	$ 0.05	$ 0.56	$

	As of June 30, 2010	As of December 31, 2009	2008	2007
Statement of Financial Condition Data		**(in thousands)**		
Total assets	$ 4,974,048	$ 3,385,197	$ 2,474,532	$ 5,115,642
Debt (excluding obligations of variable interest entities)	933,031	933,834	1,026,005	1,057,761
Debt obligations of consolidated variable interest entities	1,006,548			
Total shareholders equity	1,856,825	1,299,110	325,785	2,408,329
Non-Controlling Interests	2,122,749	1,603,146	822,843	2,312,286
Operating Metrics (non-U.S. GAAP):				
Assets Under Management (in millions):				
Private Equity	$ 33,466	$ 34,002	$ 29,094	$ 30,237
Capital Markets	18,964	19,112	15,108	10,533
Real Estate	2,103	495		
Total AUM	$ 54,533	$ 53,609	$ 44,202	$ 40,770

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	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2010	2009	2009	2008	2007
Economic Net Income (Loss)[g]	$ 22,893	$ 140,513	$ 100,009	$ 167,096	$ 581,022	$ (610,950)	$ 152,846
Adjusted Economic Net (Loss) Income[g]	(2,048)	91,743	81,056	107,430	542,374	(332,794)	486,681
Private Equity Dollars Invested[h]	1,967,000	986,600	2,263,300	1,891,200	3,475,500	8,079,099	3,638,326

(a) Litigation settlement charge was incurred in connection with an agreement with Huntsman to settle certain claims related to Hexion s now terminated merger agreement with Huntsman. Insurance reimbursements were subsequently received from the company s professional liability insurance carriers in connection with this settlement, as further discussed in note (c) below.

(b) During April and May 2009, the company repurchased a combined total of $90.9 million of face value of debt for $54.7 million and recognized a net gain of $36.2 million which is included in other income (loss) in the unaudited condensed consolidated statements of operations for the three and six months ended June 30, 2009 and the consolidated and combined statements of operations for the year ended December 31, 2009.

(c) During both the three and six months ended June 30, 2010, there were $27.5 million of insurance reimbursements received in connection with the litigation settlement, which was included in other income (loss) during the same period. During the three and six months ended June 30, 2009, there were $15.0 million and $30.0 million, respectively, of insurance reimbursements received. During the year ended December 31, 2009, there were $37.5 million of insurance reimbursements received.

(d) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain former employees in the net income (loss) of our capital markets management companies.

(e) Reflects the Non-Controlling Interests in the net income (loss) of the Apollo Operating Group relating to the units held by our managing partners and contributing partners post-Reorganization. This amount is calculated by applying the following ownership percentages:

July 2007 through February 2009: 71.1%

February 2009 through March 2010: 71.5%

March 2010 to June 2010: 71.4%

The above changes in ownership interest arose in connection with our share repurchase in February 2009 and the issuance of Class A shares in settlement of vested RSUs in March 2010.

(f) Significant impacts to the statement of operations for 2007 are due to (i) the Reorganization, (ii) the deconsolidation of certain funds and (iii) the Strategic Investors Transaction.

Some of the significant impacts of the above items are as follows:

Revenue from affiliates increased due to the deconsolidation of certain funds.

Compensation and benefits, including non-cash charges related to equity-based compensation increased due to amortization of Apollo Operating Group units, RDUs and RSUs.

Interest expense increased as a result of conversion of debt on which the Strategic Investors had a beneficial conversion feature. Additionally, interest expense increased related to the AMH credit facility obtained in April 2007.

Professional fees increased due to Apollo Global Management, LLC s formation and ongoing requirements.

Net gain from investment activities increased due to increased activity in our consolidated funds through the date of deconsolidation.

Non-Controlling Interests changed significantly due to the formation of Holdings and reflects net losses attributable to Holdings post-Reorganization.

(g) Economic Net Income, or ENI, is a key performance measure used by management in evaluating the performance of our segments, as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the company s performance. ENI represents segment income (loss), which excludes the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the condensed consolidated and consolidated and combined financial statements. In arriving at adjusted ENI, or Adjusted ENI, the company removes items from ENI that management believes are non-recurring. Management also removes public offering costs, placement fees and litigation settlements and related insurance proceeds to arrive at Adjusted ENI, given that costs incurred to register the Class A shares in connection with this offering and the shelf registration are not expected to recur after the Class A shares are registered, placement fees are viewed by management as fund start-up costs and litigation settlements similar to the 2008 occurrence are considered infrequent in nature. However, these costs will recur until our shares are registered, and may recur if we raise additional funds or if we reach legal settlements on existing or future legal matters. ENI and Adjusted ENI are measures of profitability and have certain limitations in that they do not take into account certain items included under U.S. GAAP. We believe that ENI and Adjusted ENI are helpful to an understanding of our business and that investors should review the same supplemental financial measures that management use to analyze our segment performance. Refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Managing Business Performance for a more comprehensive explanation as to how ENI and Adjusted ENI are used to manage and evaluate our business.

(h) Private equity dollars invested represents the aggregate amount of capital invested by our private equity funds during a reporting period.

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Below is a reconciliation of the Net Loss attributable to Apollo Global Management, LLC for the three and six months ended June 30, 2010 and 2009 and the years ended December 31, 2009 through 2007 to ENI and ENI to Adjusted ENI for such periods:

	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2010	2009	2009	2008	2007
				(in thousands)			
Net Loss attributable to Apollo Global Management, LLC:	$ (75,124)	$ (37,375)	$ (135,806)	$ (113,554)	$ (155,176)	$ (912,258)	$ (569,651)
(i) Adjusted for the impact of non-cash charges related to equity-based compensation	279,960	275,592	553,606	549,508	1,100,106	1,125,184	989,849
(ii) Income tax provision (benefit)	12,727	945	16,782	7,116	28,714	(36,995)	6,726
(iii) Net loss (income) of Metals Trading Fund	1,343	(1,303)	2,573	(728)			
(iv) Net income attributable to Non-Controlling Interests in consolidated entities[1]	7,261	762	9,767	1,521	7,818	14,918	4,471
(v) Net loss attributable to Non-Controlling Interests in Apollo Operating Group	(203,274)	(98,108)	(346,913)	(276,767)	(400,440)	(801,799)	(278,549)
Economic Net Income (Loss)	$ 22,893	$ 140,513	$ 100,009	$ 167,096	$ 581,022	$ (610,950)	$ 152,846
Adjustments:[2]							
Interest expenses beneficial conversion feature[3]							240,000
Transactional costs on the Strategic Investors note[4]							44,327
Interest expense on the Strategic Investors note[5]							6,067
Litigation settlement[6]						200,000	
Insurance proceeds[7]	(27,500)	(15,000)	(27,500)	(30,000)	(37,500)		
Gain from debt repurchase[8]		(36,193)		(36,193)	(36,193)		
Public offering costs[9]	1,879	1,006	4,006	2,762	14,681	26,777	
Placement fees[10]	680	1,417	4,541	3,765	12,364	51,379	27,253
Real estate investment trust offering costs[11]					8,000		
Reorganization costs[12]							16,188
Adjusted Economic Net Income (Loss)	$ (2,048)	$ 91,743	$ 81,056	$ 107,430	$ 542,374	$ (332,794)	$ 486,681
Less: Incentive Business Adjusted Economic Net Income (Loss)	(38,591)	69,358	27,172	58,699	425,786	(503,494)	386,641
Management Business Adjusted Economic Net Income	$ 36,543	$ 22,385	$ 53,884	$ 48,731	$ 116,588	$ 170,700	$ 100,040

(1) Excludes Non-Controlling Interests attributable to AAA and consolidated variable interest entities as such amounts are not included within Net Loss attributable to Apollo Global Management, LLC. Economic Net Income (Loss) is presented on a segment basis and excludes our consolidated funds and variable interest entities.

(2) All adjustments relate to the management business.

(3) Occurred as part of the conversion of debt issued to our Strategic Investors. This item is specific to our Reorganization.

(4) Represents the unamortized debt issuance costs that were associated with the convertible notes, which were written off on the conversion date and are included as a component of interest expense during 2007. This item is specific to our Reorganization.

(5) Represents the interest expense that was incurred on the convertible notes prior to their mandatory conversion, and are included as a component of interest expense during 2007. This item is specific to our Reorganization.

(6) Occurred as a result of a litigation settlement related to Hexion s now-terminated merger agreement with Huntsman.

(7) Related to insurance proceeds received from the litigation settlement referenced in note (6).

(8) Resulted from the company s acquisition of a portion of the AMH credit facility. This repurchase may not recur in the future.

(9) Costs incurred to register the Class A shares in connection with this offering and the shelf registration, which the company will only incur until its shares are registered.

(10) Costs incurred in connection with raising a new fund. The costs are recorded as an expense in the period the commitment is received from third parties. Our private equity funds and certain of our capital markets funds have a fixed size and fundraising stops after the fund size has been reached. These costs may recur if we raise additional funds.

(11) Costs incurred in connection with the initial public offering of ARI s common stock, which were contractually incurred by the company for the benefit of ARI.

(12) Costs incurred in connection with the Private Offering Transactions.

Note: As a result of the adoption of U.S. GAAP guidance applicable to Non-Controlling Interests, the presentation and disclosure of all periods presented were impacted as follows: (1) Non-Controlling Interests were reclassified as a separate component of shareholders equity on our condensed consolidated and consolidated and combined statements of financial condition, (2) net (loss) income was adjusted to include the net (loss) income attributed to the Non-Controlling Interests on our condensed consolidated and consolidated and combined statements of operations, (3) the primary components of Non-Controlling Interests are now separately presented in the company s condensed consolidated and consolidated and combined financial statements to clearly distinguish the interest in the Apollo Operating Group and the interest held by limited partners in AAA from the interests of the company, and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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RISK FACTORS

Investing in our Class A shares involves a high degree of risk. You should carefully consider the following risk factors, as well as other information contained in this prospectus, before deciding to invest in our Class A shares. The occurrence of any of the following risks could materially and adversely affect our businesses, prospects, financial condition, results of operations and cash flow, in which case, the trading price of our Class A shares could decline and you could lose all or part of your investment.

Risks Related to Taxation

You may be subject to U.S. Federal income tax on your share of our taxable income, regardless of whether you receive any cash dividends from us.

Under current law, so long as we are not required to register as an investment company under the Investment Company Act and 90% of our gross income for each taxable year constitutes qualifying income within the meaning of the Internal Revenue Code on a continuing basis, we will be treated, for U.S. Federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. You will be subject to U.S. Federal, state, local and possibly, in some cases, foreign income taxation on your allocable share of our items of income, gain, loss, deduction and credit for each of our taxable years ending with or within your taxable year, regardless of whether or not you receive cash distributions from us. Accordingly, you may be required to make tax payments in connection with your ownership of Class A shares that significantly exceed your cash distributions in any specific year.

If we are treated as a corporation for U.S. Federal income tax purposes, the value of the Class A shares would be adversely affected.

The value of your investment will depend in part on our company being treated as a partnership for U.S. Federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code, and that we are not required to register as an investment company under the Investment Company Act and related rules. Although we intend to manage our affairs so that our partnership will meet the 90% test described above in each taxable year, we may not meet these requirements or, as discussed below, current law may change so as to cause, in either event, our partnership to be treated as a corporation for U.S. Federal income tax purposes. If we were treated as a corporation for U.S. Federal income tax purposes, (i) we would become subject to corporate income tax and (ii) distributions to shareholders would be taxable as dividends for U.S. Federal income tax purposes to the extent of our earnings and profits. We have not requested, and do not plan to request, a ruling from the IRS on this or any other matter affecting us. O Melveny & Myers LLP has provided an opinion to us based on factual statements and representations made by us, including statements and representations as to the manner in which we intend to manage our affairs and the composition of our income, that we will be treated as a partnership and not as a corporation for U.S. Federal income tax purposes. However, opinions of counsel are not binding upon the IRS or any court, and the IRS may challenge this conclusion and a court may sustain such a challenge.

The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects.

The U.S. Congress, the IRS and the U.S. Treasury Department are currently examining the U.S. Federal income tax treatment of private equity funds, hedge funds and other kinds of investment partnerships. The present U.S. Federal income tax treatment of a holder of Class A shares and/or our own taxation as described under Material Tax Considerations Material U.S. Federal Tax Considerations may be adversely affected by any new legislation, new regulations or revised interpretations of existing tax law that arise as a result of such

examinations. Most notably, on May 28, 2010, the U.S. House of Representatives passed legislation that would, in general, treat income and gains, including gain on sale, attributable to an interest in an investment services partnership interest, or ISPI, as income subject to a new blended tax rate that is higher than under current law, except to the extent such ISPI is considered under the legislation to be a qualified capital interest. The interests of Class A shareholders and our interests in the Apollo Operating Group that are entitled to receive carried interest may be classified as ISPIs for purposes of this legislation. The U.S. Senate considered but did not pass legislation that is generally similar to the legislation passed by the U.S. House of Representatives. It is unclear when or whether the U.S. Senate will act on such legislation or what provisions will be included in any final legislation, if enacted.

The House bill provides that, for taxable years beginning ten years after the date of enactment, income derived with respect to an ISPI that is not a qualified capital interest and that is treated as ordinary income under the rules discussed above will not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if this or similar legislation is enacted, following such ten-year period, we would be precluded from qualifying as a partnership for U.S. federal income tax purposes or be required to hold all such ISPIs through corporations, possibly U.S. corporations. If we were taxed as a U.S. corporation or required to hold all ISPIs through corporations, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, holders of Class A shares could be subject to tax on our conversion into a corporation or any restructuring required in order for us to hold our ISPIs through a corporation.

Under the House bill, if you are an individual, 75% of the income and gains attributable to an interest in an ISPI would be taxed at ordinary income tax rates (50% during a two-year transition period). A version considered in the Senate would eliminate the transition period but would reduce the portion of income and gains attributable to an ISPI that are taxed at ordinary income tax rates to 50% for income and gains attributable to assets held by the partnership for more than five years. The deductibility of any losses attributable to any ISPI that is not a qualified capital interest would be subject to limitations. In addition, any dividends that are attributable to an ISPI directly or indirectly held by us would not be considered qualified dividends and, therefore, would not be entitled to reduced rates of taxation currently available for qualified dividends through 2010. Holders of Class A shares may also be subject to additional state and local tax as a result of the legislation. While the legislation does not specifically address whether income or gains that are attributable to an interest in an ISPI are treated as taxable income which is effectively connected with the conduct of a U.S. trade or business, or ECI, or as unrelated business taxable income, or UBTI, the technical explanation accompanying the legislation indicates that, under regulations to be promulgated following enactment, such income or gains should only be treated as ECI or UBTI to the extent it would be treated as such under current law. Apollo s principals and other professionals may face additional adverse tax consequences under the legislation, which may thereby adversely affect Apollo s ability to offer attractive incentive opportunities for key personnel.

Additionally, President Obama endorsed legislation to tax carried interest as ordinary income in the 2010 and 2011 budget blueprint. Legislation similar to the American Jobs and Closing Tax Loopholes Act of 2010, as well as legislation that would tax, as corporations, publicly traded partnerships that directly or indirectly derive income from investment adviser or asset management services was introduced in prior sessions of Congress. None of these legislative proposals affecting the tax treatment of our carried interests, or of our ability to qualify as a partnership for U.S. Federal income tax purposes, have yet been enacted. Furthermore, it is possible that the U.S. Federal income tax law could be changed in ways that would adversely affect the anticipated tax consequences for us and/or the holders of Class A shares as described herein. For example, there could be changes that could adversely affect the taxation of tax-exempt and/or non-U.S. holders of Class A shares, by treating carried interest income as fees for services (which generally would be taxable to tax-exempt investors and non-U.S. holders).

Other jurisdictions have also introduced legislation to increase taxes with respect to carried interest. For instance, on June 29, 2010, the New York State Legislature introduced legislation to expand New York s non-resident personal income to include carried interest. If passed, this legislation would be retroactive to January 1, 2010. It is unclear whether this legislation or other legislation will be enacted. Finally, because of

widespread state budget deficits, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. If any state were to impose a tax upon us as an entity, our distribution to you would be reduced.

It is unclear whether any additional legislation will be proposed or enacted or, if enacted, whether and how the legislation would apply to us and/or the holders of Class A shares, and it is unclear whether any other such tax law changes will occur or, if they do, how they might affect us and/or the holders of Class A shares. **In view of the potential significance of any such U.S. Federal income tax law changes and the fact that there are likely to be ongoing developments in this area, each prospective holder of Class A shares should consult its own tax advisor to determine the U.S. Federal income tax consequences to it of acquiring and holding Class A shares in light of such potential U.S. Federal income tax law changes.**

Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.

The U.S. Federal income tax treatment of holders of Class A shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. You should be aware that the U.S. Federal income tax rules are constantly under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The IRS pays close attention to the proper application of tax laws to partnerships and entities taxed as partnerships. The present U.S. Federal income tax treatment of an investment in our Class A shares may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. See Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Our operating agreement permits our manager to modify our operating agreement from time to time, without the consent of the holders of Class A shares, to address certain changes in U.S. Federal income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all holders of Class A shares. For instance, our manager could elect at some point to treat us as an association taxable as a corporation for U.S. federal (and applicable state) income tax purposes. If our manager were to do this, the U.S. federal income tax consequences of owning our common units would be materially different. Moreover, we will apply certain assumptions and conventions in an attempt to comply with applicable rules and to report income, gain, deduction, loss and credit to holders of Class A shares in a manner that reflects such beneficial ownership of items by holders of Class A shares, taking into account variation in ownership interests during each taxable year because of trading activity. However, those assumptions and conventions may not be in compliance with all aspects of applicable tax requirements. It is possible that the IRS will assert successfully that the conventions and assumptions used by us do not satisfy the technical requirements of the Internal Revenue Code and/or Treasury regulations and could require that items of income, gain, deductions, loss or credit, including interest deductions, be adjusted, reallocated or disallowed in a manner that adversely affects holders of Class A shares.

The interest in certain of our businesses will be held through entities that will be treated as corporations for U.S. Federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially, adversely affect the value of your investment.

In light of the publicly traded partnership rules under U.S. Federal income tax law and other requirements, the partnership will hold its interest in certain of our businesses through entities that will be treated as corporations for U.S. Federal income tax purposes. Each such corporation could be liable for significant U.S. Federal income taxes and applicable state, local and other taxes that would not otherwise be incurred, which could adversely affect the value of your investment. Furthermore, it is possible that the IRS could challenge the manner in which such corporation s taxable income is computed by us.

We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. Federal income tax purposes.

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. Federal income tax purposes. Such an entity may be a passive foreign investment company, or a PFIC, or a controlled foreign corporation, or a CFC, for U.S. Federal income tax purposes. For example, APO (FC), LLC is considered to be a CFC for U.S. Federal income tax purposes. Class A shareholders indirectly owning an interest in a PFIC or a CFC may experience adverse U.S. tax consequences, including the recognition of taxable income prior to the receipt of cash relating to such income. In addition, gain on the sale of a PFIC or CFC may be taxable at ordinary income tax rates. See Material Tax Considerations Material U.S. Federal Tax Considerations Taxation of Holders of Class A Shares Passive Foreign Investment Companies and Controlled Foreign Corporations.

Complying with certain tax-related requirements may cause us to forego otherwise attractive business or investment opportunities or enter into acquisitions, borrowings, financings or arrangements we may not have otherwise entered into.

In order for us to be treated as a partnership for U.S. Federal income tax purposes, and not as an association or publicly traded partnership taxable as a corporation, we must meet the qualifying income exception discussed above on a continuing basis and we must not be required to register as an investment company under the Investment Company Act. In order to effect such treatment we (or our subsidiaries) may be required to invest through foreign or domestic corporations, forego attractive business or investment opportunities or enter into borrowings or financings we may not have otherwise entered into. This may cause us to incur additional tax liability and/or adversely affect our ability to operate solely to maximize our cash flow. Our structure also may impede our ability to engage in certain corporate acquisitive transactions because we generally intend to hold all of our assets through the Apollo Operating Group. In addition, we may be unable to participate in certain corporate reorganization transactions that would be tax free to our holders if we were a corporation. To the extent we hold assets other than through the Apollo Operating Group, we will make appropriate adjustments to the Apollo Operating Group agreements so that distributions to Holdings and us would be the same as if such assets were held at that level. Moreover, we are precluded by a contract with one of the Strategic Investors from acquiring assets in a manner that would cause that Strategic Investor to be engaged in a commercial activity within the meaning of Section 892 of the Internal Revenue Code.

Tax gain or loss on disposition of our Class A shares could be more or less than expected.

If you sell your Class A shares, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those Class A shares. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your Class A shares. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the Class A shares are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

We cannot match transferors and transferees of Class A shares, and we will therefore adopt certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our Class A shares.

Because we cannot match transferors and transferees of Class A shares, we will adopt depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to holders of Class A shares. It also could affect the timing of these tax benefits or the amount of gain on the sale of Class A shares and could have a negative impact on the value of Class A shares or result in audits of and adjustments to the tax returns of holders of Class A shares.

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Non-U.S. persons face unique U.S. tax issues from owning our shares that may result in adverse tax consequences to them.

We believe that we will not be treated as engaged in a trade or business for U.S. Federal income tax purposes and, therefore, non-U.S. holders of Class A shares will generally not be subject to U.S. Federal income tax on interest, dividends and gains derived from non-U.S. sources. It is possible, however, that the IRS could disagree or that the tax laws and regulations could change and we could be deemed to be engaged in a U.S. trade or business, which would have a material adverse effect on non-U.S. holders. If we have income that is treated as effectively connected to a U.S. trade or business, non-U.S. holders would be required to file a U.S. Federal income tax return to report that income and would be subject to U.S. Federal income tax at the regular graduated rates. Holders likely will be required to file state and local income tax returns and pay state and local income taxes in some or all jurisdictions where we operate. It is the responsibility of each holder to file all U.S. Federal, state and local tax returns that may be required of such holder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in Class A shares.

An investment in Class A shares will give rise to UBTI to certain tax-exempt holders.

We will not make investments through taxable U.S. corporations solely for the purpose of limiting UBTI from debt-financed property and, thus, an investment in Class A shares will give rise to UBTI to tax-exempt holders of Class A shares. APO Asset Co., LLC may borrow funds from APO Corp. or third parties from time to time to make investments. These investments will give rise to UBTI from debt-financed property. Moreover, if the IRS successfully asserts that we are engaged in a trade or business, then additional amounts of income could be treated as UBTI.

We do not intend to make, or cause to be made, an election under Section 754 of the Internal Revenue Code to adjust our asset basis or the asset basis of certain of the Group Partnerships. Thus, a holder of Class A shares could be allocated more taxable income in respect of those Class A shares prior to disposition than if such an election were made.

We did not make and currently do not intend to make, or cause to be made, an election to adjust asset basis under Section 754 of the Internal Revenue Code with respect to us, Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P. Apollo Principal Holdings III, L.P., Apollo Principal Holdings IV, L.P., Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P. and Apollo Principal Holdings IX, L.P. If no such election is made, there will generally be no adjustment for a transferee of Class A shares even if the purchase price of those Class A shares is higher than the Class A shares share of the aggregate tax basis of our assets immediately prior to the transfer. In that case, on a sale of an asset, gain allocable to a transferee could include built-in gain allocable to the transferor at the time of the transfer, which built-in gain would otherwise generally be eliminated if a Section 754 election had been made. See Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Tax Elections.

Risks Related to Our Organization and Structure

Members of the U.S. Congress have introduced and the House of Representatives has passed legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares.

On May 28, 2010, the House of Representatives passed H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010. If enacted, this bill would cause portions of income associated with carried interest to be taxed as ordinary income and not treated as qualifying income for purposes of the publicly traded partnership tests. This would have the effect of treating publicly traded partnerships that derive substantial amounts of

income from carried interests as corporations for U.S. Federal income tax purposes. Such legislation does provide a transition rule that could defer corporate treatment for 10 years. See Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects.

Our shareholders do not elect our manager or vote and have limited ability to influence decisions regarding our businesses.

So long as the Apollo control condition is satisfied, our manager, AGM Management, LLC, which is owned by our managing partners, will manage all of our operations and activities. AGM Management, LLC is managed by BRH, a Cayman entity owned by our managing partners and managed by an executive committee composed of our managing partners. Our shareholders do not elect our manager, its manager or its manager s executive committee and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our businesses and therefore limited ability to influence decisions regarding our businesses. Furthermore, if our shareholders are dissatisfied with the performance of our manager, they will have little ability to remove our manager. As discussed below, the managing partners collectively have 87.1% of the voting power of Apollo Global Management, LLC. Therefore, they will have the ability to control any shareholder vote that occurs, including any vote regarding the removal of our manager.

Control by our managing partners of the combined voting power of our shares and holding their economic interests through the Apollo Operating Group may give rise to conflicts of interests.

Our managing partners, through their partnership interests in Holdings, control 87.1% of the combined voting power of our shares entitled to vote. Accordingly, our managing partners have the ability to control our management and affairs to the extent not controlled by our manager. In addition, they are able to determine the outcome of all matters requiring shareholder approval (such as a proposed sale of all or substantially of our assets, the approval of a merger or consolidation involving the company, and an election by our manager to dissolve the company) and are able to cause or prevent a change of control of our company and could preclude any unsolicited acquisition of our company. The control of voting power by our managing partners could deprive Class A shareholders of an opportunity to receive a premium for their Class A shares as part of a sale of our company, and might ultimately affect the market price of the Class A shares.

In addition, our managing partners and contributing partners, through their partnership interests in Holdings, are entitled to 71.4% of Apollo Operating Group s economic returns through the Apollo Operating Group units owned by Holdings as of June 30, 2010. Because they hold their economic interest in our businesses directly through the Apollo Operating Group, rather than through the issuer of the Class A shares, our managing partners and contributing partners may have conflicting interests with holders of Class A shares. For example, our managing partners and contributing partners may have different tax positions from us, which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the tax receivable agreement. In addition, the structuring of future transactions may take into consideration the managing partners and contributing partners tax considerations even where no similar benefit would accrue to us.

We expect to qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of the NYSE.

We expect to qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, we will elect not to comply with certain corporate governance requirements of the NYSE, including the requirements (i) that a majority of our board of directors consist of independent directors, (ii) that we have a nominating/corporate governance committee that is composed entirely

of independent directors and (iii) that we have a compensation committee that is composed entirely of independent directors. In addition, we will not be required to hold annual meetings of our shareholders. Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of the NYSE.

Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders.

Conflicts of interest may arise among our manager, on the one hand, and us and our shareholders, on the other hand. As a result of these conflicts, our manager may favor its own interests and the interests of its affiliates over the interests of us and our shareholders. These conflicts include, among others, the conflicts described below.

Our manager determines the amount and timing of our investments and dispositions, indebtedness, issuances of additional stock and amounts of reserves, each of which can affect the amount of cash that is available for distribution to you.

Our manager is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties (including fiduciary duties) to our shareholders; for example, our affiliates that serve as general partners of our funds have fiduciary and contractual obligations to our fund investors, and such obligations may cause such affiliates to regularly take actions that might adversely affect our near-term results of operations or cash flow; our manager has no obligation to intervene in, or to notify our shareholders of, such actions by such affiliates.

Because our managing partners and contributing partners hold their Apollo Operating Group units through entities that are not subject to corporate income taxation and Apollo Global Management, LLC holds the Apollo Operating Group units in part through a wholly-owned subsidiary that is subject to corporate income taxation, conflicts may arise between our managing partners and contributing partners, on the one hand, and Apollo Global Management, LLC, on the other hand, relating to the selection and structuring of investments.

Other than as set forth in the non-competition, non-solicitation and confidentiality agreements to which our managing partners and other professionals are subject, which may not be enforceable, affiliates of our manager and existing and former personnel employed by our manager are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us.

Our manager has limited its liability and reduced or eliminated its duties (including fiduciary duties) under our operating agreement, while also restricting the remedies available to our shareholders for actions that, without these limitations, might constitute breaches of duty (including fiduciary duty). In addition, we have agreed to indemnify our manager and its affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct. By purchasing our Class A shares, you will have agreed and consented to the provisions set forth in our operating agreement, including the provisions regarding conflicts of interest situations that, in the absence of such provisions, might constitute a breach of fiduciary or other duties under applicable state law.

Our operating agreement does not restrict our manager from causing us to pay it or its affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under the operating agreement.

Our manager determines how much debt we incur and that decision may adversely affect our credit ratings.

Our manager determines which costs incurred by it and its affiliates are reimbursable by us.

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Our manager controls the enforcement of obligations owed to us by it and its affiliates.

Our manager decides whether to retain separate counsel, accountants or others to perform services for us.

See Certain Relationships and Related Party Transactions and Conflicts of Interest and Fiduciary Responsibilities for a more detailed discussion of these conflicts.

Our operating agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our manager and limit remedies available to shareholders for actions that might otherwise constitute a breach of duty. It will be difficult for a shareholder to challenge a resolution of a conflict of interest by our manager or by its conflicts committee.

Our operating agreement contains provisions that waive or consent to conduct by our manager and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our operating agreement provides that when our manager is acting in its individual capacity, as opposed to in its capacity as our manager, it may act without any fiduciary obligations to us or our shareholders whatsoever. When our manager, in its capacity as our manager, is permitted to or required to make a decision in its sole discretion or discretion or that it deems necessary or appropriate or necessary or advisable, then our manager will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any of our shareholders and will not be subject to any different standards imposed by our operating agreement, the Delaware Limited Liability Company Act or under any other law, rule or regulation or in equity.

Whenever a potential conflict of interest exists between us and our manager, our manager may resolve such conflict of interest. If our manager determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our manager, then it will be presumed that in making this determination, our manager acted in good faith. A shareholder seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and our shareholders will only have recourse and be able to seek remedies against our manager if our manager breaches its obligations pursuant to our operating agreement. Unless our manager breaches its obligations pursuant to our operating agreement, we and our unitholders will not have any recourse against our manager even if our manager were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our operating agreement, our operating agreement provides that our manager and its officers and directors will not be liable to us or our shareholders for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the manager or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the shareholders because they restrict the remedies available to them for actions that without those limitations might constitute breaches of duty, including fiduciary duties.

Also, if our manager obtains the approval of its conflicts committee, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our manager of any duties it may owe to us or our shareholders. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of demonstrating unfairness to the plaintiff. If you purchase a Class A share, you will be treated as having consented to the provisions set forth in the operating agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under

applicable state law. As a result, shareholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee. See Conflicts of Interest and Fiduciary Responsibilities.

The control of our manager may be transferred to a third party without shareholder consent.

Our manager may transfer its manager interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without the consent of our shareholders. Furthermore, at any time, the partners of our manager may sell or transfer all or part of their partnership interests in our manager without the approval of the shareholders, subject to certain restrictions as described elsewhere in this prospectus. A new manager may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as Apollo s track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our businesses, our results of operations and our financial condition could materially suffer.

Our ability to pay regular dividends may be limited by our holding company structure. We are dependent on distributions from the Apollo Operating Group to pay dividends, taxes and other expenses.

As a holding company, our ability to pay dividends will be subject to the ability of our subsidiaries to provide cash to us. We intend to distribute quarterly dividends to our Class A shareholders. Accordingly, we expect to cause the Apollo Operating Group to make distributions to its unitholders (in other words, Holdings, which is 100% owned, directly and indirectly, by our managing partners and our contributing partners, and the three intermediate holding companies, which are 100% owned by us), pro rata in an amount sufficient to enable us to pay such dividends to our Class A shareholders; however, such distributions may not be made. In addition, our manager can reduce or eliminate our dividend at any time, in its discretion. The Apollo Operating Group intends to make periodic distributions to its unitholders in amounts sufficient to cover hypothetical income tax obligations attributable to allocations of taxable income resulting from their ownership interest in the various limited partnerships making up the Apollo Operating Group, subject to compliance with any financial covenants or other obligations. Tax distributions will be calculated assuming each shareholder was subject to the maximum (corporate or individual, whichever is higher) combined U.S. Federal, New York State and New York City tax rates, without regard to whether any shareholder was subject to income tax liability at those rates. If the Apollo Operating Group has insufficient funds, we may have to borrow additional funds or sell assets, which could materially adversely affect our liquidity and financial condition. Furthermore, by paying that cash distribution rather than investing that cash in our business, we might risk slowing the pace of our growth or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise. Because tax distributions to unitholders are made without regard to their particular tax situation, tax distributions to all unitholders, including our intermediate holding companies, were increased to reflect the disproportionate income allocation to our managing partners and contributing partners with respect to built-in gain assets at the time of the Private Offering Transactions.

There may be circumstances under which we are restricted from paying dividends under applicable law or regulation (for example, due to Delaware limited partnership or limited liability company act limitations on making distributions if liabilities of the entity after the distribution would exceed the value of the entity s assets). In addition, under the AMH credit facility, Apollo Management Holdings is restricted in its ability to make cash distributions to us and may be forced to use cash to collateralize the AMH credit facility, which would reduce the cash it has available to make distributions.

Tax consequences to our managing partners and contributing partners may give rise to conflicts of interests.

As a result of unrealized built-in gain attributable to the value of our assets held by the Apollo Operating Group entities at the time of the Private Offering Transactions, upon the sale, refinancing or disposition of the assets owned by the Apollo Operating Group entities, our managing partners and contributing partners will incur

different and significantly greater tax liabilities as a result of the disproportionately greater allocations of items of taxable income and gain to the managing partners and contributing partners upon a realization event. As the managing partners and contributing partners will not receive a corresponding greater distribution of cash proceeds, they may, subject to applicable fiduciary or contractual duties, have different objectives regarding the appropriate pricing, timing and other material terms of any sale, refinancing, or disposition, or whether to sell such assets at all. Decisions made with respect to an acceleration or deferral of income or the sale or disposition of assets with unrealized built-in gains may also influence the timing and amount of payments that are received by an exchanging or selling founder or partner under the tax receivable agreement. All other factors being equal, earlier disposition of assets with unrealized built-in gains following such exchange will tend to accelerate such payments and increase the present value of the tax receivable agreement, and disposition of assets with unrealized built-in gains before an exchange will increase a managing partner s or contributing partner s tax liability without giving rise to any rights to receive payments under the tax receivable agreement. Decisions made regarding a change of control also could have a material influence on the timing and amount of payments received by our managing partners and contributing partners pursuant to the tax receivable agreement.

We will be required to pay Holdings for most of the actual tax benefits we realize as a result of the tax basis step-up we receive in connection with taxable exchanges by our units held in the Apollo Operating Group entities or our acquisitions of units from our managing partners and contributing partners.

On a quarterly basis, each managing partner and contributing partner will have the right to exchange the Apollo Operating Group units that he holds through his partnership interest in Holdings for our Class A shares in a partially taxable transaction. These exchanges, as well as our acquisitions of units from our managing partners or contributing partners, may result in increases in the tax basis of the intangible assets of the Apollo Operating Group that otherwise would not have been available. Any such increases may reduce the amount of tax that APO Corp. would otherwise be required to pay in the future. The IRS may challenge all or part of these increased deductions and tax basis increases and a court could sustain such a challenge.

We have entered into a tax receivable agreement with Holdings that provides for the payment by APO Corp. to our managing partners and contributing partners of 85% of the amount of actual tax savings, if any, that APO Corp. realizes (or is deemed to realize in the case of an early termination payment by APO Corp. or a change of control, as discussed below) as a result of these increases in tax deductions and tax basis of the Apollo Operating Group. APO Corp. made payments of $3.7 million and $9.1 million in 2008 and 2009, respectively, pursuant to the tax receivable agreement. The Apollo Operating Group made total distributions of $27.0 million and $18.1 million in 2009 and 2008 to APO Corp. and Holdings, respectively, in accordance with their pro rata interests, to satisfy the liability under the tax receivable agreement. $17.9 million and $14.4 million of such distributions were distributed to the managing partners and contributing partners in 2009 and 2008, respectively. Future payments that APO Corp. may make to our managing partners and contributing partners could be material in amount. In the event that other of our current or future subsidiaries become taxable as corporations and acquire Apollo Operating Group units in the future, or if we become taxable as a corporation for U.S. Federal income tax purposes, we expect, and have agreed that, each will become subject to a tax receivable agreement with substantially similar terms.

The IRS could challenge our claim to any increase in the tax basis of the assets owned by the Apollo Operating Group that results from the exchanges entered into by the managing partners or contributing partners. The IRS could also challenge any additional tax depreciation and amortization deductions or other tax benefits (including deductions for imputed interest expense associated with payments made under the tax receivable agreement) we claim as a result of, or in connection with, such increases in the tax basis of such assets. If the IRS were to successfully challenge a tax basis increase or tax benefits we previously claimed from a tax basis increase, Holdings would not be obligated under the tax receivable agreement to reimburse APO Corp. for any payments previously made to them (although any future payments would be adjusted to reflect the result of such challenge). As a result, in certain circumstances, payments could be made to our managing partners and contributing partners under the tax receivable agreement in excess of 85% of the actual aggregate cash tax savings of APO Corp. APO

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Corp. s ability to achieve benefits from any tax basis increase and the payments to be made under this agreement will depend upon a number of factors, including the timing and amount of its future income.

In addition, the tax receivable agreement provides that, upon a merger, asset sale or other form of business combination or certain other changes of control, APO Corp. s (or its successor s) obligations with respect to exchanged or acquired units (whether exchanged or acquired before or after such change of control) would be based on certain assumptions, including that APO Corp. would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement. See Certain Relationships and Related Party Transactions Tax Receivable Agreement.

If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.

We do not believe that we are an investment company under the Investment Company Act because the nature of our assets and the income derived from those assets allow us to rely on the exception provided by Rule 3a-1 issued under the Investment Company Act. In addition, we believe we are not an investment company under Section 3(b)(1) of the Investment Company Act because we are primarily engaged in non-investment company businesses. We intend to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, we would be taxed as a corporation and other restrictions imposed by the Investment Company Act, including limitations on our capital structure and our ability to transact with affiliates that apply to us, could make it impractical for us to continue our businesses as contemplated and would have a material adverse effect on our businesses and the price of our Class A shares.

Risks Related to Our Businesses

Poor performance of our funds would cause a decline in our revenue and results of operations, may obligate us to repay incentive income previously paid to us and would adversely affect our ability to raise capital for future funds.

We derive revenues in part from:

- management fees, which are based generally on the amount of capital invested in our funds;
- transaction and advisory fees relating to the investments our funds make;
- incentive income, based on the performance of our funds; and
- investment income from our investments as general partner.

If a fund performs poorly, we will receive little or no incentive income with regard to the fund and little income or possibly losses from any principal investment in the fund. Furthermore, if, as a result of poor performance of later investments in a private equity fund s or a certain capital markets fund s life, the fund does not achieve total investment returns that exceed a specified investment return threshold for the life of the fund, we will be obligated to repay the amount by which incentive income that was previously distributed to us exceeds amounts to which we are ultimately entitled. Our fund investors and potential fund investors continually assess our funds performance and our ability to raise capital. Accordingly, poor fund performance may deter future investment in our funds and thereby decrease the capital invested in our funds and ultimately, our management fee income.

We depend on Leon Black, Joshua Harris and Marc Rowan, and the loss of any of their services would have a material adverse effect on us.

The success of our businesses depends on the efforts, judgment and personal reputations of our managing partners, Leon Black, Joshua Harris and Marc Rowan. Their reputations, expertise in investing, relationships with our fund investors and relationships with members of the business community on whom our funds depend for

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investment opportunities and financing are each critical elements in operating and expanding our businesses. We believe our performance is strongly correlated to the performance of these individuals. Accordingly, our retention of our managing partners is crucial to our success. Retaining our managing partners could require us to incur significant compensation expense after the expiration of their current employment agreements in 2012. Our managing partners may resign, join our competitors or form a competing firm at any time. If any of our managing partners were to join or form a competitor, some of our investors could choose to invest with that competitor rather than in our funds. The loss of the services of any of our managing partners would have a material adverse effect on us, including our ability to retain and attract investors and raise new funds, and the performance of our funds. We do not carry any key man insurance that would provide us with proceeds in the event of the death or disability of any of our managing partners. In addition, the loss of one or more of our managing partners may result in the termination of our role as general partner of one or more of our funds and the acceleration of our debt.

Although in connection with the Strategic Investors Transaction, our managing partners entered into employment, non-competition and non-solicitation agreements, which impose certain restrictions on competition and solicitation of our employees by our managing partners if they terminate their employment, a court may not enforce these provisions. See Management Narrative Disclosure to the Summary Compensation Table and Grants of Plan-Based Awards Table Employment, Non-Competition and Non-Solicitation Agreement with Chief Executive Officer for a more detailed description of the terms of the agreement for one of our managing partners. In addition, although the Agreement Among Managing Partners imposes vesting and forfeiture requirements on the managing partners in the event any of them terminates their employment, we, our shareholders (other than the Strategic Investors, as described under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its provisions, including the forfeiture provisions. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners for a more detailed description of the terms of this agreement.

Recent developments in the global financial markets have created a great deal of uncertainty for the asset management industry, and these developments may adversely affect the investments made by our funds or their portfolio companies or reduce the ability of our funds to raise or deploy capital, each of which could further materially reduce our revenue, net income and cash flow.

Recent developments in the U.S. and global financial markets have illustrated that the current environment is one of extraordinary and unprecedented uncertainty and instability for asset management businesses. With global credit markets experiencing substantial disruption (especially in the mortgage finance markets) and liquidity shortages, financial instability spread globally. In response to spreading financial difficulties, on October 3, 2008 the U.S. government passed the Emergency Economic Stabilization Act of 2008, which authorizes the U.S. Secretary of the Treasury to purchase up to $700 billion in distressed mortgage-related assets from financial institutions. On October 7, 2008, the U.S. Federal Reserve announced it would create a special-purpose facility to begin buying commercial paper to stabilize financial markets. On October 8, 2008, the U.K. announced a plan to recapitalize some of the country s largest financial institutions by investing up to £25 billion (approximately $44 billion) of equity capital, providing a guarantee for short- and medium-term debt issued by the banks of around £250 billion and providing additional liquidity of at least £200 billion through the Bank of England s Special Liquidity Scheme and relaxing some of the criteria for lending under such Scheme. On October 14, 2008, the U.S. Treasury Department announced the development of a capital purchase program under the Emergency Economic Stabilization Act pursuant to which the Treasury may purchase up to $250 billion of senior preferred shares in certain U.S. financial institutions. Although market conditions have recently shown some signs of improvement, there can be no assurances that conditions in the global financial markets will not worsen and/or further adversely affect our investments, access to leverage and overall performance.

In addition, over the past two years, the U.S. government has taken a number of steps to attempt to stabilize the global financial markets and the U.S. economy, including direct government investments in, and guarantees

of, troubled financial institutions as well as government-sponsored programs such as TALF and the Public Private Investment Partnership Program, or PIPP. Members of Congress are also currently evaluating an array of other measures and programs that are intended to help improve U.S. financial and market conditions. While conditions appear to have improved relative to the depths of the global financial crisis, it is not clear whether this improvement is real or will last for a significant period of time. Moreover, it is not clear what impact the government s future plans to improve the global economy and financial markets will have on our business.

Changes in the debt financing markets have negatively impacted the ability of our funds and their portfolio companies to obtain attractive financing for their investments and have increased the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decreasing our net income.

Since the latter half of 2007, the markets for debt financing have contracted significantly, particularly in the area of acquisition financings for private equity and leveraged buyout transactions. Large commercial and investment banks, which have traditionally provided such financing, have demanded higher rates, higher equity requirements as part of private equity investments, more restrictive covenants and generally more onerous terms in order to provide such financing, and in some cases are refusing to provide financing for acquisitions, the type of which would have been readily financed in earlier years.

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase. Similarly, the portfolio companies owned by our private equity funds regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that the current credit markets have rendered such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that the current markets make it difficult or impossible to refinance debt that is maturing in the near term, the relevant portfolio company may face substantial doubt as to its status as a going concern (which may result in an event of default under various agreements) or be unable to repay such debt at maturity and may be forced to sell assets, undergo a recapitalization or seek bankruptcy protection.

Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of investments, and we may not be able to or may choose not to manage our exposure to these conditions. The market conditions surrounding each of our businesses, and in particular our private equity business, had been quite favorable for a number of years through early 2008. A significant portion of the investments of our private equity funds were made during this period. Market conditions, however, significantly deteriorated in 2008 and 2009 and generally remain at depressed levels. Global financial markets have experienced considerable volatility in the valuations of equity and debt securities, a contraction in the availability of credit and the failure of a number of leading financial institutions. Many economies around the world, including the U.S. economy, have experienced and continue to experience significant declines in employment, household wealth, and lending. These events have led to a significantly diminished availability of credit and an increase in the cost of financing. The lack of credit has materially hindered the initiation of new, large-sized transactions for our private equity segment and, together with volatility in valuations of equity and

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debt securities, adversely impacted our operating results in recent periods reflected in the financial statements included in this prospectus. These events may place additional negative pressure on our operating results going forward. If conditions further deteriorate, our business could be affected in different ways. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs, within a time frame sufficient to match any further decreases in net income or increases in net losses relating to changes in market and economic conditions.

The challenging market conditions that we have been experiencing have adversely affected our operating results in a number of ways, and if the economic downturn continues, may cause our revenue and results of operations to decline by causing:

- our AUM to decrease, lowering management fees from our capital markets funds and AAA;
- increases in costs of financial instruments;
- adverse conditions for our portfolio companies (e.g., decreased revenues, liquidity pressures, increased difficulty in obtaining access to financing and complying with the terms of existing financings as well as increased financing costs);
- lower investment returns, reducing incentive income;
- higher interest rates, which could increase the cost of the debt capital we use to acquire companies in our private equity business; and
- material reductions in the value of our private equity fund investments in portfolio companies, affecting our ability to realize carried interest from these investments.

Lower investment returns and such material reductions in value may result, among other reasons, because during periods of difficult market conditions or slowdowns (which may be across one or more industries, sectors or geographies), companies in which we invest may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and be unable to meet their debt service obligations or other expenses as they become due, including expenses payable to us. In addition, during periods of adverse economic conditions, we may have difficulty accessing financial markets, which could make it more difficult or impossible for us to obtain funding for additional investments and harm our AUM and operating results. Furthermore, such conditions would also increase the risk of default with respect to investments held by our funds that have significant debt investments, such as our mezzanine funds, distressed and hedge funds and credit opportunity funds. Our funds may be affected by reduced opportunities to exit and realize value from their investments, by lower than expected returns on investments made prior to the deterioration of the credit markets, and by the fact that we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds and thus adversely impact our prospects for future growth. Although market conditions have recently shown some signs of improvement, we are unable to predict whether economic and market conditions may continue to improve. Even if such conditions do improve broadly and significantly over the long term, adverse conditions in particular sectors may cause our performance to suffer further.

A decline in the pace of investment in our private equity funds would result in our receiving less revenue from transaction and advisory fees.

The transaction and advisory fees that we earn are driven in part by the pace at which our private equity funds make investments. Any decline in that pace would reduce our transaction and advisory fees and could make it more difficult for us to raise capital. Many factors could cause such a decline in the pace of investment, including the inability of our investment professionals to identify attractive investment opportunities, competition for such opportunities among other potential acquirers, decreased availability of capital on attractive terms and our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets. In particular, the current lack of financing options for new leveraged buy-outs resulting from the credit market dislocation, has significantly reduced the pace of traditional buyout investments by our private equity funds.

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If one or more of our managing partners or other investment professionals leave our company, the commitment periods of certain private equity funds may be terminated, and we may be in default under our credit agreement.

The governing agreements of our private equity funds provide that in the event certain key persons (such as one or more of Messrs. Black, Harris and Rowan and/or certain other of our investment professionals) fail to devote the requisite time to managing the fund, the commitment period will terminate if a certain percentage in interest of the investors do not vote to continue the commitment period. This is true of Fund VI and Fund VII, on which our near- to medium-term performance will heavily depend. EPF has a similar provision. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

In addition, it will be an event of default under the AMH credit facility if either (i) Mr. Black, together with related persons or trusts, shall cease as a group to participate to a material extent in the beneficial ownership of AMH or (ii) two of the group constituting Messrs. Black, Harris and Rowan shall cease to be actively engaged in the management of the AMH loan parties. If such an event of default occurs and the lenders exercise their right to accelerate repayment of the $1.0 billion loan, we are unlikely to have the funds to make such repayment and the lenders may take control of us, which is likely to materially adversely impact our results of operations. Even if we were able to refinance our debt, our financial condition and results of operations would be materially adversely affected.

Messrs. Black, Harris and Rowan may terminate their employment with us at any time.

We may not be successful in raising new funds or in raising more capital for certain of our funds and may face pressure to modify fee arrangements of our future funds.

In this prospectus, we describe capital raising efforts that certain of our businesses are currently undertaking. Our funds may not be successful in consummating these capital-raising efforts or others that they may undertake, or they may consummate them at investment levels far lower than those currently anticipated. Any capital raising that our funds do consummate may be on terms that are unfavorable to us or that are otherwise different from the terms that we have been able to obtain in the past. These risks could occur for reasons beyond our control, including general economic or market conditions, regulatory changes or increased competition.

Recently, a large number of institutional investors that invest in alternative assets and have historically invested in our funds experienced negative pressure across their investment portfolios, which may affect our ability to raise capital from them. As a result of the global economic downtown during 2008 and 2009, these institutional investors experienced, among other things, a significant decline in the value of their public equity and debt holdings and a lack of realizations from their existing private equity portfolios. Consequently, many of these investors were left with disproportionately outsized remaining commitments to a number of private equity funds, and were restricted from making new commitments to third-party managed private equity funds such as those managed by us. To the extent economic conditions remain volatile and these issues persist, we may be unable to raise sufficient amounts of capital to support the investment activities of our future funds.

In addition, certain institutional investors have publicly criticized certain fund fee and expense structures, including management fees and transaction and advisory fees. Although we have no obligation to modify any of our fees with respect to our existing funds, we may experience pressure to do so in our funds. For example, we recently announced a new strategic relationship agreement with CalPERS, whereby we agreed to reduce management and other fees charged to CalPERS on funds we manage, or in the future will manage, solely for CalPERS by $125 million over the next five years or as close a period as required to provide CalPERS with that benefit.

The failure of our funds to raise capital in sufficient amounts and on satisfactory terms would result in us being unable to achieve an increase in AUM, and would have a material adverse effect on our financial condition

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and results of operations. Similarly, any modification of our existing fee arrangements or the fee structures for new funds could adversely affect our results of operations.

Third-party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund s operations and performance.

Investors in all of our private equity and capital markets funds (and certain of our hedge funds) make capital commitments to those funds that we are entitled to call from those investors at any time during prescribed periods. We depend on investors fulfilling their commitments when we call capital from them in order for those funds to consummate investments and otherwise pay their obligations when due. Any investor that did not fund a capital call would be subject to several possible penalties, including having a significant amount of its existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. If investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

We have presented in this prospectus the returns relating to the historical performance of our private equity funds and capital markets funds. The returns are relevant to us primarily insofar as they are indicative of incentive income we have earned in the past and may earn in the future. The returns of the funds we manage are not, however, directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in Class A shares. However, poor performance of the funds we manage will cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and the value of our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds. Moreover, most of our funds have not been consolidated in our financial statements for periods since either August 1, 2007 or November 30, 2007 as a result of the deconsolidation of most of our funds as of August 1, 2007 and November 30, 2007.

Moreover, the historical returns of our funds should not be considered indicative of the future returns of these or from any future funds we may raise, in part because:

- market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we have experienced for the last year and may continue to experience for the foreseeable future;

- our funds returns have benefited from investment opportunities and general market conditions that currently do not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;

- our private equity funds rates of returns, which are calculated on the basis of net asset value of the funds investments, reflect unrealized gains, which may never be realized;

- our funds returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;

- the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record;

Fund VI and Fund VII are several times larger than our previous private equity funds, and we may not be able to deploy this additional capital as profitably as our prior funds;

- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;

- our track record with respect to our capital markets funds is relatively short as compared to our private equity funds;

- in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and high liquidity in debt markets; and

- our newly established funds may generate lower returns during the period that they take to deploy their capital.

Finally, our private equity IRRs have historically varied greatly from fund to fund. Accordingly, you should realize that the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests. See Management s Discussion and Analysis of Financial Condition and Results of Operations The Historical Investment Performance of Our Funds.

Our reported net asset values, rates of return and incentive income from affiliates are based in large part upon estimates of the fair value of our investments, which are based on subjective standards and may prove to be incorrect.

A large number of investments in our private equity and capital markets funds are illiquid and thus have no readily ascertainable market prices. We value these investments based on our estimate of their fair value as of the date of determination. We estimate the fair value of our investments based on third-party models, or models developed by us, which include discounted cash flow analyses and other techniques and may be based, at least in part, on independently sourced market parameters. The material estimates and assumptions used in these models include the timing and expected amount of cash flows, the appropriateness of discount rates used, and, in some cases, the ability to execute, the timing of and the estimated proceeds from expected financings. The actual results related to any particular investment often vary materially as a result of the inaccuracy of these estimates and assumptions. In addition, because many of the illiquid investments held by our funds are in industries or sectors which are unstable, in distress, or undergoing some uncertainty, such investments are subject to rapid changes in value caused by sudden company-specific or industry-wide developments.

We include the fair value of illiquid assets in the calculations of net asset values, returns of our funds and our AUM. Furthermore, we recognize incentive income from affiliates based in part on these estimated fair values. Because these valuations are inherently uncertain, they may fluctuate greatly from period to period. Also, they may vary greatly from the prices that would be obtained if the assets were to be liquidated on the date of the valuation and often do vary greatly from the prices we eventually realize.

In addition, the values of our investments in publicly traded assets are subject to significant volatility, including due to a number of factors beyond our control. These include actual or anticipated fluctuations in the quarterly and annual results of these companies or other companies in their industries, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions or government regulations, changes in management or capital structure and significant acquisitions and dispositions. Because the market prices of these securities can be volatile, the valuation of these assets will change from period to period, and the valuation for any particular period may not be realized at the time of disposition. In addition, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. Even if we hold a quantity of public securities that may be difficult to sell in a single transaction, we do not discount the market price of the security for purposes of our valuations.

If we realize value on an investment that is significantly lower than the value at which it was reflected in a fund s net asset values, we would suffer losses in the applicable fund. This could in turn lead to a decline in asset management fees and a loss equal to the portion of the incentive income from affiliates reported in prior periods that was not realized upon disposition. These effects could become applicable to a large number of our investments if our estimates and assumptions used in estimating their fair values differ from future valuations due to market developments. See Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Analysis for information related to fund activity that is no longer consolidated. If asset values turn out to be materially different than values reflected in fund net asset values, fund investors could lose confidence which could, in turn, result in redemptions from our funds that permit redemptions or difficulties in raising additional investments.

We have experienced rapid growth, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources.

Our AUM has grown significantly in the past, despite recent declines, and we are pursuing further growth in the near future. Our rapid growth has caused, and planned growth, if successful, will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. The complexity of these demands, and the expense required to address them, is a function not simply of the amount by which our AUM has grown, but of the growth in the variety, including the differences in strategy between, and complexity of, our different funds. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the investment management market and legal, accounting, regulatory and tax developments.

Our future growth will depend in part, on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- in maintaining adequate financial, regulatory and business controls;
- implementing new or updated information and financial systems and procedures; and
- in training, managing and appropriately sizing our work force and other components of our businesses on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus could result in additional burdens on our businesses. Changes in tax or law and other legislative or regulatory changes could adversely affect us.

Overview of Our Regulatory Environment. We are subject to extensive regulation, including periodic examinations, by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. and foreign government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct investigations and administrative proceedings that can result in fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of an investment advisor from registration or memberships. Even if an investigation or proceeding did not result in a sanction or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the investigation, proceeding or imposition of these sanctions could harm our reputation and cause us to lose existing investors or fail to gain new investors. The requirements imposed by our regulators are designed primarily to ensure the integrity of the financial markets and to protect investors in our funds and are not designed to protect our shareholders. Consequently, these regulations often serve to limit our activities.

As a result of highly publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the regulatory environment in which we operate both in the United States and outside the United States is particularly likely to be subject to further regulation. There has been an active debate both nationally and internationally over the appropriate extent of regulation and oversight of private investment funds and their managers. There are proposals in Congress and emanating from Treasury that would identify various kinds of private funds as being potentially systemically significant and subject to increased reporting, oversight and regulation. Any changes in the regulatory framework applicable to our businesses may impose additional expenses on us, require the attention of senior management or result in limitations in the manner in which our business is conducted. On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, which imposes significant new regulations on almost every aspect of the U.S. financial services industry, including aspects of our business and the markets in which we operate. Among other things, the Dodd-Frank Act requires private equity and hedge fund advisers to register with the SEC under the Investment Advisers Act, to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies. Importantly, many of the provisions of the Dodd-Frank Act are subject to further rulemaking and to the discretion of regulatory bodies, such as the Financial Stability Oversight Council. As a result, we do not know exactly what the final regulations under the Dodd-Frank Act will require or how significantly the Dodd-Frank Act will affect us.

Exceptions from Certain Laws. We regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act and the Employment Retirement Income Security Act, or ERISA, in conducting our activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to regulatory action or third-party claims and our businesses could be materially and adversely affected. See, for example, Risks Related to Our Organization and Structure If we were deemed an investment company under the Investment Company Act, applicable restrictions could make it impractical for us to continue our businesses as contemplated and could have a material adverse effect on our businesses and the price of our Class A shares.

Fund Regulatory Environment. The regulatory environment in which our funds operate may affect our businesses. For example, changes in antitrust laws or the enforcement of antitrust laws could affect the level of mergers and acquisitions activity, and changes in state laws may limit investment activities of state pension plans. See Business Regulatory and Compliance Matters for a further discussion of the regulatory environment in which we conduct our businesses.

Future Regulation. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In January 2009, members of the Senate introduced the Hedge Fund Transparency Act (the Hedge Fund Act), which would apply to private equity funds, venture capital funds, real estate funds and other private investment vehicles with at least $50 million in assets under management. If enacted, the bill would require that such funds in order to remain exempt from the substantive provisions of the Investment Company Act register with the SEC, maintain books and records in accordance with SEC requirements, and become subject to SEC examinations and information requests. In addition, the Hedge Fund Act would require each fund to file annual disclosures, which would be made public, containing detailed information about the fund, most notably including the names of all beneficial owners of the fund, an explanation of the fund s ownership structure and the current value of the fund s assets under management. Also, the Hedge Fund Act would require each fund to establish anti-money laundering programs. We cannot predict whether this Hedge Fund Act will be enacted or, if enacted, what the final terms would require or the impact of such new regulations on our funds. If enacted, this Hedge Fund Act would likely negatively impact our funds in a number of ways, including increasing the funds regulatory costs, imposing additional burdens on the funds staff, and potentially requiring the disclosure of sensitive information. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our funds. Such investigations may impose additional

expenses on us, may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations.

In July 2009, the U.S. House of Representatives passed legislation that would empower federal regulators to prescribe regulations to prohibit any incentive-based payment arrangements that the regulators determine encourage financial institutions to take risks that could threaten the soundness of the financial institutions or adversely affect economic conditions and financial stability. At this time, we cannot predict whether this legislation will be enacted and, if enacted, what form it would take, what affect, if any, that it may have on our business or the markets in which we operate.

In addition, the financial industry will likely become more highly regulated in the near future in response to recent events. On June 17, 2009, the Obama Administration issued a white paper containing a series of proposals to reform the financial industry, which, if enacted, would significantly alter both how financial services and asset management firms are regulated and how they conduct their business. The House of Representatives and the Senate have separately passed legislations adopting the proposals to require advisors of most hedge funds, private equity funds and other pools of capital to register with the SEC as investment advisors under the Investment Advisers Act of 1940 and to impose new record-keeping and reporting requirements on these funds (which may be similar to those requirements proposed in the Hedge Fund Transparency Act, which is discussed above). In addition, the Obama Administration s proposals would also require all OTC derivatives markets, including credit default swap markets, to be subject to increased regulation. We do not know what impact the final regulations will have on us if the proposed legislations are enacted.

We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

Apollo provides investment management services through registered investment advisers. Investment advisers are subject to extensive regulation in the United States and in the other countries in which our investment activities occur. The SEC oversees our activities as a registered investment adviser under the Investment Advisers Act of 1940. In the United Kingdom, we are subject to regulation by the U.K. Financial Services Authority. Our other European operations, and our investment activities around the globe, are subject to a variety of regulatory regimes that vary country by country. A failure to comply with the obligations imposed by regulatory regimes to which we are subject, including the Investment Advisers Act of 1940 could result in investigations, sanctions and reputational damage.

On June 30, 2010, the SEC adopted a new pay-to-play rule that restricts politically active investment advisors from managing state pension funds. The rule prohibits, among other things, a covered investment advisor from receiving compensation for advisory services provided to a government entity (such as a state pension fund) for a two-year period after the advisor, certain covered employees of the advisor or any covered political action committee controlled by the advisor or its employees makes a political contribution to certain government officials. In addition, a covered investment advisor is prohibited from engaging in political fundraising activities for certain elected officials or candidates in jurisdictions where such advisor is providing or seeking governmental business. This new rule complicates and increases the compliance burden for our investment advisors. It will be imperative for a covered investment advisor to adopt an effective compliance program in light of the substantial penalties associated with the rule.

On May 17, 2010, the European Parliament s Economic and Monetary Affairs Committee voted in favor of the draft Directive on Alternative Investment Fund Managers and the full European Parliament is expected to vote on the proposal during the fourth quarter of 2010. The directive, if adopted in the form proposed, would impose significant new regulatory requirements on investment managers operating within the EU, including with respect to conduct of business, regulatory capital, valuations, disclosures and marketing. Alternative investment funds organized outside of the EU in which interests are marketed within the EU would be subject to significant

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conditions on their operations, including satisfying the competent authority of the robustness of internal arrangements with respect to risk management, in particular liquidity risks and additional operational and counterparty risks associated with short selling; the management and disclosure of conflicts of interest; the fair valuation of assets; and the security of depository/custodial arrangements. Such rules could potentially impose significant additional costs on the operation of our business in the EU and could limit our operating flexibility within that jurisdiction.

In Denmark and Germany, legislative amendments have been adopted which may limit deductibility of interest and other financing expenses in companies in which our funds have invested or may invest in the future. In brief, the Danish legislative amendments generally entail that annual net financing expenses in excess of a certain threshold amount (approximately 2.9 million in 2010) will be limited on the basis of earnings before interest and taxes and/or asset tax values. According to the German legislative amendments, interest expenses exceeding the interest income of the same fiscal year may be deducted only up to 30% of the (adjusted) taxable earnings before interest, taxes, depreciation and amortization of the relevant German business (*Betrieb*) (subject to specific certain exemptions), while any additional non-deductible interest may, if at all, only be claimed in subsequent years. These amendments may in turn impact the profitability of companies affected by the rules. Our businesses are subject to the risk that similar measures might be introduced in other countries in which they currently have investments or plan to invest in the future, or that other legislative or regulatory measures might be promulgated in any of the countries in which we operate that adversely affect our businesses. In particular, the U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of a portion of our carried interest income as ordinary income, that would cause us to become taxable as a corporation and/or would have other adverse effects. Legislation that would cause us to be taxable as a corporation after the Class A shares are listed is pending in Congress. See Risks Related to Taxation and Risks Related to Our Organization and Structure. In addition, U.S. and foreign labor unions have recently been agitating for greater legislative and regulatory oversight of private equity firms and transactions. Labor unions have also threatened to use their influence to prevent pension funds from investing in private equity funds.

Antitrust Regulation. Recently, it has been reported in the press that a few of our competitors in the private equity industry have received information requests relating to private equity transactions from the Antitrust Division of the U.S. Department of Justice. In addition, the U.K. Financial Services Authority recently published a discussion paper on the impact that the growth in the private equity market has had on the markets in the United Kingdom and the suitability of its regulatory approach in addressing risks posed by the private equity market.

Use of Placement Agents. We sometimes use placement agents to assist in marketing certain of the investment funds that we manage. Various state attorneys general and federal and state agencies have initiated industry-wide investigations into the use of placement agents in connection with the solicitation of investments, particularly with respect to investments by public pension funds. Certain affiliates of Apollo have received subpoenas and other requests for information from various government regulatory agencies and investors in Apollo s funds, seeking information regarding the use of placement agents. Apollo is cooperating with all such investigations and other reviews. Any unanticipated developments from these or future investigations or changes in industry practice may adversely affect our business. Even if these investigations or changes in industry practice do not directly affect our business, adverse publicity could harm our reputation, may cause us to lose existing investors or fail to gain new investors, may depress the price of our Class A shares or may have other negative consequences.

Our revenue, net income and cash flow are all highly variable, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Class A shares to decline.

Our revenue, net income and cash flow are all highly variable, primarily due to the fact that carried interest from our private equity funds, which constitute the largest portion of income from our combined businesses, and the

transaction and advisory fees that we receive can vary significantly from quarter to quarter and year to year. In addition, the investment returns of most of our funds are volatile. We may also experience fluctuations in our results from quarter to quarter and year to year due to a number of other factors, including changes in the values of our funds investments, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. In addition, carried interest income from our private equity funds and certain of our capital markets funds is subject to contingent repayment by the general partner if, upon the final distribution, the relevant fund s general partner has received cumulative carried interest on individual portfolio investments in excess of the amount of carried interest it would be entitled to from the profits calculated for all portfolio investments in the aggregate. Such variability may lead to volatility in the trading price of our Class A shares and cause our results for a particular period not to be indicative of our performance in a future period. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the price of our Class A shares or increased volatility in our Class A share price generally.

The timing of carried interest generated by our private equity funds is uncertain and will contribute to the volatility of our results. Carried interest depends on our private equity funds performance. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value or other proceeds of an investment through a sale, public offering, recapitalization or other exit. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash or other proceeds. We cannot predict when, or if, any realization of investments will occur. Although we recognize carried interest income on an accrual basis, we receive private equity carried interest payments only upon disposition of an investment by the relevant fund, which contributes to the volatility of our cash flow. If we were to have a realization event in a particular quarter or year, it may have a significant impact on our results for that particular quarter or year that may not be replicated in subsequent periods. We recognize revenue on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds, and a decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our revenue, which could further increase the volatility of our results.

With respect to most of our capital markets funds, our incentive income is paid annually, semi-annually or quarterly, and the varying frequency of these payments will contribute to the volatility of our revenues and cash flow. Furthermore, we earn this incentive income only if the net asset value of a fund has increased or, in the case of certain funds, increased beyond a particular threshold. Our distressed and hedge funds also have high water marks with respect to the investors in these funds. If the high water mark for a particular investor is not surpassed, we would not earn incentive income with respect to such investor during a particular period even though such investor had positive returns in such period as a result of losses in prior periods. If such an investor experiences losses, we will not be able to earn incentive income from such investor until it surpasses the previous high water mark. The incentive income we earn is therefore dependent on the net asset value of investors investments in the fund, which could lead to significant volatility in our results.

Because our revenue, net income and cash flow can be highly variable from quarter to quarter and year to year, we plan not to provide any guidance regarding our expected quarterly and annual operating results. The lack of guidance may affect the expectations of public market analysts and could cause increased volatility in our Class A share price.

The investment management business is intensely competitive, which could materially adversely impact us.

Over the past several years, the size and number of private equity funds and capital markets funds has continued to increase. If this trend continues, it is possible that it will become increasingly difficult for our funds to raise capital as funds compete for investments from a limited number of qualified investors. As the size and number of private equity and capital markets funds increase, it could become more difficult to win attractive investment opportunities at favorable prices. Due to the global economic downturn and generally poor returns in alternative asset investment businesses recently, institutional investors have suffered from decreasing returns,

liquidity pressure, increased volatility and difficulty maintaining targeted asset allocations, and a significant number of investors have materially decreased or temporarily stopped making new fund investments during this period. As the economy begins to recover, such investors may elect to reduce their overall portfolio allocations to alternative investments such as private equity and hedge funds, resulting in a smaller overall pool of available capital in our industry. Even if such investors continue to invest at historic levels, they may seek to negotiate reduced fee structures or other modifications to fund structures as a condition to investing.

In the event all or part of this analysis proves true, when trying to raise new capital we will be competing for fewer total available assets in an increasingly competitive environment which could lead to fee reductions and redemptions as well as difficulty in raising new capital. Such changes would adversely affect our revenues and profitability.

Competition among private equity funds and capital markets funds is based on a variety of factors, including:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers drive, focus and alignment of interest;
- quality of service provided to and duration of relationship with investors;
- business reputation; and
- the level of fees and expenses charged for services.

We compete in all aspects of our businesses with a large number of investment management firms, private equity fund sponsors, capital markets fund sponsors and other financial institutions. A number of factors serve to increase our competitive risks:

- fund investors may develop concerns that we will allow a business to grow to the detriment of its performance;
- investors may reduce their investments in our funds or not make additional investments in our funds based upon current market conditions, their available capital or their perception of the health of our businesses;
- some of our competitors have greater capital, lower targeted returns or greater sector or investment strategy-specific expertise than we do, which creates competitive disadvantages with respect to investment opportunities;
- some of our competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may perceive risk differently than we do, which could allow them either to outbid us for investments in particular sectors or, generally, to consider a wider variety of investments;

some of our funds may not perform as well as competitors funds or other available investment products;

our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment;

some fund investors may prefer to invest with an investment manager that is not publicly traded;

there are relatively few barriers to entry impeding new private equity and capital markets fund management firms, and the successful efforts of new entrants into our various businesses, including

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former star portfolio managers at large diversified financial institutions as well as such institutions themselves, will continue to result in increased competition;

there are no barriers to entry to our businesses, implementing an integrated platform similar to ours or the strategies that we deploy at our funds, such as distressed investing, which we believe are our competitive strengths, except that our competitors would need to hire professionals with the investment expertise or grow it internally; and

other industry participants continuously seek to recruit our investment professionals away from us.

In addition, private equity and capital markets fund managers have each increasingly adopted investment strategies traditionally associated with the other. Capital markets funds have become active in taking control positions in companies, while private equity funds have assumed minority positions in publicly listed companies. This convergence could heighten our competitive risk by expanding the range of asset managers seeking private equity investments and making it more difficult for us to differentiate ourselves from managers of capital markets funds.

These and other factors could reduce our earnings and revenues and materially adversely affect our businesses. In addition, if we are forced to compete with other alternative asset managers on the basis of price, we may not be able to maintain our current management fee and incentive income structures. We have historically competed primarily on the performance of our funds, and not on the level of our fees or incentive income relative to those of our competitors. However, there is a risk that fees and incentive income in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or incentive income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

Our ability to retain our investment professionals is critical to our success and our ability to grow depends on our ability to attract additional key personnel.

Our success depends on our ability to retain our investment professionals and recruit additional qualified personnel. We anticipate that it will be necessary for us to add investment professionals as we pursue our growth strategy. However, we may not succeed in recruiting additional personnel or retaining current personnel, as the market for qualified investment professionals is extremely competitive. Our investment professionals possess substantial experience and expertise in investing, are responsible for locating and executing our funds investments, have significant relationships with the institutions that are the source of many of our funds investment opportunities, and in certain cases have key relationships with our fund investors. Therefore, if our investment professionals join competitors or form competing companies it could result in the loss of significant investment opportunities and certain existing fund investors. Legislation has been proposed in the U.S. Congress to treat portions of carried interest as ordinary income rather than as capital gain for U.S. Federal income tax purposes. Because we compensate our investment professionals in large part by giving them an equity interest in our business or a right to receive carried interest, such legislation could adversely affect our ability to recruit, retain and motivate our current and future investment professionals. See Risks Related to Taxation Our structure involves complex provisions of U.S. Federal income tax law for which no clear precedent or authority may be available. Our structure is also subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis and Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects. The loss of even a small number of our investment professionals could jeopardize the performance of our funds, which would have a material adverse effect on our results of operations. Efforts to retain or attract investment professionals may result in significant additional expenses, which could adversely affect our profitability.

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Our sale of equity interests to the public may harm our ability to provide equity compensation to investment professionals, which could make it more difficult to attract and retain them and could harm aspects of our business.

We might not be able to provide investment professionals with equity interests in our business to the same extent or with the same tax consequences as we did prior to the Private Offering Transactions. Therefore, in order to recruit and retain existing and future investment professionals, we may need to increase the level of compensation that we pay to them. Accordingly, as we promote or hire new investment professionals over time, we may increase the level of compensation we pay to our investment professionals, which would cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability. In addition, any issuance of equity interests in our business to investment professionals would dilute the holders of Class A shares.

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with investors. The effects of becoming public, including potential changes in our compensation structure, could adversely affect this culture. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain this culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses, both geographically and into complementary new investment strategies. We may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the diversion of management s attention from our core businesses;
- the disruption of our ongoing businesses;
- entry into markets or businesses in which we may have limited or no experience;
- increasing demands on our operational systems;
- potential increase in investor concentration; and
- the broadening of our geographic footprint, increasing the risks associated with conducting operations in foreign jurisdictions.

Additionally, any expansion of our businesses could result in significant increases in our outstanding indebtedness and debt service requirements, which would increase the risks in investing in our Class A shares and may adversely impact our results of operations and financial condition.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability, or in identifying and acquiring new businesses that increase our profitability. Because we have not yet identified these potential new investment strategies, geographic markets or businesses, we cannot identify for you all the risks we may face and the potential adverse consequences on us and your investment that may result from our attempted expansion. We also do not know how long it may take for us to expand, if we do so at all. We have total discretion, at the direction of our manager, without needing to seek approval from our board of directors or shareholders, to enter into new investment strategies, geographic markets and businesses, other than expansions involving transactions with affiliates which may require limited board approval.

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Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities.

Many of our funds invest in securities that are not publicly traded. In many cases, our funds may be prohibited by contract or by applicable securities laws from selling such securities for a period of time. Our funds will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available. Accordingly, our funds may be forced, under certain conditions, to sell securities at a loss. The ability of many of our funds, particularly our private equity funds, to dispose of investments is heavily dependent on the public equity markets, inasmuch as the ability to realize value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is held. Furthermore, large holdings even of publicly traded equity securities can often be disposed of only over a substantial period of time, exposing the investment returns to risks of downward movement in market prices during the disposition period.

Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments.

Because many of our private equity funds investments rely heavily on the use of leverage, our ability to achieve attractive rates of return on investments will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company s total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company s leverage will often increase in recapitalization transactions subsequent to the company s acquisition by a private equity fund. The absence of available sources of senior debt financing for extended periods of time could therefore materially and adversely affect our private equity funds. An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance those investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Availability of capital from the high-yield debt markets is subject to significant volatility, and there may be times when we might not be able to access those markets at attractive rates, or at all. For example, the dislocation in the credit markets which we believe began in July 2007 and the record backlog of supply in the debt markets resulting from such dislocation has materially affected the ability and willingness of banks to underwrite new high-yield debt securities.

Investments in highly leveraged entities are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity s ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;

- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness, leading to a bankruptcy or other reorganization of the entity and a loss of part or all of the equity investment in it;

- limit the entity s ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;

- limit the entity s ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and

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limit the entity s ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

As a result, the risk of loss associated with a leveraged entity is generally greater than for companies with comparatively less debt. For example, many investments consummated by private equity sponsors during the past three years which utilized significant amounts of leverage are experiencing severe economic stress and may default on their debt obligations due to a decrease in revenues and cash flow precipitated by the recent economic downturn.

When our private equity funds existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the current unusually limited availability of financing for such purposes were to persist for several years, when significant amounts of the debt incurred to finance our private equity funds existing portfolio investments start to come due, these funds could be materially and adversely affected.

Our capital markets funds may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. The fund may borrow money from time to time to purchase or carry securities. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried, and will be lost and the timing and magnitude of such losses may be accelerated or exacerbated in the event of a decline in the market value of such securities. Gains realized with borrowed funds may cause the fund s net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund s net asset value could also decrease faster than if there had been no borrowings. In addition, as a business development company under the Investment Company Act, AIC is permitted to issue senior securities in amounts such that its asset coverage ratio equals at least 200% after each issuance of senior securities. AIC s ability to pay dividends will be restricted if its asset coverage ratio falls below at least 200% and any amounts that it uses to service its indebtedness are not available for dividends to its common stockholders. An increase in interest rates could also decrease the value of fixed-rate debt investments that our funds make. Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

The requirements of being a public entity may strain our resources.

Once the registration statement of which this prospectus forms a part becomes effective, we will be subject to the reporting requirements of the Exchange Act and requirements of the U.S. Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. These requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our businesses and financial condition. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting, which is discussed below. In order to maintain and improve the effectiveness of our disclosure controls and procedures, significant resources and management oversight will be required. We have not had to prepare and file such reports in the past. We will be implementing additional procedures and processes for the purpose of addressing the standards and requirements applicable to public companies. We expect to incur significant additional annual expenses related to these steps and, among other things, additional directors and officers liability insurance, director fees, reporting requirements of the SEC, transfer agent fees, hiring additional accounting, legal and administrative personnel, increased auditing and legal fees and similar expenses.

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Our internal control over financial reporting does not currently meet all of the standards contemplated by Section 404 of the Sarbanes-Oxley Act, and failure to achieve and maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our businesses and stock price.

We have not previously been required to comply with the requirements of the Sarbanes-Oxley Act, including the internal control evaluation and certification requirement of Section 404 of that statute, and we will not be required to comply with all those requirements until after we have been subject to the requirements of the Exchange Act for a specified period. We are in the process of addressing our internal control over, and policies and processes related to, financial reporting and the identification of key financial reporting risks, assessment of their potential impact and linkage of those risks to specific areas and activities within our organization.

We have begun the process of documenting and evaluating our internal control procedures pursuant to the requirements of Section 404, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing these assessments. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of applicable stock exchange listing rules, and result in a breach of the covenants under the AMH credit facility. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us and lead to a decline in our share price. In addition, we will incur incremental costs in order to improve our internal control over financial reporting and comply with Section 404, including increased auditing and legal fees and costs associated with hiring additional accounting and administrative staff. These costs will be significant and are not reflected in our financial statements.

The potential requirement to convert our financial statements from being prepared in conformity with accounting principles generally accepted in the United States of America to International Financial Reporting Standards may strain our resources and increase our annual expenses.

As a public entity, the SEC may require in the future that we report our financial results under International Financial Reporting Standards, or IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board, or IASB, and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect Apollo. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of Apollo, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

Operational risks relating to the execution, confirmation or settlement of transactions, our dependence on our headquarters in New York City and third-party providers may disrupt our businesses, result in losses or limit our growth.

We face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our credit-oriented capital markets business is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate

manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. New investment products we may introduce could create a significant risk that our existing systems may not be adequate to identify or control the relevant risks in the investment strategies employed by such new investment products. In addition, our information systems and technology might not be able to accommodate our growth, and the cost of maintaining such systems might increase from its current level. These risks could cause us to suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention and reputational damage.

Furthermore, we depend on our headquarters, which is located in New York City, for the operation of many of our businesses. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us or third parties with whom we conduct business, or directly affecting our headquarters, may have an adverse impact on our ability to continue to operate our businesses without interruption which could have a material adverse effect on us. Although we have disaster recovery programs in place, these may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses.

Finally, we rely on third-party service providers for certain aspects of our businesses, including for certain information systems, technology and administration of our funds and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of the funds operations and could impact our reputation and adversely affect our businesses and limit our ability to grow.

We derive a substantial portion of our revenues from funds managed pursuant to management agreements that may be terminated or fund partnership agreements that permit fund investors to request liquidation of investments in our funds on short notice.

The terms of our funds generally give either the general partner of the fund or the fund s board of directors the right to terminate our investment management agreement with the fund. However, insofar as we control the general partner of our funds that are limited partnerships, the risk of termination of investment management agreement for such funds is limited, subject to our fiduciary or contractual duties as general partner. This risk is more significant for certain of our capital markets funds, which have independent boards of directors.

With respect to our funds that are subject to the Investment Company Act, each fund s investment management agreement must be approved annually by such funds board of directors or by the vote of a majority of the shareholders and the majority of the independent members of such fund s board of directors and, as required by law. The funds investment management agreement can also be terminated by the majority of the shareholders. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations. Currently, AIC is the only Apollo fund that is subject to these provisions of the Investment Company Act, as it has elected to be treated as a business development company under the Investment Company Act.

In addition, in connection with the deconsolidation of certain of our private equity and capital markets funds, the governing documents of those funds were amended to provide that a simple majority of a fund s unaffiliated investors have the right to liquidate that fund, which would cause management fees and incentive income to terminate. Our ability to realize incentive income from such funds also would be adversely affected if we are required to liquidate fund investments at a time when market conditions result in our obtaining less for investments than could be obtained at later times. Because this right is a new one, we do not know whether, and under what circumstances, the investors in our funds are likely to exercise such right.

In addition, the management agreements of our funds would terminate if we were to experience a change of control without obtaining investor consent. Such a change of control could be deemed to occur in the event our managing partners exchange enough of their interests in the Apollo Operating Group into our Class A shares such that our managing partners no longer own a controlling interest in us. We cannot be certain that consents

required for the assignment of our management agreements will be obtained if such a deemed change of control occurs. Termination of these agreements would affect the fees we earn from the relevant funds and the transaction and advisory fees we earn from the underlying portfolio companies, which could have a material adverse effect on our results of operations.

Our use of leverage to finance our businesses will expose us to substantial risks, which are exacerbated by our funds use of leverage to finance investments.

We have a term loan outstanding under the AMH credit facility. We may choose to finance our business operations through further borrowings. Our existing and future indebtedness exposes us to the typical risks associated with the use of leverage, including those discussed below under Dependence on significant leverage in investments by our funds could adversely affect our ability to achieve attractive rates of return on those investments. These risks are exacerbated by certain of our funds use of leverage to finance investments and, if they were to occur, could cause us to suffer a decline in the credit ratings assigned to our debt by rating agencies, which might result in an increase in our borrowing costs or result in other material adverse effects on our businesses.

Borrowings under the AMH credit facility mature on April 20, 2014. As these borrowings and other indebtedness matures, we will be required to either refinance them by entering into new facilities, which could result in higher borrowing costs, or issuing equity, which would dilute existing shareholders. We could also repay them by using cash on hand or cash from the sale of our assets. We could have difficulty entering into new facilities or issuing equity in the future on attractive terms, or at all.

Borrowings under the AMH credit facility are either LIBOR or ABR-based floating-rate obligations. As a result, an increase in short-term interest rates will increase our interest costs to the extent such borrowings have not been hedged into fixed rates.

We are subject to third-party litigation that could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.

In general, we will be exposed to risk of litigation by our investors if our management of any fund is alleged to constitute bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. Investors could sue us to recover amounts lost by our funds due to our alleged misconduct, up to the entire amount of loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of our funds or from allegations that we improperly exercised control or influence over companies in which our funds have large investments. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities in our funds and actions taken by the officers and directors (some of whom may be Apollo employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies in which our funds have large investments. We are also exposed to risks of litigation or investigation relating to transactions that presented conflicts of interest that were not properly addressed. In addition, our rights to indemnification by the funds we manage may not be upheld if challenged, and our indemnification rights generally do not cover bad faith, gross negligence, willful misconduct, fraud, willful or reckless disregard for our duties to the fund or other forms of misconduct. If we are required to incur all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from our funds, our results of operations, financial condition and liquidity would be materially adversely affected.

In addition, with a workforce that includes many very highly paid investment professionals, we face the risk of lawsuits relating to claims for compensation, which may individually or in the aggregate be significant in amount. Such claims are more likely to occur in the current environment where individual employees may experience significant volatility in their year-to-year compensation due to trading performance or other issues and in situations where previously highly compensated employees were terminated for performance or efficiency reasons. The cost of settling such claims could adversely affect our results of operations.

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If any lawsuits brought against us were to result in a finding of substantial legal liability, the lawsuit could, in addition to any financial damage, cause significant reputational harm to us, which could seriously harm our business. We depend to a large extent on our business relationships and our reputation for integrity and high-caliber professional services to attract and retain investors and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

Our failure to deal appropriately with conflicts of interest could damage our reputation and adversely affect our businesses.

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to our funds investment activities. Certain of our funds may have overlapping investment objectives, including funds that have different fee structures, and potential conflicts may arise with respect to our decisions regarding how to allocate investment opportunities among those funds. For example, a decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund gives rise to a potential conflict of interest when it results in our having to restrict the ability of other funds to take any action. In addition, fund investors (or holders of Class A shares) may perceive conflicts of interest regarding investment decisions for funds in which our managing partners, who have and may continue to make significant personal investments in a variety of Apollo funds, are personally invested. Similarly, conflicts of interest may exist in the valuation of our investments and regarding decisions about the allocation of specific investment opportunities among us and our funds and the allocation of fees and costs among us, our funds and their portfolio companies.

Pursuant to the terms of our operating agreement, whenever a potential conflict of interest exists or arises between any of the managing partners, one or more directors or their respective affiliates, on the one hand, and us, any of our subsidiaries or any shareholder other than a managing partner, on the other, any resolution or course of action by our board of directors shall be permitted and deemed approved by all shareholders if the resolution or course of action (i) has been specifically approved by a majority of the voting power of our outstanding voting shares (excluding voting shares owned by our manager or its affiliates) or by a conflicts committee of the board of directors composed entirely of one or more independent directors, (ii) is on terms no less favorable to us or our shareholders (other than a managing partner) than those generally being provided to or available from unrelated third parties or (iii) it is fair and reasonable to us and our shareholders taking into account the totality of the relationships between the parties involved. All conflicts of interest described in this prospectus will be deemed to have been specifically approved by all shareholders. Notwithstanding the foregoing, it is possible that potential or perceived conflicts could give rise to investor dissatisfaction or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest would have a material adverse effect on our reputation which would materially adversely affect our businesses in a number of ways, including as a result of redemptions by our investors from our funds, an inability to raise additional funds and a reluctance of counterparties to do business with us.

Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.

We intend, to the extent that market conditions warrant, to grow our businesses by increasing AUM in existing businesses and expanding into new investment strategies, geographic markets and businesses. Our organizational documents, however, do not limit us to the investment management business. Accordingly, we may pursue growth through acquisitions of other investment management companies, acquisitions of critical

business partners or other strategic initiatives, which may include entering into new lines of business, such as the insurance, broker-dealer or financial advisory industries. In addition, we expect opportunities will arise to acquire other alternative or traditional asset managers. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with (i) the required investment of capital and other resources, (ii) the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, (iii) combining or integrating operational and management systems and controls and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

Employee misconduct could harm us by impairing our ability to attract and retain investors and by subjecting us to significant legal liability, regulatory scrutiny and reputational harm.

Our reputation is critical to maintaining and developing relationships with the investors in our funds, potential fund investors and third parties with whom we do business. In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. There is a risk that our employees could engage in misconduct that adversely affects our businesses. For example, if an employee were to engage in illegal or suspicious activities, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, investor relationships and ability to attract future investors. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. Misconduct by our employees, or even unsubstantiated allegations, could result in a material adverse effect on our reputation and our businesses.

The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.

Before making investments in private equity and other investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

Certain of our funds utilize special situation and distressed debt investment strategies that involve significant risks.

Our funds often invest in obligors and issuers with weak financial conditions, poor operating results, substantial financial needs, negative net worth and/or special competitive problems. These funds also invest in obligors and issuers that are involved in bankruptcy or reorganization proceedings. In such situations, it may be difficult to obtain full information as to the exact financial and operating conditions of these obligors and issuers. Additionally, the fair values of such investments are subject to abrupt and erratic market movements and significant price volatility if they are publicly traded securities, and are subject to significant uncertainty in

general if they are not publicly traded securities. Furthermore, some of our funds distressed investments may not be widely traded or may have no recognized market. A fund s exposure to such investments may be substantial in relation to the market for those investments, and the assets are likely to be illiquid and difficult to sell or transfer. As a result, it may take a number of years for the market value of such investments to ultimately reflect their intrinsic value as perceived by us.

A central feature of our distressed investment strategy is our ability to successfully predict the occurrence of certain corporate events, such as debt and/or equity offerings, restructurings, reorganizations, mergers, takeover offers and other transactions, that we believe will improve the condition of the business. If the corporate event we predict is delayed, changed or never completed, the market price and value of the applicable fund s investment could decline sharply.

In addition, these investments could subject us to certain potential additional liabilities that may exceed the value of our original investment. Under certain circumstances, payments or distributions on certain investments may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, a preferential payment or similar transaction under applicable bankruptcy and insolvency laws. In addition, under certain circumstances, a lender that has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated or disallowed, or may be found liable for damages suffered by parties as a result of such actions. In the case where the investment in securities of troubled companies is made in connection with an attempt to influence a restructuring proposal or plan of reorganization in bankruptcy, our funds may become involved in substantial litigation.

We often pursue investment opportunities that involve business, regulatory, legal or other complexities.

As an element of our investment style, we often pursue unusually complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time-consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny or a greater risk of contingent liabilities. Any of these risks could harm the performance of our funds.

Our funds make investments in companies that we do not control.

Investments by our capital markets funds (and, in certain instances, our private equity funds) will include debt instruments and equity securities of companies that we do not control. Such instruments and securities may be acquired by our funds through trading activities or through purchases of securities from the issuer. In the future, our private equity funds may seek to acquire minority equity interests more frequently and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Our funds may face risks relating to undiversified investments.

While diversification is generally an objective of our funds, we cannot give assurance as to the degree of diversification that will actually be achieved in any fund investments. Because a significant portion of a fund s capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a significant adverse impact on such fund s capital. This risk is exacerbated by co-investments that we cause AAA to undertake. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund s performance and therefore, our financial condition and results of operations.

Some of our funds invest in foreign countries and securities of issuers located outside of the United States, which may involve foreign exchange, political, social and economic uncertainties and risks.

Some of our funds invest a portion of their assets in the equity, debt, loans or other securities of issuers located outside the United States, including, Germany, China and Singapore. In addition to business uncertainties, such investments may be affected by changes in exchange values as well as political, social and economic uncertainty affecting a country or region. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments may adversely impact the value of our fund investments. Such restrictions or actions could include exchange controls, seizure or nationalization of foreign deposits or other assets and adoption of other governmental restrictions that adversely affect the prices of securities or the ability to repatriate profits on investments or the capital invested itself. Income received by our funds from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by a fund will reduce the net income or return from such investments. While our funds will take these factors into consideration in making investment decisions, including when hedging positions, our funds may not be able to fully avoid these risks or generate sufficient risk-adjusted returns.

Third-party investors in our funds will have the right under certain circumstances to terminate commitment periods or to dissolve the funds, and investors in our hedge funds may redeem their investments in our hedge funds at any time after an initial holding period of 12 to 36 months. These events would lead to a decrease in our revenues, which could be substantial.

The governing agreements of certain of our funds allow the limited partners of those funds to (i) terminate the commitment period of the fund in the event that certain key persons (for example, one or more of our managing partners and/or certain other investment professionals) fail to devote the requisite time to managing the fund, (ii) (depending on the fund) terminate the commitment period, dissolve the fund or remove the general partner if we, as general partner or manager, or certain key persons engage in certain forms of misconduct, or (iii) dissolve the fund or terminate the commitment period upon the affirmative vote of a specified percentage of limited partner interests entitled to vote. Both Fund VI and Fund VII, on which our near- to medium-term performance will heavily depend, include a number of such provisions. Also, in order to deconsolidate most of our funds for financial reporting purposes, we amended the governing documents of those funds to provide that a simple majority of a fund s unaffiliated investors have the right to liquidate that fund. In addition to having a significant negative impact on our revenue, net income and cash flow, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damage to us.

Investors in our hedge funds may also generally redeem their investments on an annual, semiannual or quarterly basis following the expiration of a specified period of time when capital may not be redeemed (typically between one and five years). Fund investors may decide to move their capital away from us to other investments for any number of reasons in addition to poor investment performance. Factors which could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with changes in or broadening of a fund s investment strategy, changes in our reputation and departures or changes in responsibilities of key investment professionals. In a declining market, the pace of redemptions and consequent reduction in our Assets Under Management could accelerate. The decrease in revenues that would result from significant redemptions in these funds could have a material adverse effect on our businesses, revenues, net income and cash flows.

In addition, the management agreements of all of our funds would be terminated upon an assignment, without the requisite consent, of these agreements, which may be deemed to occur in the event the investment advisers of our funds were to experience a change of control. We cannot be certain that consents required to

assignments of our investment management agreements will be obtained if a change of control occurs. In addition, with respect to our publicly traded closed-end mezzanine funds, each fund s investment management agreement must be approved annually by the independent members of such fund s board of directors and, in certain cases, by its stockholders, as required by law. Termination of these agreements would cause us to lose the fees we earn from such funds.

Our financial projections for portfolio companies could prove inaccurate.

Our funds generally establish the capital structure of portfolio companies on the basis of financial projections for such portfolio companies. These projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. General economic conditions, which are not predictable, along with other factors may cause actual performance to fall short of the financial projections we used to establish a given portfolio company s capital structure. Because of the leverage we typically employ in our investments, this could cause a substantial decrease in the value of our equity holdings in the portfolio company. The inaccuracy of financial projections could thus cause our funds performance to fall short of our expectations.

Fraud and other deceptive practices could harm fund performance.

Instances of fraud and other deceptive practices committed by senior management of portfolio companies in which an Apollo fund invests may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of a fund s investments. In addition, when discovered, financial fraud may contribute to overall market volatility that can negatively impact an Apollo fund s investment program. As a result, instances of fraud could result in fund performance that is poorer than expected.

Contingent liabilities could harm fund performance.

We may cause our funds to acquire an investment that is subject to contingent liabilities. Such contingent liabilities could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for our funds. In addition, in connection with the disposition of an investment in a portfolio company, a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. A fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by a fund, even after the disposition of an investment. Accordingly, the inaccuracy of representations and warranties made by a fund could harm such fund s performance.

Our funds may be forced to dispose of investments at a disadvantageous time.

Our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

Possession of material, non-public information could prevent Apollo funds from undertaking advantageous transactions; our internal controls could fail; we could determine to establish information barriers.

Our managing partners, investment professionals or other employees may acquire confidential or material non-public information and, as a result, be restricted from initiating transactions in certain securities. This risk

affects us more than it does many other investment managers, as we generally do not use information barriers that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Our decision not to implement these barriers could prevent our investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise.

In order to manage possible risks resulting from our decision not to implement information barriers, our compliance personnel maintain a list of restricted securities as to which we have access to material, non-public information and in which our funds and investment professionals are not permitted to trade. This internal control relating to the management of material non-public information could fail and with the result that we, or one of our investment professionals, might trade when at least constructively in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on our reputation, result in the imposition of regulatory or financial sanctions and as a consequence, negatively impact our financial condition. In addition, we could in the future decide that it is advisable to establish information barriers, particularly as our business expands and diversifies. In such event, our ability to operate as an integrated platform will be restricted. The establishment of such information barriers may also lead to operational disruptions and result in restructuring costs, including costs related to hiring additional personnel as existing investment professionals are allocated to either side of such barriers, which may adversely affect our business.

Regulations governing AIC s operation as a business development company affect its ability to raise, and the way in which it raises, additional capital.

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

Business development companies may issue and sell common stock at a price below net asset value per share only in limited circumstances, one of which is during the one-year period after stockholder approval. In August 2008, AIC s stockholders approved a plan so that AIC may, in one or more public or private offerings of its common stock, sell or otherwise issue shares of its common stock at a price below the then current net asset value per share, subject to certain conditions including parameters on the level of permissible dilution, approval of the sale by a majority of its independent directors and a requirement that the sale price be not less than approximately the market price of the shares of its common stock at specified times, less the expenses of the sale. AIC may ask its stockholders for additional approvals from year to year. There is no assurance such approvals will be obtained.

Our hedge funds are subject to numerous additional risks.

Our hedge funds are subject to numerous additional risks, including the risks set forth below.

Generally, there are few limitations on the execution of these funds investment strategies, which are subject to the sole discretion of the management company or the general partner of such funds.

These funds may engage in short-selling, which is subject to a theoretically unlimited risk of loss.

These funds are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss.

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- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions.

- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments, which can be difficult to execute.

- These funds may make investments or hold trading positions in markets that are volatile and which may become illiquid.

- These funds investments are subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to a theoretically unlimited risk of loss in certain circumstances.

Risks Related to This Offering

There is no existing public market for our Class A shares, and we do not know if one will develop, which could impede your ability to sell your Class A shares and depress the market price of our Class A shares.

Prior to the offering, our Class A shares have traded on GSTrUE and, as such, there has not been a public market for our Class A shares. We cannot predict the extent to which investor interest in the company will lead to the development of an active trading market on the NYSE or otherwise or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our Class A shares. The initial public offering price for our Class A shares will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following the offering. See Underwriting. Consequently, you may not be able to sell our Class A shares at prices equal to or greater than the price you paid in the offering.

The market price and trading volume of our Class A shares may be volatile, which could result in rapid and substantial losses for our shareholders.

Even if an active trading market develops, the market price of our Class A shares may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A shares may fluctuate and cause significant price variations to occur. If the market price of our Class A shares declines significantly, you may be unable to resell your Class A shares at or above your purchase price, if at all. The market price of our Class A shares may fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A shares or result in fluctuations in the price or trading volume of our Class A shares include:

- variations in our quarterly operating results or dividends, which variations we expect will be substantial;

- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;

- failure to meet analysts earnings estimates;

- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A shares after this offering;

- additions or departures of our managing partners and other key management personnel;

adverse market reaction to any indebtedness we may incur or securities we may issue in the future;

actions by shareholders;

changes in market valuations of similar companies;

speculation in the press or investment community;

changes or proposed changes in laws or regulations or differing interpretations thereof affecting our businesses or enforcement of these laws and regulations, or announcements relating to these matters;

- a lack of liquidity in the trading of our Class A shares;
- adverse publicity about the asset management industry generally or individual scandals, specifically; and
- general market and economic conditions.

In addition, from time to time, management may also declare special quarterly distributions based on investment realizations. Volatility in the market price may be heightened at or around times of investment realizations as well as following such realization, as a result of speculation as to whether such a distribution may be declared.

An investment in Class A shares is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

This prospectus is solely an offer with respect to Class A shares, and is not an offer directly or indirectly of any securities of any of our funds. Class A shares are securities of Apollo Global Management, LLC only. While our historical consolidated and combined financial information includes financial information, including assets and revenues, of certain Apollo funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except through management fees, incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this prospectus.

Our Class A share price may decline due to the large number of shares eligible for future sale and for exchange into Class A shares.

The market price of our Class A shares could decline as a result of sales of a large number of our Class A shares or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate. We will have Class A shares outstanding immediately after the offering, not including approximately 32.0 million Class A shares or share units granted to certain employees and consultants under our equity incentive plan, of which approximately 12.1 million were vested as of December 31, 2009 and approximately 19.9 million remain subject to vesting. Furthermore, of our Class A shares are subject to the shelf registration statement of which this prospectus forms a part. Of the Class A shares being registered for resale pursuant to the shelf registration statement, Class A shares will be immediately available for sale on the shelf effectiveness date and Class A shares will be available for sale days after the date of this prospectus upon the expiration of the lock-up agreement to be entered into between the selling shareholders in the offering and the underwriters in the offering, assuming no exercise of the underwriters option to purchase additional shares. The Class A shares reserved under our equity incentive plan are increased on the first day of each fiscal year during the plan s term by the lesser of (x) the excess of (i) 15% of the number of outstanding Class A shares of the company and the number of outstanding Apollo Operating Group units on the last day of the immediately preceding fiscal year over (ii) the number of shares reserved and available for issuance under our equity incentive plan as of such date or (y) such lesser amount by which the administrator may decide to increase the number of Class A shares. Following such increase and grants of RSUs made through June 30, 2010, 39,272,106 Class A shares remained available for future grant under our equity incentive plan. In addition, Holdings may at any time exchange its Apollo Operating Group units for up to 240,000,000 Class A shares on behalf of our managing partners and contributing partners. We may also elect to sell additional Class A shares in one or more future primary offerings.

Our managing partners and contributing partners, through their partnership interests in Holdings, will own an aggregate of % of the Apollo Operating Group units immediately after the offering. Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and contributing partners and any applicable transfer restrictions and lock-up agreements) each managing partner and contributing

partner has the right, upon 60 days notice prior to a designated quarterly date, to exchange the Apollo Operating Group units for Class A shares. BRH Holdings, L.P., Holdings, certain of our executive officers and the Strategic Investors have agreed with the initial purchasers not to dispose of or hedge any of our Class A shares, subject to specified exceptions, through the date that is 180 days after the shelf effectiveness date, except with the prior written consent of the representatives of the initial purchasers. In addition, certain of our executive officers, directors, employees and affiliates will enter into lock-up agreements with underwriters in the offering and will agree not to dispose of or hedge any of our Class A shares, subject to specified exceptions, through the date that is days after the date of this prospectus, except with the prior written consent of the underwriters in the offering. After the expiration of the applicable lock-up period, these Class A shares will be eligible for resale from time to time, subject to certain contractual restrictions and Securities Act limitations. Under certain circumstances, the applicable lock-up period may be extended.

We and our manager will enter into lock-up agreements with underwriters in the offering and will agree not to dispose of or hedge any of our Class A shares, subject to specified exceptions, through the date that is days after the date of this prospectus, except with the prior written consent of the underwriters in the offering.

The selling shareholders in the offering will also enter into lock-up agreements with the underwriters in the offering and will agree not to dispose of or hedge any of our Class A shares, subject to specified exceptions, through the date that is days after the date of this prospectus, except with the prior written consent of the underwriters in the offering.

After the expiration of their lock-up period, our managing partners and contributing partners (through Holdings) will have the ability to cause us to register the Class A shares they acquire upon exchange of their Apollo Operating Group units. Such rights will be exercisable beginning two years after the shelf effectiveness date.

The Strategic Investors will have the ability to cause us to register any of their non-voting Class A shares beginning two years after the shelf effectiveness date, and, generally, may only transfer their non-voting Class A shares prior to such time to its controlled affiliates.

We intend to file with the SEC a registration statement on Form S-8 covering the shares issuable under our equity incentive plan. Subject to vesting and contractual lock-up arrangements, upon effectiveness of the registration statement on Form S-8, such shares will be freely tradable.

You will suffer an immediate and substantial dilution in the net tangible book value of the Class A shares you purchase.

The initial offering price is substantially higher than the net tangible book value per share of the outstanding Class A shares immediately after this offering. Accordingly, based on an assumed initial public offering price of $ per share (the midpoint of the estimated offering price range set forth on the front cover of this prospectus), purchasers of Class A shares in this offering will experience immediate and substantial dilution of approximately $ per share in net tangible book value of the Class A shares. See Dilution, including the discussion of the effects on dilution from a change in the price of this offering.

We cannot assure you that our intended quarterly dividends will be paid each quarter or at all.

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable laws and regulations, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter. The declaration, payment and determination of the amount of our quarterly dividend, if any, will be at the sole discretion of our manager, who may change our dividend policy at any time. We cannot assure you that any dividends, whether quarterly or otherwise, will or can

be paid. In making decisions regarding our quarterly dividend, our manager considers general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of dividends by us to our common shareholders or by our subsidiaries to us, and such other factors as our manager may deem relevant.

Our managing partners beneficial ownership of interests in the Class B share that we have issued to BRH, the control exercised by our manager and anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our managing partners, through their ownership of BRH, beneficially own the Class B share that we have issued to BRH. The managing partners interests in such Class B share will represent % of the total combined voting power of our shares entitled to vote immediately after the offering. As a result, they are able to exercise control over all matters requiring the approval of shareholders and are able to prevent a change in control of our company. In addition, our operating agreement provides that so long as the Apollo control condition is satisfied, our manager, which is owned and controlled by our managing partners, manages all of our operations and activities. The control of our manager will make it more difficult for a potential acquirer to assume control of us. Other provisions in our operating agreement may also make it more difficult and expensive for a third party to acquire control of us even if a change of control would be beneficial to the interests of our shareholders. For example, our operating agreement requires advance notice for proposals by shareholders and nominations, places limitations on convening shareholder meetings, and authorizes the issuance of preferred shares that could be issued by our board of directors to thwart a takeover attempt. In addition, certain provisions of Delaware law may delay or prevent a transaction that could cause a change in our control. The market price of our Class A shares could be adversely affected to the extent that our managing partners control over us, the control exercised by our manager as well as provisions of our operating agreement discourage potential takeover attempts that our shareholders may favor.

We are a Delaware limited liability company, and there are certain provisions in our operating agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our Class A shareholders.

Our operating agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our operating agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our operating agreement may be less protective of the interests of our Class A shareholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus may contain forward-looking statements that reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, should, seeks, approximately, predicts, intends, plans or the negative version of those words or other comparable words. Any forward-looking statements contained in this prospectus are based upon our historical performance and our current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity. If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, our actual results may vary materially from those indicated in these statements. These factors should not be construed as exhaustive and should be read in conjunction with the risk factors and other cautionary statements that are included in this prospectus. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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MARKET AND INDUSTRY DATA AND FORECASTS

This prospectus includes market and industry data and forecasts from independent consultant reports, publicly available information, various industry publications, other published industry sources and our internal data, estimates and forecasts. Independent consultant reports, industry publications and other published industry sources generally indicate that the information contained therein was obtained from sources believed to be reliable.

Our internal data, estimates and forecasts are based upon information obtained from our investors, partners, trade and business organizations and other contacts in the markets in which we operate and our management s understanding of industry conditions. Although we believe that such information is reliable, we have not had such information verified by any independent sources.

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OUR STRUCTURE

Apollo Global Management, LLC was formed as a Delaware limited liability company for the purposes of completing the Reorganization, the Strategic Investors Transaction and the Private Offering Transactions and conducting our businesses as a publicly held entity. Apollo Global Management, LLC is a holding company whose primary assets are 100% of the general partner interests in each limited partnership included in the Apollo Operating Group, which is described below under Reorganization Holding Company Structure. Immediately after the offering, % of the limited partner interests of the Apollo Operating Group entities will be held by Apollo Global Management, LLC through intermediate holding companies, and the remaining % of the limited partner interests of the Apollo Operating Group entities will be owned directly by Holdings, an entity 100% owned, directly and indirectly, by our managing partners and contributing partners. The limited partner interests that the company and Holdings own in the Apollo Operating Group entities represent the company s and Holdings economic interests in the Apollo Operating Group. With limited exceptions, the Apollo Operating Group owns each of the operating entities included in our historical consolidated and combined financial statements as described below under Reorganization Our Assets. Prior to the Reorganization, our business was conducted through a number of entities as to which there was no single holding entity but that were separately owned by our managing partners. In order to facilitate the Rule 144A Offering, which closed on August 8, 2007, we effected the Reorganization to form a new holding company structure. Additional entities were formed in 2008 to create our current holding company structure.

Apollo Global Management, LLC is owned by its Class A and Class B shareholders. Holders of our Class A shares and Class B share vote as a single class on all matters presented to the shareholders, although the Strategic Investors do not have voting rights in respect of any of their Class A shares. We have issued to BRH a single Class B share solely for purposes of granting voting power to BRH. BRH is the general partner of Holdings and is a Cayman Islands exempted company owned and controlled by our managing partners. The Class B share does not represent an economic interest in Apollo Global Management, LLC. The voting power of the Class B share will, however, increase or decrease with corresponding changes in Holdings economic interest in the Apollo Operating Group.

Our shareholders vote together as a single class on the limited set of matters on which shareholders have a vote. Such matters include a proposed sale of all or substantially all of our assets, certain mergers and consolidations, certain amendments to our operating agreement and an election by our manager to dissolve the company.

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The diagram below depicts our current organizational structure immediately after the offering.[(1)]

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(1) Immediately after the offering, the Public Investors will hold % of the Class A shares, the CS Investor will hold % of the Class A shares, and the Strategic Investors will hold % of the Class A shares. Immediately after the offering, the Class A shares held by the Public Investors will represent % of the total voting power of our shares entitled to vote and % of the economic interests in the Apollo Operating Group. Immediately after the offering, Class A shares held by the CS Investor will represent % of the total voting power of our shares entitled to vote and % of the economic interests in the Apollo Operating Group. Class A shares held by the Strategic Investors do not have voting rights and immediately after the offering, will represent % of the economic interests in the Apollo Operating Group. Such Class A shares will become entitled to vote upon transfers by a Strategic Investor in accordance with the agreements entered into in connection with the Strategic Investors Transaction.

(2) Our managing partners own BRH, which in turn holds our only outstanding Class B share. Immediately after the offering, the Class B share will represent % of the total voting power of our shares entitled to vote but no economic interest in Apollo Global Management, LLC. Our managing partners economic interests are instead represented by their indirect ownership, through Holdings, of % of the limited partner interests in the Apollo Operating Group immediately after the offering.

(3) Through BRH Holdings, L.P., our managing partners own limited partnership interests in Holdings.

(4) Immediately after the offering, will represent % of the limited partner interests in each Apollo Operating Group entity. The Apollo Operating Group units held by Holdings are exchangeable for Class A shares, as described below under Reorganization Equity Interests Retained by Our Managing Partners and Contributing Partners. Our managing partners, through their interest in BRH and Holdings, will own % of the Apollo Operating Group units immediately after the offering. Our contributing partners, through their ownership interests in Holdings, will own % of the Apollo Operating Group units immediately after the offering.

(5) BRH is the sole member of AGM Management, LLC, our manager. The management of Apollo Global Management, LLC is vested in our manager as provided in our operating agreement. See Description of Shares Operating Agreement for a description of the authority that our manager exercises.

(6) Immediately after the offering, will represent % of the limited partner interests in each Apollo Operating Group entity, held through intermediate holding companies. Apollo Global Management, LLC also indirectly owns 100% of the general partner interests in each Apollo Operating Group entity.

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(1) Apollo Principal Holdings I, L.P. holds 100% of the non-economic general partner interests in the domestic general partners set forth below its name in the chart above. It also holds between 50% and 67% (depending on the particular fund investment) of all limited partner interests in the domestic general partners set forth below its name. The remaining limited partner interests in these domestic general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations. Apollo Principal Holdings I, L.P. also holds 100% of the limited partner interests in Apollo Co-Investors VI (D), L.P. and Apollo Co-Investors VII (D), L.P. The general partner interest in Apollo Co-Investors VI (D), L.P. and Apollo Co-Investors VII (D), L.P. is held by Apollo Co-Investors Manager, LLC, which is solely owned by one of our managing partners. Apollo Principal Holdings I, L.P. is also the sole owner of AGRE CMBS GP LLC.

(2) Other than with respect to AAA Guernsey Limited and the general partner of AAA Associates, L.P., Apollo Principal Holdings III, L.P. holds 100% of the non-economic general partner interests in the foreign general partners set forth below its name in the chart above. With respect to AAA Guernsey Limited and the general partner of AAA Associates, L.P., Apollo Principal Holdings III, L.P. holds 45% of the non-economic general partner interests in these entities. The remaining 55% non-economic general partner interest of AAA Guernsey Limited and the general partner of AAA Associates, L.P. is owned by an individual who is not an affiliate of Apollo. Apollo Principal Holdings III, L.P. also holds between 54% and 100% (depending on the particular fund investment) of all limited partner interests in the foreign general partners set forth below its name. The remaining limited partner interests in these foreign general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations. Apollo Principal Holdings III, L.P. also holds 100% of the limited partner interests in the foreign private equity co-invest vehicles set forth below its name in the chart above. The general partner interest in the foreign private equity co-invest vehicles is held by Apollo Co-Investors Manager, LLC, which is solely owned by one of our managing partners.

(3) Apollo Principal Holdings VII, L.P. holds 100% of the non-economic general partner interests in the foreign general partners set forth below its name in the chart above. It also holds between 59% and 67% (depending on the particular fund investment) of all limited partner interests in the foreign general partners set forth below its name. The remaining limited partner interests in these foreign general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations. Apollo Principal Holdings VII, L.P. holds 100% of the limited partner interests in the foreign private equity and foreign capital markets co-invest vehicles set forth below its name. The general partner interest in the foreign private equity and foreign capital markets co-invest vehicles is held by Apollo Co-Investors Manager, LLC, which is solely owned by one of our managing partners. Apollo Principal Holdings VII, L.P. is also the sole owner of Apollo COF Investor, LLC.

(4) Apollo Principal Holdings IX, L.P. holds 100% of the non-economic general partner interests in the domestic general partners set forth below its name in the chart above. It also holds between 65% and 100% of all limited partner interests in the domestic general partners set forth below its name. The remaining limited partner interests in these domestic general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations.

(5) Apollo Principal Holdings II, L.P. holds 100% of the non-economic general partner interests in the domestic general partners set forth below its name in the chart above. It also holds between 65% and 100% (depending on the particular fund investment) of all limited partner interests in the domestic general partners set forth below its name. The remaining limited partner interests in these domestic general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations.

(6) Apollo Principal Holdings IV, L.P. holds 100% of the non-economic general partner interests in the foreign general partners set forth below its name in the chart above. It also holds between 95% and 100% of the limited partner interests in the foreign general partners set forth below its name. The remaining limited partner interests in the foreign general partners are held by certain of our professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations.

(7) Apollo Principal Holdings VI, L.P. holds 100% of the non-economic general partner interests in the domestic general partners set forth below its name in the chart above. It also holds between 59% and 67% (depending on the particular fund investment) of all limited partner interests in the domestic general partners set forth below its name. The remaining limited partner interests in these domestic general partners are held by certain of our current and former professionals and are reflected as profit sharing expense associated with carried interest income earned from our funds within Compensation and Benefits in our consolidated and combined statements of operations. Apollo Principal Holdings VI, L.P. also holds 100% of the limited partner interests in Apollo Co-Investors VI (DC-D), L.P. and Apollo Co-Investors VII (DC-D), L.P. The general partner interest in Apollo Co-Investors VI (DC-D), L.P. and Apollo Co-Investors VII (DC-D), L.P. is held by Apollo Co-Investors Manager, LLC, which is solely owned by one of our managing partners. Apollo Principal Holdings VI, L.P. is also the sole owner of A/A Investor I, LLC and Apollo Credit Liquidity Investor, LLC.

(8) Apollo Principal Holdings VIII, L.P. holds 100% of the limited partner interests in the foreign capital markets co-invest vehicles set forth below its name in the chart above. The general partner interest in Apollo EPF Co-Investors (B), L.P. is held by Apollo EPF Administration, Limited, which is solely owned by one of our managing partners. The general partner interest in Apollo AIE II Co-Investors (B), L.P. is held by Apollo Co-Investors Manager, LLC, which is solely owned by one of our managing partners.

(9) Apollo Management Holdings, L.P. holds 100% of the management companies comprising the investment advisors of all of Apollo s funds including AIC, AIE I and AAA; however, a portion of the management fees, incentive income and other fees payable to these investment advisors are allocated to certain of our current and former professionals and are reflected as profit sharing expense within Compensation and Benefits in our consolidated and combined statements of operations (included elsewhere in this prospectus), as described in more detail under Reorganization Our Assets.

(10) Apollo Advisors IV, L.P. is the general partner of Fund IV, Apollo Advisors V, L.P. is the general partner of Fund V, Apollo Advisors VI, L.P. is the general partner of Fund VI and Apollo Advisors VII, L.P. is the general partner of Fund VII. Certain offshore vehicles that comprise the foregoing funds also have an administrative general partner, which is an affiliate of the foregoing general partner. AGRE CMBS GP LLC is the sole general partner of AGRE CMBS Fund L.P.

(11) Apollo Advisors V (EH Cayman), L.P. is the sole general partner of Fund V s Cayman Islands alternative investment vehicles. Apollo Advisors VI (EH), L.P. is the sole general partner of certain of Fund VI s Cayman Islands alternative investment vehicles. Apollo Advisors VII (EH), L.P. is the sole general partner

of one of Fund VII s Cayman Islands alternative investment vehicle. AAA Associates,

L.P. is the sole general partner of AAA Investments, the limited partnership through which AAA s investments are made. AAA Guernsey Limited is the sole general partner of AAA.

(12) Apollo Advisors VI (APO FC), L.P. is the general partner (or the member of the general partner) of certain alternative investment vehicles and special purpose vehicles formed in connection with various investments of Fund VI. Apollo Advisors VII (APO FC), L.P. is the general partner (or the member of the general partner) of certain alternative investment vehicles and special purpose vehicles formed in connection with various investments of Fund VII.

(13) Apollo Credit Opportunity Advisors I, L.P. is the sole general partner of COF I. Apollo Credit Opportunity Advisors II, L.P. is the sole general partner of COF II. Apollo Credit Advisors, L.P. is the sole general partner of Apollo/Palmetto Loan Portfolio, L.P.

(14) Apollo SVF Advisors, L.P. is the general partner of SVF. Apollo Asia Advisors, L.P. is the general partner of AAOF. Apollo Credit Liquidity Advisors, L.P. is the sole general partner of ACLF. Apollo Value Advisors, L.P. is the general partner of VIF. Apollo SOMA Advisors, L.P. is the sole general partner of SOMA. A/A Capital Management, LLC is the sole general partner of Artus. Apollo Palmetto Advisors, L.P. is the general partner of Palmetto. Certain offshore vehicles that comprise the foregoing funds also have an administrative general partner, which is an affiliate of the foregoing general partners.

(15) Apollo EPF Advisors, L.P. is the sole general partner of EPF. Apollo Europe Advisors, L.P. is the sole general partner of AIE II.

(16) Apollo Advisors VI (APO DC), L.P. is the general partner (or the member of the general partner) of certain alternative investment vehicles and special purpose vehicles formed in connection with various investments of Fund VI. Apollo Advisors VII (APO DC), L.P. is the general partner (or the member of the general partner) of certain alternative investment vehicles and special purpose vehicles formed in connection with various investments of Fund VII.

Reorganization

Holding Company Structure

Apollo Global Management, LLC, through three intermediate holding companies (APO Corp., APO Asset Co., LLC and APO (FC), LLC), will own % of the economic interests of, and operate and control all of the businesses and affairs of, the Apollo Operating Group and its subsidiaries immediately after the offering. Holdings will own the remaining % of the economic interests in the Apollo Operating Group immediately after the offering. Apollo Global Management, LLC consolidates the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as a minority interest in Apollo Global Management, LLC s consolidated financial statements.

The Apollo Operating Group consists of the following partnerships: Apollo Principal Holdings I, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings II, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings III, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IV, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings V, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VI, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VII, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings VIII, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), Apollo Principal Holdings IX, L.P. (a Cayman Islands exempted limited partnership that is a partnership for U.S. Federal income tax purposes), and Apollo Management Holdings, L.P. (a Delaware limited partnership that is a partnership for U.S. Federal income tax purposes).

Apollo Global Management, LLC conducts all of its material business activities through the Apollo Operating Group. Substantially all of our expenses, including substantially all expenses solely incurred by or attributable to Apollo Global Management, LLC are borne by the Apollo Operating Group; provided that obligations incurred under the tax receivable agreement by Apollo Global Management, LLC or its wholly-owned subsidiaries (which currently consist of our three intermediate holding companies, APO Corp., APO Asset Co., LLC and APO (FC), LLC), income tax expenses of Apollo Global Management, LLC and its wholly-owned subsidiaries and indebtedness incurred by Apollo Global Management, LLC and its wholly-owned subsidiaries are borne solely by Apollo Global Management, LLC and its wholly-owned subsidiaries.

Each of the Apollo Operating Group partnerships holds interests in different businesses or entities organized in different jurisdictions. Apollo Principal Holdings I, L.P. holds certain of our domestic general partners of our

private equity funds and our domestic co-invest vehicles of our private equity funds as well as the domestic general partner of one of our real estate funds; Apollo Principal Holdings VI, L.P. holds certain of our domestic general partners of our private equity funds and our domestic co-invest vehicles of our private equity funds and certain of our capital markets funds; Apollo Principal Holdings II, L.P. holds certain of our domestic general partners of capital markets funds; Apollo Principal Holdings III, L.P. and Apollo Principal Holdings VII, L.P. generally hold our foreign general partners of private equity funds, including the foreign general partner of AAA Investments, our private equity foreign co-invest vehicles, one of our capital markets foreign co-invest vehicles, and one of our capital markets domestic co-invest vehicles; Apollo Principal Holdings IV, L.P. holds our foreign general partners of capital markets funds; Apollo Principal Holdings VIII, L.P. holds two capital markets foreign co-invest vehicles; Apollo Principal Holdings IX, L.P. holds the domestic general partner of certain of our capital markets funds; and AMH holds the management companies for each of our private equity funds (including AAA), our capital markets funds and our real estate funds.

In summary:

Apollo Global Management, LLC is a holding company;

Through its intermediate holding companies, Apollo Global Management, LLC, holds equity interests in, and is the sole general partner of, each of the Apollo Operating Group partnerships;

Each of the Apollo Operating Group partnerships has an identical number of partnership units outstanding;

Apollo Global Management, LLC holds, through wholly-owned subsidiaries, a number of Apollo Operating Group units equal to the number of Class A shares that Apollo Global Management, LLC has issued;

The Apollo Operating Group units that are held by Apollo Global Management, LLC s wholly-owned subsidiaries are economically identical in all respects to the Apollo Operating Group units that are held by the managing partners and contributing partners through Holdings; and

Apollo Global Management, LLC conducts all of its material business activities through the Apollo Operating Group partnerships. Accordingly, and similar in many respects to the structure referred to as an umbrella partnership real estate investment trust, or UPREIT, that is frequently used in the real estate industry:

Our business is conducted through limited partnerships of which Apollo Global Management, LLC, indirectly through wholly-owned subsidiaries, is the sole general partner;

Our managing partners and contributing partners, through Holdings, hold equity interests in these limited partnerships that are exchangeable for the Class A shares of Apollo Global Management, LLC; and

If and when any managing partner or contributing partner, through Holdings, exchanges an Apollo Operating Group unit for a Class A share of Apollo Global Management, LLC, the relative economic ownership positions of the exchanging managing partner or contributing partner and of the other equity owners of Apollo (whether held at Apollo Global Management, LLC or at the Apollo Operating Group) will not be altered.

We intend to cause the Apollo Operating Group to make distributions to its partners, including Apollo Global Management, LLC s wholly-owned subsidiaries, in order to fund any distributions Apollo Global Management, LLC may declare on its Class A shares. If the Apollo

Operating Group makes such distributions, the limited partners of the Apollo Operating Group will be entitled to receive distributions pro rata based on their partnership interests in the Apollo Operating Group.

The partnership agreements of the Apollo Operating Group partnerships provide for cash distributions, which we refer to as tax distributions, to the partners of such partnerships if the wholly-owned subsidiaries of Apollo Global Management, LLC that wholly own the general partners of the Apollo Operating Group partnerships determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a partner multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. Federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income). The Apollo Operating Group partnerships will make tax distributions only to the extent distributions from such partnerships for the relevant year are otherwise insufficient to cover such tax liabilities.

Our Manager

Our operating agreement provides that so long as the Apollo Group (as defined below) beneficially owns at least 10% of the aggregate number of votes that may be cast by holders of outstanding voting shares, our manager, which is 100% owned by BRH, will conduct, direct and manage all activities of Apollo Global Management, LLC. We refer to the Apollo Group s beneficial ownership of at least 10% of such voting power as the Apollo control condition. So long as the Apollo control condition is satisfied, our manager will manage all of our operations and activities and will have discretion over significant corporate actions, such as the issuance of securities, payment of distributions, sales of assets, making certain amendments to our operating agreement and other matters, and our board of directors will have no authority other than that which our manager chooses to delegate to it. See Description of Shares.

For purposes of our operating agreement, the Apollo Group means (i) our manager and its affiliates, including their respective general partners, members and limited partners, (ii) Holdings and its affiliates, including their respective general partners, members and limited partners, (iii) with respect to each managing partner, such managing partner and such managing partner s group (as defined in Section 13(d) of the Exchange Act), (iv) any former or current investment professional of or other employee of an Apollo employer (as defined below) or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group), (v) any former or current executive officer of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group); and (vi) any former or current director of an Apollo employer or the Apollo Operating Group (or such other entity controlled by a member of the Apollo Operating Group). With respect to any person, Apollo employer means Apollo Global Management, LLC or such other entity controlled by Apollo Global Management, LLC or its successor as may be such person s employer.

Holders of our Class A shares and Class B share have no right to elect our manager, which is controlled by our managing partners through BRH. Although our manager has no business activities other than the management of our businesses, conflicts of interest may arise in the future between us and our Class A shareholders, on the one hand, and our managing partners, on the other. The resolution of these conflicts may not always be in our best interests or those of our Class A shareholders. We describe the potential conflicts of interest in greater detail under Risk Factors Risks Related to Our Organization and Structure Potential conflicts of interest may arise among our manager, on the one hand, and us and our shareholders on the other hand. Our manager and its affiliates have limited fiduciary duties to us and our shareholders, which may permit them to favor their own interests to the detriment of us and our shareholders. We will reimburse our manager and its affiliates for all costs incurred in managing and operating us, and our operating agreement provides that our manager will determine the expenses that are allocable to us. Our operating agreement does not limit the amount of expenses for which we will reimburse our manager and its affiliates.

Our Assets

Prior to the Private Offering Transactions, our managing partners contributed to the Apollo Operating Group their interests in each of the entities included in our historical consolidated and combined financial statements,

but excluding the excluded assets described below under Excluded Assets. As discussed further below, the managing partners received partnership interests in Holdings (representing an indirect ownership interest of an equivalent number of Apollo Operating Group units) in respect of the interests they contributed to the Apollo Operating Group.

More specifically, prior to the Private Offering Transactions, our managing partners contributed to the Apollo Operating Group the intellectual property rights associated with the Apollo name and the indicated equity interests in the following businesses (other than the excluded assets), which we refer to collectively as the Contributed Businesses :

- 100% of the investment advisors of all of Apollo s funds, which provide investment management services to, and are entitled to any management fees and incentive income payable in respect of, these funds, as well as transaction, advisory and other fees that may be payable by these funds portfolio companies, other than the percentage of fees that has been allocated or that we determine to allocate to our professionals, as described below.

- With respect to Fund IV, Fund V, Fund VI and AAA, which constituted all of our private equity funds that were either actively investing or had a meaningful amount of unrealized investments:

  - 100% of the entire non-economic general partner interests in the general partners of such funds, which non-economic interests give the Apollo Operating Group control of these funds;

  - 100% of the economic interests in the managing general partner of AAA; and

  - 46% to 57% (depending on the particular fund investment) of all limited partner interests in the general partners of such funds, representing 46% to 57% of the carried interest earned in relation to investments by such funds; this includes all of the carried interest in these funds that had been allocated to our managing partners, with the remainder of such carried interest continuing to be held by certain of our professionals.

- With respect to a number of our capital markets funds (the Value Funds, AAOF, SOMA and EPF):

  - 100% of the entire non-economic general partner interests in the general partners of these funds, which non-economic interests give the Apollo Operating Group control of these funds; and

  - 54% to 100% (depending on the particular fund investment) of all limited partner interests in the general partners of these funds, representing 54% to 100% of the incentive income earned in relation to investments by these funds; this includes all of the incentive income in these funds that had been allocated to our managing partners, with the remainder of such incentive income continuing to be held by certain of our professionals.

In addition, prior to the Private Offering Transactions, our contributing partners contributed to the Apollo Operating Group a portion of their points. We refer to such contributed points as partner-contributed interests. In return for a contribution of points, each contributing partner received an interest in Holdings (representing an indirect, unit-for-unit ownership interest of an equivalent number of Apollo Operating Group units).

Prior to the exchange, the points held by each managing partner and contributing partner were designated values based upon the estimated 2007 cash flows of each entity that was contributed to the Apollo Operating Group and from which such partner was to receive management fees and incentive income. The 2007 estimated cash flow of the entities contributed was agreed between the managing partners and the contributing partners to be the best proxy for measuring of the total value of the interests that were contributed by each partner to the Apollo Operating Group. The partnership interests in Holdings that were granted to each managing partner and contributing partner, correspond to the aggregate

value of the points such partner contributed. Specifically, for purposes of determining the number of Apollo Operating Group units each managing partner and contributing partner was to receive, the aggregate value of the points contributed by a given partner was divided by the aggregate value of all points contributed by all of the managing partners and contributing partners to determine a

percentage of the ownership such partner had in the Apollo Operating Group prior to the completion of the Private Offering Transactions and the Strategic Investors Transaction (for each managing partner and contributing partner, his or her AOG Ownership Percentage). In order to achieve the offering size targeted in the Private Offering Transactions within the proposed offering price range per Class A share, the managing partners also determined the aggregate amount of units that the Apollo Operating Group should issue and have outstanding immediately prior to the completion of the Private Offering Transactions and Strategic Investors Transaction. This aggregate amount of Apollo Operating Group units was then allocated to each managing partner and contributing partner based upon their respective AOG Ownership Percentage. For example, if a partner contributed points constituting an AOG Ownership Percentage of 10% of the aggregate value of all points contributed to the Apollo Operating Group, such partner received 10% of the aggregate amount of Apollo Operating Group units issued and outstanding prior to the completion of the Private Offering Transactions and Strategic Investors Transaction.

Each contributing partner continues to own directly those points that such partner did not contribute to the Apollo Operating Group or sell to the Apollo Operating Group in connection with the Strategic Investors Transaction. Each contributing partner remained entitled (on an individual basis and not through ownership interests in Holdings) to receive payments in respect of his partner-contributed interests with respect to fiscal year 2007 based on the date his partner-contributed interests were contributed or sold as described below under Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization. The Strategic Investors similarly received a pro rata portion of our net income prior to the date of the Private Offering Transactions for our fiscal year 2007, calculated in the same manner as for the managing partners and contributing partners, as described in more detail under Strategic Investors Transaction. In addition, we issued points in Fund VII, and intend to issue points in future funds, to our contributing partners and other of our professionals.

As a result of these contributions and the contributions of our managing partners, the Apollo Operating Group and its subsidiaries generally are entitled to:

- all management fees payable in respect of all our current and future funds as well as transaction and other fees that may be payable by these funds portfolio companies (other than fees that certain of our professionals have a right to receive, as described below);

- 50% 66% (depending on the particular fund investment) of all incentive income earned from the date of contribution in relation to investments by both our current private equity and capital markets funds (with the remainder of such incentive income continuing to be held by certain of our professionals);

- all incentive income earned from the date of contribution in relation to investments made by our future private equity and capital markets funds, other than the percentage we determine to allocate to our professionals, as described below; and

- all returns on current or future investments of our own capital in the funds we sponsor and manage.

With respect to our existing funds that are currently investing as well as any future funds that we may sponsor, we intend to continue to allocate a portion of the management fees, transaction and advisory fees and incentive income earned in relation to these funds to our professionals, including the contributing partners, in order to better align their interests with our own and with those of the investors in these funds. Our current estimate is that approximately 30% to 50% of carried interest income earned in relation to our funds will be allocated to our investment professionals, although these percentages may fluctuate up or down over time. When apportioning carried interest income to our professionals, we typically cause our general partners in the underlying funds to issue these professionals limited partner interests, thereby causing our percentage ownership of the limited partner interests in these general partners to fluctuate. Our managing partners will not receive any allocations of carried interest income, and all of their rights to receive carried interest income earned in relation to our actively investing funds and future funds will be solely through their ownership of Apollo Operating Group units until July 13, 2012.

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In addition, we expect to continue to pay approximately 35% to 50% of management fees and transaction and advisory fees to our employees for salary, bonus and benefit costs, excluding equity-based compensation. These percentages may fluctuate over time based on our actual performance each year.

The income of the Apollo Operating Group (including management fees, transaction and advisory fees, and carried interest income) benefits Apollo Global Management, LLC to the extent of its equity interest in the Apollo Operating Group. See Business Fees, Carried Interest, Redemption and Termination.

Excluded Assets

Excluded assets consist of any direct or indirect interest in the following, whether existing now or in the future:

- any personal investment or co-investment in any fund or co-investment vehicle by any managing partner or a related group member, as defined below (including any future personal investments or co-investments and investments funded through any Apollo management fee waiver program, which allows each of our managing partners to waive the right to receive any future distribution that he would otherwise be entitled to receive on a periodic basis from AMH in respect of management fees from certain private equity funds in exchange for a profits interest in the applicable Apollo fund, which satisfies his obligation to make a capital contribution to such fund in the amount of the waived management fee), although no managing partner may waive compensation that would not otherwise be paid to the managing partner, directly or indirectly, from the members of the Apollo Operating Group;

- amounts owed, directly or indirectly, to any managing partner or a related group member by an Apollo fund pursuant to any fee deferral arrangement in an investment management agreement;

- any direct or indirect amounts owed to any managing partner or a related group member pursuant to any escrow of Fund VI carried interest payments, or escrowed carry, to secure the obligation of the general partner of Fund VI pursuant to its organizational documents;

- Apollo Real Estate or Ares, which are funds formerly managed by us but in which neither we nor our managing partners continue to exert any managerial control although our managing partners continue to have minority interests in such entities, including their general partners and management companies;

- the general partners of Funds I, II and III;

- compensation and benefits paid or given to a managing partner consistent with the terms of his employment agreement;

- director options issued prior to January 1, 2007 by any portfolio company;

- Hamlet Holdings, LLC, an entity partially owned by our managing partners (without any economics) that has 100% voting control over the investment of Fund VI in Harrah s Entertainment, Inc. and that will remain exclusively in the personal control of the managing partners; and

- other miscellaneous, non-core assets.

The excluded assets were not contributed to the Apollo Operating Group; however, due to the existence of a common control group, Funds I, II and III and the general partner are consolidated in our historical financial statements for the periods prior to July 13, 2007.

With respect to our contributing partners, excluded assets includes all points not contributed to the Apollo Operating Group or purchased in connection with the Strategic Investors Transaction, any personal investment or co-investment in any fund or co-investment vehicle by any contributing partner, the right to receive escrowed carry and all other assets not specifically described in this prospectus as being contributed to the Apollo Operating Group.

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Related group member means, with respect to each of our managing partners, (i) such managing partner s spouse, (ii) a lineal descendant of such managing partner s parents, the spouse of any such descendant or a lineal descendent of any such spouse, (iii) a charitable institution controlled by such managing partner or one of his related group members, (iv) a trustee of a trust (whether inter vivos or testamentary), all of the current beneficiaries and presumptive remaindermen of which are one or more of such managing partners and persons described in clauses (i) through (iii) of this definition, (v) a corporation, limited liability company or partnership, of which all of the outstanding shares of capital stock or interests therein are owned by one or more of such managing partners and persons described in clauses (i) through (iv) of this definition, (vi) an individual mandated under a qualified domestic relations order, or (vii) a legal or personal representative of such managing partner in the event of his death or disability; for purposes of this definition, (x) lineal descendants shall not include individuals adopted after attaining the age of 18 years and such adopted person s descendants, (y) presumptive remaindermen shall refer to those persons entitled to a share of a trust s assets if it were then to terminate, and (z) no managing partner shall ever be deemed a related group member of another managing partner.

Equity Interests Retained by Our Managing Partners and Contributing Partners

Our managing partners, through their interests in BRH and Holdings, will own % of the Apollo Operating Group units and, through their ownership of BRH, the Class B share that we have issued to BRH, in each case immediately after the offering. The Agreement Among Managing Partners provides that each managing partner s interest in the Apollo Operating Group units that he holds indirectly through his interest in Holdings is subject to vesting. Each of Messrs. Harris and Rowan vests in his interest in the Apollo Operating Group units in 60 equal monthly installments, and Mr. Black vests in his interest in the Apollo Operating Group units and in 72 equal monthly installments. Although the Agreement Among Managing Partners was entered into on July 13, 2007, for purposes of its vesting provisions, our managing partners are credited for their employment with us since January 1, 2007. In the event that a managing partner terminates his employment with us for any reason, he will be required to forfeit the unvested portion of his Apollo Operating Group units to the other managing partners. The number of Apollo Operating Group units that must be forfeited upon termination depends on the cause of the termination. See Certain Relationships and Related Party Transactions Agreement Among Managing Partners. However, this agreement may be amended and the terms and conditions of the agreement may be changed or modified upon the unanimous approval of the managing partners. We, our shareholders (other than our Strategic Investors, as set forth under Certain Relationships and Related Party Transactions Lenders Rights Agreement Amendments to Managing Partner Transfer Restrictions) and the Apollo Operating Group have no ability to enforce any provision of this agreement or to prevent the managing partners from amending the agreement or waiving any of its obligations.

Pursuant to the Managing Partner Shareholders Agreement, no managing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date, subject to certain exceptions, including an exception for certain transactions entered into by one or more managing partners the results of which are that the managing partners no longer exercise control over us or the Apollo Operating Group or no longer hold at least 50.1% of the economic interests in us or the Apollo Operating Group. The transfer restrictions applicable to Equity Interests held by our managing partners and the exceptions to such transfer restrictions are described in more detail under Certain Relationships and Related Party Transactions Managing Partner Shareholders Agreement Transfer Restrictions. Our managing partners and contributing partners also were granted demand, piggyback and shelf registration rights through Holdings which are exercisable six months after the shelf effectiveness date.

Our contributing partners, through their interests in Holdings, will own % of the Apollo Operating Group units immediately after the offering. Pursuant to the Roll-Up Agreements, no contributing partner may voluntarily effect transfers of his Equity Interests for a period of two years after the shelf effectiveness date. The transfer restrictions applicable to Equity Interests held by our contributing partners are described in more detail under Certain Relationships and Related Party Transactions Roll-Up Agreements.

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Subject to certain procedures and restrictions (including the vesting schedules applicable to our managing partners and any applicable transfer restrictions and lock-up agreements described above), upon 60 days written notice prior to a designated quarterly date, each managing partner and contributing partner will have the right to cause Holdings to exchange the Apollo Operating Group units that he owns through his partnership interest in Holdings for Class A shares, to sell such Class A shares at the prevailing market price (or at a lower price that such managing partner or contributing partner is willing to accept) and to distribute the net proceeds of such sale to such managing partner or contributing partner. We have reserved for issuance 240,000,000 Class A shares, corresponding to the number of existing Apollo Operating Group units held indirectly through Holdings by our managing partners and contributing partners. Upon receipt of the notice described above, APO Corp., one of our intermediate holding companies, will purchase from us the number of Class A shares that are exchangeable for the Apollo Operating Group units to be surrendered by the managing partner or contributing partner. To effect the exchange, a managing partner or contributing partner, through Holdings, must then simultaneously exchange one Apollo Operating Group unit, being an equal limited partner interest in each Apollo Operating Group entity, for each Class A share received from our intermediate holding companies. As a managing partner or contributing partner exchanges his Apollo Operating Group units, our interest in the Apollo Operating Group units will be correspondingly increased and the voting power of the Class B share will be correspondingly decreased. If and when any managing partner or contributing partner, through Holdings, exchanges an Apollo Operating Group unit for a Class A share of Apollo Global Management, LLC, the relative economic ownership positions of the exchanging managing partner or contributing partner and of the other equity owners of Apollo (whether held at Apollo Global Management, LLC or at the Apollo Operating Group) will not be altered. We considered whether this redemption feature results in accounting implications under U.S. GAAP which requires securities with redemption features that are not solely within the control of the issuer to be classified outside of permanent equity. The extent of our obligation is to (i) exchange physical Class A shares for Apollo Operating Group units and (ii) sell the shares at the prevailing market price on behalf of the holder. We never have any future cash obligations to the unit holders. Specifically, in the event we are unable to sell the Class A shares, we are not required to provide liquidity to the holders of Apollo Operating Group units in any manner. Rather, in the event that we were unable to sell the Class A shares, the transaction would essentially be unwound and the Class A shares would be converted back to Apollo Operating Group units. Based on U.S. GAAP and the terms of this feature, we are deemed to control settlement by delivery of our own shares, and as noted above, we have reserved for issuance a sufficient number of shares to settle any contracts. As such, Non-Controlling Interest is reported in the consolidated and combined financial statements of the company within shareholders equity, separately from the total Apollo Global Management, LLC shareholders equity.

Deconsolidation of Apollo Funds

Certain of our private equity funds and capital markets funds have historically been consolidated into our financial statements, due to our controlling interest in certain funds notwithstanding that we have only a non-controlling equity interest in these funds. Consequently, our pre-Reorganization financial statements do not reflect our ownership interest at fair value in these funds, but rather reflect on a gross basis the assets, liabilities, revenues, expenses and cash flows of our funds. We amended the governing documents of most of our funds to provide that a simple majority of the funds unaffiliated investors have the right to liquidate that fund. These amendments, which became effective on either August 1, 2007 or November 30, 2007, deconsolidated these funds that have historically been consolidated in our financial statements. Accordingly, we no longer reflect the share that other parties own in total assets and Non-Controlling Interests in these respective funds. The deconsolidation of these funds will present our financial statements in a manner consistent with how Apollo evaluates its business and the related risks. Accordingly, we believe that deconsolidating these funds will provide investors with a better understanding of our business. We did not seek or receive any consideration from the investors in our funds for granting them these rights. There was no change in either our equity or net income as a result of the deconsolidation.

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Distribution to Our Managing Partners Prior to the Private Offering Transactions

On April 20, 2007, AMH, one of the entities in the Apollo Operating Group, entered into the AMH credit facility, under which AMH borrowed a $1.0 billion variable-rate term loan. We used these borrowings to make a $986.6 million distribution to our managing partners and to pay related fees and expenses. This distribution was a distribution of prior undistributed earnings, and an advance on possible future earnings, of AMH. As a result, this distribution caused the managing partners accumulated equity basis in AMH to become negative. The AMH credit facility is guaranteed by Apollo Management, L.P.; Apollo Capital Management, L.P.; Apollo International Management, L.P.; Apollo Principal Holdings II, L.P.; Apollo Principal Holdings IV, L.P.; Apollo Principal Holdings V, L.P.; Apollo Principal Holdings IX, L.P.; and AAA Holdings, L.P. and matures on April 20, 2014. It is secured by (i) a first priority lien on substantially all assets of AMH and the guarantors and (ii) a pledge of the equity interests of each of the guarantors, in each case subject to customary carveouts.

Distributions to Our Managing Partners and Contributing Partners Related to the Reorganization

We made distributions to our managing partners and contributing partners that represented all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 were treated as having been earned prior to that date. Undistributed earnings of the contributed businesses through the date of the Reorganization that were attributable to the managing partners and contributing partners for the sold portion of their interest were $238.4 million and $148.6 million, respectively. As of June 30, 2010 and December 31, 2009, the undistributed earnings that were attributable to the managing partners for the sold portion of their interest were zero. As of June 30, 2010 and December 31, 2009, the undistributed earnings that were attributable to the contributing partners for the sold portion of their interest were zero. The undistributed earnings attributable to the managing partners and contributing partners were recorded in the consolidated and combined financial statements as a component of due to affiliates and profit sharing payable, respectively.

In addition, we have also entered into a tax receivable agreement with our managing partners and contributing partners which requires us to pay them 85% of any tax savings received by APO Corp. from our step-up in tax basis. In our condensed consolidated financial statements, the item due to affiliates includes $499.0 million and $514.0 million that was payable to our managing partners and contributing partners in connection with the tax receivable agreement as of both June 30, 2010 and December 31, 2009, respectively.

As part of the Reorganization, the managing partners and the contributing partners received the following:

Apollo Operating Group units having a fair value per unit of $24 and $20 issued to the managing partners and contributing partners, respectively on issuance date with a total approximate value of $5.6 billion (subject to five- or six-year forfeiture);

$1.2 billion in cash in July 2007, excluding any potential contingent consideration;

In January 2008 and April 2008, a preliminary and final distribution related to a contingent consideration of $37.7 million. The determination of the amount and timing of the distribution were based on net income with discretionary adjustments, all of which were determined by Apollo Management Holdings GP, LLC. Included in the distribution were AAA RDUs valued at approximately $12.7 million and a distribution of interests in Apollo VIF Co-Investors, LLC in settlement of deferred compensation units in Apollo Value Investment Offshore Fund, Ltd. of approximately $0.8 million; and

The fair value of carried interest related to the sale of portfolio companies where definitive sales contracts were executed but had not closed at July 13, 2007. We accrued an estimated payment of approximately $387.0 million at December 31, 2007, of which $200.2 million was distributed during

the year ended December 31, 2008. The definitive sales contract in respect of which the remaining $186.8 million was accrued, was terminated during the fourth quarter of 2008 and as a result, no amounts were accrued at June 30, 2010 and December 31, 2009.

Strategic Investors Transaction

On July 13, 2007, we sold securities to the Strategic Investors in return for a total investment of $1.2 billion. The Strategic Investors are two of the largest alternative asset investors in the world and have been significant investors with us in multiple funds, covering a variety of strategies. In total, from our inception through the date hereof, the Strategic Investors have invested or committed to invest approximately $7.6 billion of capital in us and our funds. The Strategic Investors have been significant supporters of our integrated platform, having invested in multiple private equity and capital markets funds. The Strategic Investors have no obligation to invest further in our funds, and any future investments by the Strategic Investors in our funds or other alternative investment categories will likely depend on the performance of our funds, the performance of each Strategic Investor s overall investment portfolio and other investment opportunities available to them.

Through our intermediate holding companies, we used all of the proceeds from the issuance of the securities to the Strategic Investors to purchase from our managing partners 17.4% of their Apollo Operating Group units for an aggregate purchase price of $1,068 million, and to purchase from our contributing partners a portion of their points for an aggregate purchase price of $156.4 million, excluding any potential contingent consideration. Upon completion of the Private Offering Transactions, the securities sold to the Strategic Investors converted into non-voting Class A shares, which will represent % of our issued and outstanding Class A shares and % of the economic interest in the Apollo Operating Group, in each case, immediately after the offering. Based on our agreement with the Strategic Investors, we were obligated to distribute to the Strategic Investors the greater of 7% on the convertible notes issued or a pro rata portion of our net income for our fiscal year 2007, based on (i) their proportionate interests in Apollo Operating Group units during the period after the Strategic Investors Transaction and prior to the date of the Private Offering Transactions, and (ii) the number of days elapsed during such period. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to the date of the Private Offering Transactions or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to the date of the Private Offering Transactions was treated as having been earned prior to the date of the Private Offering Transactions. On August 8, 2007, we paid approximately $6 million in interest expense on the convertible notes and as a result of our net loss we have no further obligations for 2007 to pay the Strategic Investors.

In connection with the sale of securities to the Strategic Investors, we entered into the Lenders Rights Agreement with the Strategic Investors. For a more detailed summary of the Lenders Rights Agreement, see Certain Relationships and Related Party Transactions Lenders Rights Agreement.

Tax Considerations

We believe that under current law, Apollo Global Management, LLC will be treated as a partnership and not as a corporation for U.S. Federal income tax purposes. An entity that is treated as a partnership for U.S. Federal income tax purposes is not a taxable entity and incurs no U.S. Federal income tax liability. Instead, each partner is required to take into account its allocable share of items of income, gain, loss and deduction of the partnership in computing its own U.S. Federal income tax liability, regardless of whether cash distributions have been made. Investors in this offering will be deemed to be limited partners of Apollo Global Management, LLC for U.S. Federal income tax purposes. See Material Tax Considerations Material U.S. Federal Tax Considerations for a summary discussing certain U.S. Federal income tax considerations related to the purchase, ownership and disposition of our Class A shares as of the date of this offering.

On May 28, 2010, the House of Representatives passed the American Jobs and Closing Tax Loopholes Act of 2010 that would, if enacted in its present form, cause Apollo Global Management, LLC to become taxable as a

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corporation, which would cause significant adverse tax consequences for us and/or the holders of Class A shares. Such legislation does provide a transition rule that could defer corporate treatment for 10 years. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects and Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced and the House of Representatives has passed legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares and Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Private Offering Transactions

The CS Investor purchased from us in a private placement that closed on August 8, 2007, concurrently with the Rule 144A Offering an aggregate of $180 million of the Class A shares at a price per share equal to $24, or 7,500,000 Class A shares, representing % of the total number of our Class A shares outstanding immediately after the offering.

Apollo Global Management, LLC contributed the net proceeds it received in the Private Offering Transactions to its wholly-owned subsidiaries, APO Asset Co., LLC and APO Corp. These wholly-owned subsidiaries then contributed the funds to the Apollo Operating Group.

Amounts contributed to the Apollo Operating Group concurrently with the Private Offering Transactions diluted (i) the percentage ownership interests of our managing partners (held indirectly through Holdings) in those entities by 7.4% to 62.4%, and (ii) the percentage ownership interests of our contributing partners (held indirectly through Holdings) in those entities by 1.1% to 9.1%. The relative percentage ownership interests in the Apollo Operating Group held by Apollo Global Management, LLC, our managing partners and our contributing partners will continue to change over time including as a result of the offering. Potential future events that would result in a relative increase in the number of Apollo Operating Group units held by Apollo Global Management, LLC, and result in a corresponding dilution of our managing partners and contributing partners percentage ownership interest in the Apollo Operating Group include (i) issuances of Class A shares (assuming that the proceeds of any such issuance is contributed to the Apollo Operating Group), (ii) the conversion by our managing partners or contributing partners of their Apollo Operating Group units for Class A shares and (iii) any offers, from time to time, at the discretion of our manager, to purchase from our managing partners and contributing partners their Apollo Operating Group units.

As a result of the Reorganization, the Strategic Investors Transaction and the Private Offering Transactions:

- Apollo Global Management, LLC, through its wholly-owned subsidiaries, will hold % of the outstanding Apollo Operating Group units immediately after the offering;

- our managing partners, through BRH and Holdings, will hold % of the outstanding Apollo Operating Group units immediately after the offering;

- our contributing partners, through Holdings, will hold % of the outstanding Apollo Operating Group units immediately after the offering;

- the Strategic Investors own 60,000,001 of our non-voting Class A shares will represent % of our Class A shares outstanding immediately after the offering, which will represent % of the economic interests in the Apollo Operating Group units;

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the Public Investors and the CS Investor will hold Class A shares immediately after the offering, which will represent % of our Class A shares outstanding and % of the economic interests in the Apollo Operating Group units;

our managing partners, through BRH, own the single Class B share of Apollo Global Management, LLC;

on those few matters that may be submitted for a vote of the shareholders of Apollo Global Management, LLC, our Class A shareholders (other than the Strategic Investors) will collectively have % of the voting power of, and our Class B shareholder will have % of the voting power of, Apollo Global Management, LLC, in each case immediately after the offering;

APO Corp., APO Asset Co., LLC or APO (FC), LLC, as applicable, is the sole general partner of each of the entities that constitute the Apollo Operating Group; accordingly, we operate and control the businesses of the Apollo Operating Group and its subsidiaries; and

net profits, net losses and distributions of the Apollo Operating Group are generally allocated and made to its partners on a pro rata basis in accordance with their respective Apollo Operating Group units; accordingly, net profits and net losses allocable to Apollo Operating Group partners will initially be allocated, and distributions will initially be made, approximately % indirectly to us, approximately % indirectly to our managing partners and approximately % indirectly to our contributing partners, in each case immediately after the offering.

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USE OF PROCEEDS

We estimate that the net proceeds from the offering of Class A shares offered by us, at an assumed initial public offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the front cover of this prospectus, and after deducting estimated underwriting discounts, will be approximately $ million. If the underwriters exercise their over-allotment option in full, the net proceeds to us will be approximately $ million. Assuming the number of Class A shares offered by us as set forth on the front cover of this prospectus remains the same, a $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We will not receive any of the proceeds from the sale of Class A shares offered by the selling shareholders participating in this offering. In the aggregate, the selling shareholders will receive approximately $ million of net proceeds of this offering, assuming an offering price of $ per share, which is the midpoint of the estimated offering price range set forth on the front cover of this prospectus.

We intend to use the net proceeds received by us from this offering for general corporate purposes and to fund growth initiatives.

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CASH DIVIDEND POLICY

Dividend Policy for Class A Shares

Our intention is to distribute to our Class A shareholders on a quarterly basis substantially all of our net after-tax cash flow from operations in excess of amounts determined by our manager to be necessary or appropriate to provide for the conduct of our businesses, to make appropriate investments in our businesses and our funds, to comply with applicable law, to service our indebtedness or to provide for future distributions to our Class A shareholders for any ensuing quarter.

On April 4, 2008, we announced our first cash distribution amounting to $0.33 per Class A share, resulting from the first quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.17 per Class A share primarily resulting from the sale by Fund V of Goodman Global, Inc., one of its portfolio companies, to affiliates of another private equity firm, in February 2008. The $111.3 million aggregate distribution was paid to the owners of the Apollo Operating Group. Of this amount, $32.2 million was received by Apollo Global Management, LLC and distributed to its Class A shareholders of record on April 18, 2008. Additionally, on July 15, 2008, we declared a cash distribution amounting to $0.23 per Class A share, resulting from our second quarter 2008 quarterly distribution of $0.16 per Class A share plus a special distribution of $0.07 per Class A share primarily resulting from realizations from (i) portfolio companies of Fund IV, Sky Terra Communications, Inc. and United Rentals, Inc., (ii) dividend income from a portfolio company of Fund VI, and (iii) interest income related to debt investments of Fund VI. This $77.6 million aggregate distribution was paid to the owners of the Apollo Operating Group. Of this amount, $22.4 million was received by Apollo Global Management, LLC and distributed on July 25, 2008, to its Class A shareholders of record on July 18, 2008. On May 14, 2010, we declared a cash distribution amounting to $0.07 per Class A share, which was paid on May 27, 2010 to our Class A shareholders of record as of May 20, 2010. In addition, on August 2, 2010, we declared a cash distribution amounting to $0.07 per Class A share, which was paid on August 25, 2010 to our Class A shareholders of record as of August 13, 2010. Because we will not know what our actual available cash flow from operations will be for any year until sometime after the end of such year, we expect that a fourth quarter dividend payment may be adjusted to take into account actual net after-tax cash flow from operations for that year.

The declaration, payment and determination of the amount of our quarterly dividend will be at the sole discretion of our manager, which may change our dividend policy at any time. We cannot assure you that any dividends, whether quarterly or otherwise, will or can be paid. In making decisions regarding our quarterly dividend, our manager will take into account general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, restrictions and other implications on the payment of dividends by us to our common shareholders or by our subsidiaries to us and such other factors as our manager may deem relevant.

Because we are a holding company that owns intermediate holding companies, the funding of each dividend, if declared, will occur in three steps, as follows.

First, we will cause one or more entities in the Apollo Operating Group to make a distribution to all of its partners, including our wholly-owned subsidiaries APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), and Holdings, on a pro rata basis;

Second, we will cause our intermediate holding companies, APO Corp., APO Asset Co., LLC and APO (FC), LLC (as applicable), to distribute to us, from their net after-tax proceeds, amounts equal to the aggregate dividend we have declared; and

Third, we will distribute the proceeds received by us to our Class A shareholders on a pro rata basis.

If Apollo Operating Group units are issued to other parties, such as investment professionals, such parties would be entitled to a portion of the distributions from the Apollo Operating Group as partners described above.

We believe that the payment of dividends will provide transparency to our Class A shareholders and will impose upon us an investment discipline with respect to new products, businesses and strategies.

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Payments that any of our intermediate holding companies make under the tax receivable agreement will reduce amounts that would otherwise be available for distribution by us on Class A shares.

The Apollo Operating Group intends to make periodic distributions to its partners (that is, Holdings and our intermediate holding companies) in amounts sufficient to cover hypothetical income tax obligations attributable to allocations of taxable income resulting from their ownership interest in the various limited partnerships making up the Apollo Operating Group, subject to compliance with any financial covenants or other obligations. Tax distributions will be calculated assuming each shareholder was subject to the maximum (corporate or individual, whichever is higher) combined U.S. Federal, New York State and New York City tax rates, without regard to whether any shareholder was subject to income tax liability at those rates. Because tax distributions to partners are made without regard to their particular tax situation, tax distributions to all partners, including our intermediate holding companies, will be increased to reflect the disproportionate income allocation to our managing partners and contributing partners with respect to built-in gain assets at the time of the Private Offering Transactions. Tax distributions will be made only to the extent all distributions from the Apollo Operating Group for such year are insufficient to cover such tax liabilities and all such distributions will be made to all partners on a pro rata basis based upon their respective interests in the applicable partnership; provided that for 2009 and 2010, as a result of the Special Allocation, which is described under Certain Relationships and Related Party Transactions Special Allocation of AMH Income, any tax distributions made by AMH with respect to its income for 2009 and 2010 will be limited to the actual tax liabilities of the partners of AMH. On January 8, 2009, we declared a special tax distribution amounting to $0.05 per Class A share. The distribution was paid on January 15, 2009 to Class A shareholders of record on January 12, 2009. No such tax distribution will necessarily be required to be distributed by us for future periods and there can be no assurance that we will pay cash dividends on the Class A shares in an amount sufficient to cover any tax liability arising from the ownership of Class A shares.

Under Delaware law we are prohibited from making a distribution to the extent that our liabilities, after such distribution, exceed the fair value of our assets. Our operating agreement does not contain any restrictions on our ability to make distributions, except that we may only distribute Class A shares to holders of Class A shares. The AMH credit facility, however, restricts the ability of AMH to make cash distributions to us by requiring mandatory collateralization and restricting payments under certain circumstances. AMH will generally be restricted from paying dividends, repurchasing stock and making distributions and similar types of payments if any default or event of default occurs, if it has failed to deposit the requisite cash collateralization or does not expect to be able to maintain the requisite cash collateralization or if, after giving effect to the incurrence of debt to finance such distribution, its debt to EBITDA ratio would exceed specified levels. Instruments governing indebtedness that we or our subsidiaries incur in the future may contain further restrictions on our or our subsidiaries ability to pay dividends or make other cash distributions to equityholders.

In addition, the Apollo Operating Group s cash flow from operations may be insufficient to enable it to make required minimum tax distributions to its partners, in which case the Apollo Operating Group may have to borrow funds or sell assets, and thus our liquidity and financial condition could be materially adversely affected. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our dividend policy has certain risks and limitations, particularly with respect to liquidity. Although we expect to pay dividends according to our dividend policy, we may not pay dividends according to our policy, or at all, if, among other things, we do not have the cash necessary to pay the intended dividends. To the extent we do not have cash on hand sufficient to pay dividends, we may have to borrow funds to pay dividends, or we may determine not to borrow funds to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing that pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

As of June 30, 2010, approximately 19.4 million RSUs granted to Apollo employees (net of forfeited awards) were entitled to distribution equivalents, to be paid in the form of cash compensation.

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Distributions to Our Managing Partners and Contributing Partners

We made a distribution to our managing partners in April 2007 in respect of their ownership of AMH totaling $986.6 million, which was paid out of the net proceeds of borrowings under the AMH credit facility. In addition, we used all of the proceeds received from the Strategic Investors Transaction to purchase Apollo Operating Group units from our managing partners and points from our contributing partners.

We made distributions to our managing partners and contributing partners representing all of the undistributed earnings generated by the businesses contributed to the Apollo Operating Group prior to July 13, 2007. For this purpose, income attributable to carried interest on private equity funds related to either carry-generating transactions that closed prior to July 13, 2007 or carry-generating transactions in respect of which a definitive agreement was executed, but that did not close, prior to July 13, 2007 were treated as having been earned prior to that date. Undistributed earnings of the contributed businesses through the date of the Reorganization that were attributable to the managing partners and contributing partners for the sold portion of their interest were $238.4 million and $148.6 million, respectively. As of June 30, 2010 and December 31, 2009, the undistributed earnings that were attributable to the managing partners and contributing partners for the sold portion of their interest were zero. The undistributed earnings attributable to the managing partners and contributing partners were recorded in the consolidated and combined financial statements as a component of due to affiliates and profit sharing payable, respectively.

In addition, we have also entered into a tax receivable agreement with our managing partners and contributing partners which requires us to pay them 85% of any tax savings received by APO Corp. from our step-up in tax basis. In our condensed consolidated financial statements, the item due to affiliates includes $499.0 million and $514.0 million that was payable to our managing partners and contributing partners in connection with the tax receivable agreement as of both June 30, 2010 and December 31, 2009, respectively.

As part of the Reorganization, the managing partners and the contributing partners received the following:

- Apollo Operating Group units having a fair value per unit of $24 and $20 issued to the managing partners and contributing partners, respectively, on issuance date with a total approximate value of $5.6 billion (subject to five- or six-year forfeiture);

- $1.2 billion in cash in July 2007, excluding any potential contingent consideration;

- In January 2008 and April 2008, a preliminary and final distribution related to a contingent consideration of $37.7 million. The determination of the amount and timing of the distribution were based on net income with discretionary adjustments, all of which were determined by Apollo Management Holdings GP, LLC. Included in the distribution were AAA RDUs valued at approximately $12.7 million and a distribution of interests in Apollo VIF Co-Investors, LLC in settlement of deferred compensation units in Apollo Value Investment Offshore Fund, Ltd. of approximately $0.8 million; and

- The fair value of carried interest related to the sale of portfolio companies where definitive sales contracts were executed but had not closed at July 13, 2007. We accrued an estimated payment of approximately $387.0 million at December 31, 2007, of which $200.2 million was distributed during the year ended December 31, 2008. The definitive sales contract in respect of which the remaining $186.8 million was accrued, was terminated during the fourth quarter of 2008 and as a result, no amounts were accrued at June 30, 2010 and December 31, 2009.

Prior to the Apollo Operating Group Formation, 100% of the Apollo Operating Group was owned by our managing partners and contributing partners. Accordingly, all decisions regarding the amount and timing of distributions were made in prior periods by our managing partners with regard to their personal financial and tax situations and their assessments of appropriate amounts of distributions, taking into account Apollo s capital needs as well as actual and potential earnings and borrowings.

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CAPITALIZATION

The following table sets forth our capitalization and cash and cash equivalents as of June 30, 2010:

on an actual basis; and

on an as adjusted basis after giving effect to the sale of Class A shares by us in this offering at an assumed offering price of $ per share (the midpoint of the estimated offering price range set forth on the front cover of this prospectus) and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

This table should be read in conjunction with Our Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto included in this prospectus.

	As of June 30, 2010	
	Actual	As Adjusted(1)
	(in thousands)	
Cash and cash equivalents	$ 436,152	$
Debt	$ 933,031	$
Debt obligation of variable interest entities	1,006,548	
Shareholders equity:		
Class A shares, no par value; unlimited shares authorized and 96,346,032 shares issued and outstanding, actual; shares issued and outstanding as adjusted		
Class B shares, no par value; unlimited shares authorized and 1 share issued and outstanding, actual; 1 share issued and outstanding as adjusted		
Additional paid-in capital	1,906,281	
Accumulated deficit	(2,166,138)	
Appropriated partners deficit	(3,584)	
Accumulated other comprehensive loss	(2,483)	
Total Apollo Global Management, LLC shareholders deficit	(265,924)	
Non-Controlling Interests in consolidated entities	1,791,362	
Non-Controlling Interests in Apollo Operating Group	331,387	
Total shareholders equity	$ 1,856,825	$
Total capitalization	$ 3,796,404	$

(1) Assuming no change in the number of Class A shares offered by us as set forth on the front cover of this prospectus, a $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) each of cash and cash equivalents, additional paid-in capital and total shareholders equity by $ million and would increase (decrease) total capitalization by $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

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DILUTION

Dilution is the amount by which the offering price paid by the purchasers of the Class A shares to be sold in this offering exceeds the net tangible book value per share of the Class A shares after the offering. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of Class A shares deemed to be outstanding at that date.

Our net tangible book value as of June 30, 2010 was approximately $ million, or $ per share based on Class A shares outstanding as of June 30, 2010.

After giving effect to the receipt and our intended use of approximately $ million of estimated net proceeds from our sale of Class A Shares in this offering at an assumed offering price of $ per share (the midpoint of the estimated offering price range set forth on the front cover of this prospectus), our adjusted net tangible book value as of June 30, 2010 would have been approximately $ million, or $ per share. This represents an immediate increase in the adjusted net tangible book value of $ per share to existing Class A shareholders and an immediate dilution of $ per share to new investors purchasing Class A shares in the offering. The following table illustrates this substantial and immediate per share dilution to new investors:

	Per Class A Share
Assumed initial public offering price per share	$
Net tangible book value per share as of June 30, 2010	
Increase in net tangible book value per share attributable to this offering	
As adjusted net tangible book value per share after giving effect to this offering	
Dilution of net tangible book value per share to new investors	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the estimated offering price range set forth on the front cover of this prospectus) would increase (decrease) our adjusted net tangible book value by $, the adjusted net tangible book value per share after this offering by $ per share and the dilution per share to new investors in this offering by $, assuming the number of Class A shares offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

If the underwriters exercise their option to purchase additional Class A shares in full, the adjusted net tangible book value per share after this offering would be $ per share, and the dilution in adjusted net tangible book value per share to new investors in this offering would be $ per share.

The following table summarizes on an as adjusted basis as of June 30, 2010, giving effect to:

- the total number of Class A shares sold in this offering;
- the total consideration paid to us, assuming an initial public offering price of $ per share (before deducting the estimated underwriting discount and commissions and offering expenses payable by us in connection with this offering); and
- the average price per share paid by existing shareholders and by new investors purchasing Class A shares in this offering.

	Shares Purchased	Total Consideration	Average Price Per Class A Share

	Number	Percent	Amount	Percent	
Existing shareholders[1]		%	$	%	$
Investors in the offering[2]					
Total		100%	$	100%	$

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(1) Excludes the Class A shares being sold by the selling shareholders in the offering. The average price per share is computed based on the total Class A shares of existing shareholders prior to this offering of Class A shares, which includes the Class A shares being sold by the selling shareholders.

(2) Includes Class A shares being sold by the selling shareholders in this offering.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the estimate offering price range set forth on the front cover of this prospectus) would increase (decrease) total consideration paid by existing shareholders, total consideration paid by new investors and the average price per share by $, $ and $, respectively, assuming the number of Class A shares offered by us and the selling shareholders, as set forth on the front cover of this prospectus, remains the same, and without deducting underwriting discounts and commissions and estimated expenses payable by us.

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SELECTED FINANCIAL DATA

The following selected historical consolidated and combined financial and other data of Apollo Global Management, LLC should be read together with Our Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and the historical financial statements and related notes included elsewhere in this prospectus.

The selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for each of the years ended December 31, 2009, 2008 and 2007 and the selected historical consolidated and combined statements of financial condition data as of December 31, 2009 and 2008 have been derived from our consolidated and combined financial statements which are included elsewhere in this prospectus.

We derived the selected historical consolidated and combined statements of operations data of Apollo Global Management, LLC for the year ended December 31, 2005 and the selected consolidated and combined statements of financial condition data as of December 31, 2006 from our audited consolidated and combined financial statements which are not included in this prospectus. We derived the selected historical consolidated and combined statements of operations data for the year ended December 31, 2005 and the consolidated and combined statements of financial condition data as of December 31, 2006 and 2005 from our unaudited consolidated and combined statements of financial statements which are not included in this prospectus. The unaudited consolidated and combined financial statements have been prepared on substantially the same basis as the audited combined financial statements and include all adjustments that we consider necessary for a fair presentation of our combined financial position and results of operations for all periods presented.

We derived the selected historical condensed consolidated statement of operations of Apollo Global Management, LLC for the three and six months ended June 30, 2010 and 2009 and the selected historical consolidated statement of financial condition data as of June 30, 2010 from our condensed consolidated financial statements, which are included elsewhere in this prospectus. The condensed consolidated financial statements of Apollo Global Management, LLC have been prepared in accordance with U.S. GAAP for interim financial information and Rule 10-01 of Regulation S-X under the Exchange Act. Management believes it has made all necessary adjustments (consisting of normal recurring items) so that the condensed consolidated financial statements are presented fairly and that estimates made in preparing Apollo Global Management, LLC s condensed consolidated financial statements are reasonable and prudent.

The selected historical financial data are not indicative of our expected future operating results. In particular, after undergoing the Reorganization on July 13, 2007 and providing liquidation rights to limited partners of certain of the funds we manage on either August 1, 2007 or November 30, 2007, Apollo Global Management, LLC no longer consolidated in its financial statements certain of the funds that have historically been consolidated in our financial statements.

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	Three Months Ended June 30,		Six Months Ended June 30,		Year Ended December 31,				
	2010	2009	2010	2009	2009	2008	2007[e]	2006[e]	2005
					(in thousands)				
Statement of Operations Data									
Revenues:									
Advisory and transaction fees from affiliates	$ 26,844	$ 7,427	$ 37,913	$ 15,898	$ 56,075	$ 145,181	$ 150,191	$ 147,051	$ 80,926
Management fees from affiliates	106,112	94,442	209,916	189,538	406,257	384,247	192,934	101,921	33,492
Carried interest (loss) income from affiliates	(53,676)	39,840	55,045	92,998	504,396	(796,133)	294,725	97,508	69,347
Total Revenues	79,280	141,709	302,874	298,434	966,728	(266,705)	637,850	346,480	183,765
Expenses:									
Compensation and benefits	313,997	342,646	688,874	684,216	1,495,010	843,600	1,450,330	266,772	309,235
Interest expense	9,502	12,748	20,324	26,105	50,252	62,622	105,968	8,839	1,405
Interest expense beneficial conversion feature							240,000		
Professional fees	9,539	8,811	22,404	14,383	33,889	76,450	81,824	31,738	45,687
Litigation settlement[a]						200,000			
General, administrative and other	16,990	11,930	31,503	22,788	61,066	71,789	36,618	38,782	25,955
Placement fees	680	1,417	4,541	3,765	12,364	51,379	27,253		47,028
Occupancy	5,361	7,296	10,808	13,370	29,625	20,830	12,865	7,646	5,993
Depreciation and amortization	6,041	6,109	12,146	12,098	24,299	22,099	7,869	3,288	2,304
Total Expenses	362,110	390,957	790,600	776,725	1,706,505	1,348,769	1,962,727	357,065	437,607
Other (Loss) Income:									
Net (losses) gains from investment activities	(11,005)	279,666	100,716	113,068	510,935	(1,269,100)	2,279,263	1,620,554	1,970,770
Net losses from investment activities of consolidated variable interest entities	(19,432)		(265)						
(Loss) income from equity method investments	(1,712)	32,572	6,168	23,134	83,113	(57,353)	1,722	1,362	412
Interest income	300	293	662	701	1,450	19,368	52,500	38,423	33,578
Gain from repurchase of debt[b]		36,193		36,193	36,193				
Dividend income from affiliates							238,609	140,569	25,979
Other income (loss), net	25,264	23,218	21,906	39,151	41,410	(4,609)	(36)	3,154	2,832
Total Other (Loss) Income	(6,585)	371,942	129,187	212,247	673,101	(1,311,694)	2,572,058	1,804,062	2,033,571
(Loss) Income Before Income Tax (Provision) Benefit					(66,676)	(2,927,168)	1,247,181	1,793,477	1,779,729

	(289,415)	122,694	(358,539)	(266,044)					
Income tax (provision) benefit	(12,727)	(945)	(16,782)	(7,116)	(28,714)	36,995	(6,726)	(6,476)	(1,026)
Net (Loss) Income	(302,142)	121,749	(375,321)	(273,160)	(95,390)	(2,890,173)	1,240,455	1,787,001	1,778,703
Net loss (income) attributable to Non-Controlling Interests in consolidated entities[c]	23,744	(257,232)	(107,398)	(117,161)	(460,226)	1,176,116	(2,088,655)	(1,414,022)	(1,577,459)
Net loss attributable to Non-Controlling Interests in Apollo Operating Group[d]	203,274	98,108	346,913	276,767	400,440	801,799	278,549		
Net (Loss) Income Attributable to Apollo Global Management, LLC	$ (75,124)	$ (37,375)	$ (135,806)	$ (113,554)	$ (155,176)	$ (912,258)	$ (569,651)	$ 372,979	$ 201,244
Dividends Declared per Class A share	$ 0.07	$	$ 0.07	$ 0.05	$ 0.05	$ 0.56	$	N/A	N/A

	As of June 30, 2010	2009	2008	As of December 31, 2007	2006	2005
			(in thousands)			
Statement of Financial Condition Data						
Total assets	$ 4,974,048	$ 3,385,197	$ 2,474,532	$ 5,115,642	$ 11,179,921	$ 7,571,249
Debt (excluding obligations of variable interest entities)	933,031	933,834	1,026,005	1,057,761	93,738	20,519
Debt obligations of consolidated variable interest entities	1,006,548					
Total shareholders equity	1,856,825	1,299,110	325,785	2,408,329	10,331,990	6,895,246
Non-Controlling Interests	2,122,749	1,603,146	822,843	2,312,286	9,847,069	6,556,622

(a) Litigation settlement charge was incurred in connection with an agreement with Huntsman to settle certain claims related to Hexion s now terminated merger agreement with Huntsman.

(b) During April and May 2009, the company repurchased a combined total of $90.9 million of face value of debt for $54.7 million and recognized a net gain of $36.2 million which is included in other income (loss) in the condensed consolidated statements of operations for the three and six months ended June 30, 2009 and the consolidated and combined statements of operations for the year ended December 31, 2009.

(c) Reflects Non-Controlling Interests attributable to AAA, consolidated variable interest entities and the remaining interests held by certain former employees in the net income (loss) of our capital markets management companies.

(d) Reflects the Non-Controlling Interests in the net income (loss) of the Apollo Operating Group relating to the units held by our managing partners and contributing partners post-Reorganization. This amount is calculated by applying the following ownership percentages:

July 2007 through February 2009: 71.1%

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February 2009 through March 2010: 71.5%

March 2010 to June 2010: 71.4%

The above changes in ownership interest arose in connection with our share repurchase in February 2009 and the issuance of Class A shares for vested RSUs in March 2010.

(e) Significant changes in the consolidated and combined statement of operations for 2007 and 2006 compared to their respective comparative period are due to (i) the Reorganization, (ii) the deconsolidation of certain funds, and (iii) the Strategic Investors Transaction.

Some of the significant impacts of the above items are as follows:

Revenue from affiliates increased due to the deconsolidation of certain funds.

Compensation and benefits, including non-cash charges related to equity-based compensation increased due to amortization of Apollo Operating Group units, RDUs and RSUs.

Interest expense increased as a result of conversion of debt on which the Strategic Investors had a beneficial conversion feature. Additionally, interest expense increased related to the AMH credit facility obtained in April 2007.

Professional fees increased due to Apollo Global Management, LLC s formation and ongoing requirements.

Net gain from investment activities increased due to increased activity in our consolidated funds through the date of deconsolidation.

Non-Controlling Interests changed significantly due to the formation of Holdings and reflects net losses attributable to Holdings post-Reorganization.

Note: As a result of the adoption of U.S. GAAP guidance applicable to Non-Controlling Interests, the presentation and disclosure of all periods presented were impacted as follows: (1) Non-Controlling Interests were reclassified as a separate component of shareholders equity on our condensed consolidated and consolidated and combined statements of financial condition, (2) net (loss) income was adjusted to include the net (loss) income attributed to the Non-Controlling Interests on our condensed consolidated and consolidated and combined statements of operations, (3) the primary components of Non-Controlling Interests are now separately presented in the company s condensed consolidated and consolidated and combined financial statements to clearly distinguish the interest in the Apollo Operating Group and the interest held by limited partners in AAA from the interests of the company, and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis.

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As Apollo Global Management, LLC was formed in July 2007, the Apollo Operating Group is considered our predecessor for accounting purposes and its consolidated and combined financial statements are our historical financial statements for the periods prior to our Reorganization on July 13, 2007.

The following discussion should be read in conjunction with Apollo Global Management, LLC s condensed consolidated financial statements and related notes as of June 30, 2010 and for the three and six months ended June 30, 2010 and 2009 and the consolidated and combined financial statements and related notes as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those included in the section entitled Risk Factors. The highlights listed below have had significant effects on many items within our consolidated and combined financial statements and affect the comparison of the current period s activity with those of prior periods.

General

Our Businesses

Founded in 1990, Apollo is a leading global alternative asset manager. We are contrarian, value-oriented investors in private equity, credit-oriented capital markets and real estate with significant distressed expertise and a flexible mandate in the majority of our funds that enables our funds to invest opportunistically across a company s capital structure. We raise, invest and manage funds on behalf of some of the world s most prominent pension and endowment funds as well as other institutional and individual investors.

Apollo conducts its management and incentive businesses through the following segments: (i) private equity, (ii) capital markets and (iii) real estate. These segments are differentiated based on the varying investment strategies of the respective funds and how we monitor and manage each segment.

(i) ***Private equity*** primarily invests in control equity and related debt instruments, convertible securities and distressed debt instruments;

(ii) ***Capital markets*** primarily invests in non-control debt and non-control equity instruments, including distressed debt instruments; and

(iii) ***Real estate*** primarily invests in legacy commercial mortgage-backed securities. We may seek to sponsor additional real estate funds that focus on opportunistic investments in distressed debt and equity recapitalization transactions.

The performance of these business segments is measured by management on an unconsolidated basis because management makes operating decisions and assesses the performance of each of Apollo s business segments based on financial and operating metrics and data that exclude the effects of consolidation of any of the affiliated funds. Management further evaluates the segments based on our management and incentive business within each segment.

Our financial results vary since carried interest, which generally constitutes a large portion of the income we receive from the funds that we manage, as well as the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. As a result, we emphasize long-term financial growth and profitability to manage our business.

Business Environment

Beginning in the second half of 2007, the financial markets encountered a series of negative events starting with the sub-prime contagion that subsequently led to a global liquidity and broader economic crisis. During

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2008, the world financial markets experienced unprecedented volatility and declines across asset classes. Credit fears served to substantially stall lending markets, including the inter-bank lending market. The lack of lending between financial institutions and to corporations left many companies, both healthy and unhealthy, unable to access credit.

During 2008, substantial value was lost across investment asset classes on a global basis. The S&P 500 index declined 38.5%, the European Dow Jones STOXX 600 index declined 46.0% and the Dow Jones Asia-Pacific index declined 40.8%. Credit spreads widened and high yield and high grade bond indices declined during the year. Slowing global economic growth also led to a decline in commodities pricing. Oil also declined and the U.S. dollar rose against both the Euro and Pound Sterling. Investors reacted to weakening markets by significantly reducing equity and fixed income holdings. As a consequence, many equity and fixed income mutual funds and hedge funds experienced substantial redemptions and reductions in value. Declining market prices forced many leveraged investors to sell assets to meet margin requirements and reduce leverage ratios regardless of market prices. Lenders severely restricted commitments to new debt, limiting industry-wide leveraged acquisition activity levels in both corporate and real estate markets. General acquisition activity declined, which had an impact on several of our businesses. Government intervention in the U.S., Europe and Asia was swift and significant. Several U.S. and European financial institutions have required government support in the form of guarantees or capital injections. Coordinated interest rate cuts, capital injections, equity participation and a framework for purchases of illiquid securities provided support to the global financial system. The external shocks to the financial services industry have reshaped, and will continue to reshape, the competitive and regulatory landscape.

Subsequent to the first quarter of 2009, valuations across investment asset classes recovered and the S&P 500 index, the European Dow Jones STOXX 600 index and the Dow Jones Asia-Pacific index rose well above their respective 52-week lows although global financial markets remain significantly volatile. Our businesses are materially affected by conditions in the financial markets and economic conditions in the United States, Western Europe, Asia and to some extent elsewhere in the world. Although there appear to be some indications that an economic recovery is underway, performance across equity and debt markets remains volatile, which will continue to affect the performance of the funds that we manage.

Regardless of the market or economic environment at any given time, we rely on our contrarian, value-oriented approach to consistently invest capital on behalf of our investors throughout economic cycles by focusing on opportunities that we believe are often overlooked by other investors. We believe that our expertise in capital markets, focus on nine core industry sectors and investment experience allow us to respond quickly to changing environments. For example, in our private equity business, our private equity funds have had success investing in buyouts and credit opportunities during both expansionary and recessionary economic periods. During the recovery and expansionary periods of 1994 through 2000 and late 2003 through the first half of 2007, our private equity funds invested or committed to invest approximately $13.7 billion primarily in traditional and corporate partner buyouts. During the recessionary periods of 1990 through 1993, 2001 through late 2003 and the current recessionary period, our private equity funds have invested $19.3 billion, of which $14.4 billion was in distressed buyouts and debt investments when the debt securities of quality companies traded at deep discounts to par value.

Our Reorganization and the Private Offering Transactions

We were formed as a Delaware limited liability company on July 3, 2007. We are managed and operated by our manager, AGM Management, LLC, which in turn is wholly owned and controlled by our managing partners.

Apollo s business was historically conducted through a large number of entities for which there was no single holding entity but which were separately owned by our managing partners and other individuals (the Predecessor Owners), and controlled by our managing partners. In order to facilitate the Private Offering Transactions, we completed a reorganization as of the close of business on July 13, 2007 whereby, except for

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Apollo Advisors, L.P. and Apollo Advisors II, L.P. (collectively, the Advisor Entities) each of the operating entities that were owned by the Predecessor Owners and the intellectual property rights associated with the Apollo name were contributed to five newly-formed holding partnerships (Apollo Principal Holdings I, L.P., Apollo Principal Holdings II, L.P., Apollo Principal Holdings III, L.P., AMH and Apollo Principal Holdings IV, L.P.). Additional holding partnerships were formed in 2008 (Apollo Principal Holdings V, L.P., Apollo Principal Holdings VI, L.P., Apollo Principal Holdings VII, L.P., Apollo Principal Holdings VIII, L.P. and Apollo Principal Holdings IX, L.P.). The ten holding partnerships (collectively, the Apollo Operating Group) were formed for the purpose of, among other activities, holding certain of our interests, principally investments in the funds.

We, through three intermediate holding companies (APO Corp., a Delaware corporation that is a domestic corporation for U.S. Federal income tax purposes, APO Asset Co., LLC, a Delaware limited liability company that is a disregarded entity for U.S. Federal income tax purposes, and APO (FC), LLC, an Anguilla limited liability company that is treated as a corporation for U.S Federal income tax purposes and was formed in 2008), will own % of the economic interests of, and we operate and control all of the businesses and affairs of, the Apollo Operating Group immediately after the offering. Holdings is the entity through which the managing partners and contributing partners hold Apollo Operating Group units, which will represent % of the economic interests in the Apollo Operating Group immediately after the offering. We consolidate the financial results of the Apollo Operating Group and its consolidated subsidiaries. Holdings ownership interest in the Apollo Operating Group is reflected as Non-Controlling Interests in Apollo s consolidated and combined financial statements.

As part of the Reorganization, the company issued convertible notes with a principal amount of $1.2 billion to the Strategic Investors. The notes bore interest at 7% per annum and had a stated 15-year term. The notes included provisions calling for either an optional or mandatory conversion of the notes to non-voting Class A shares at a conversion price of $20 per share. Based on the guidance included within U.S. GAAP guidance applicable to accounting for convertible securities, we calculated the intrinsic value of this beneficial conversion feature, or BCF ; as the difference between the conversion price of $20 per share and the $24 fair value for each of the 60,000,001 Class A shares to be issued upon conversion. The total intrinsic value was calculated as $240 million and was to have been amortized over the notes 15-year term. However, the Private Placement triggered the mandatory conversion provision previously noted. As such, the remaining unamortized amount was charged to interest expense on the date of conversion and the $1.2 billion of notes held by the Strategic Investors were converted to 60,000,001 Class A shares.

On July 13, 2007, the company contributed to APO Corp. and APO Asset Co., LLC $1.2 billion of proceeds from the sale of convertible securities to the Strategic Investors. APO Corp. and APO Asset Co., LLC used these proceeds to purchase from the managing partners for $1.1 billion certain interests in the limited partnerships that operate the business, and contributed those purchased interests to the Apollo Operating Group in return for approximately 17.4% of the limited partner interests of the Apollo Operating Group. In addition, APO Corp. and APO Asset Co., LLC purchased from the contributing partners a portion of their interests in subsidiaries of the Apollo Operating Group for an aggregate purchase price of $156.4 million (excluding any potential contingent consideration) and contributed those purchased interests to the Apollo Operating Group in return for approximately 2.6% of the limited partner interests of the Apollo Operating Group. Additionally, on August 8, 2007 and September 5, 2007, Apollo issued 34,500,000 Class A shares and 2,824,541 Class A shares, respectively, through the Private Offering Transactions. The proceeds from the Class A shares issued on September 5, 2007 were used by Apollo to purchase a corresponding number of Apollo Operating Group units from Holdings, thereby diluting the Non-Controlling Interests by 8.9%. The purchase agreement related to the managing partners and contributing partners interests also included a provision for contingent consideration.

Although Apollo has less than 50% of the economics in the Apollo Operating Group, it has a majority voting interest and controls the management of the Apollo Operating Group. Additionally, although Holdings has a majority of the economic interests in the Apollo Operating Group, it does not have the right to dissolve the partnerships or have substantive kick-out rights or participating rights that would overcome the presumption of

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control by Apollo. Accordingly, Apollo consolidates the Apollo Operating Group and records the economic interest in the Apollo Operating Group directly held by Holdings as Non-Controlling Interests.

In January 2008 and April 2008, a preliminary and final distribution were made to the company s managing partners and contributing partners related to a contingent consideration of $29.9 million and $7.8 million, respectively. The determination of the amount and timing of the distribution was based on net income with discretionary adjustments, all of which were determined by Apollo Management Holdings GP, LLC, the general partner of AMH. Included in the distribution were RDUs of AAA valued at approximately $12.7 million for the managing partners combined with a distribution of interests in Apollo VIF Co-Investors, LLC in settlement of interest with respect to units in Apollo Value Investment Offshore Fund, Ltd. of approximately $0.5 million and $0.3 million for the managing partners and contributing partners, respectively.

Consolidation and Deconsolidation of Apollo Funds

Subsequent to the Reorganization, the Contributed Businesses that act as general partners of most of the consolidated funds granted rights to the unaffiliated investors in each respective fund to provide that a simple majority of such fund s unaffiliated investors have the right, without cause, to liquidate that fund in accordance with certain procedures. These rights were granted in order to achieve the deconsolidation of such funds from the company s financial statements. For the Apollo funds previously consolidated, these rights became effective either on August 1, 2007 or November 30, 2007. The deconsolidation of these funds present our financial statements in a manner consistent with how Apollo evaluates its business and its related risks. Accordingly, we believe that deconsolidating these funds provides investors with a better understanding of our business. The results of the deconsolidated funds are included in the consolidated and combined financial statements through the date of deconsolidation. Apollo has not granted voting rights to the limited partners of AAA to allow them to liquidate this entity. Therefore, Apollo will continue to control and consolidate this entity in accordance with U.S. GAAP. Apollo also has control and therefore consolidates Apollo Metals Trading Fund, L.P., or the Metals Trading Fund, which was formed in March 2008. Apollo also consolidates entities that are variable interest entities, or VIEs, for which Apollo is the primary beneficiary as discussed in note 2 to our condensed consolidated financial statements included elsewhere in this prospectus.

Because the company and the Advisor Entities were under the same control group as defined by U.S. GAAP guidance for entities under common control, the Advisor Entities are combined for the periods prior to the effective date of the Reorganization in the accompanying consolidated and combined financial statements. Also, in accordance with U.S. GAAP guidance for determining when a general partner should consolidate certain entities, the Advisor Entities consolidate their respective funds. These Advisor Entities were excluded assets in the Reorganization on July 13, 2007 (see note 1 to our consolidated and combined financial statements included elsewhere in this prospectus). As such, they are not presented in the consolidated and combined financial statements subsequent to the Reorganization.

Market Considerations

Our revenues consist of the following:

Management fees, which are calculated based upon any of net asset value, gross assets, adjusted costs of all unrealized portfolio investments, capital commitments, adjusted assets, capital contributions, invested capital or stockholders equity each as defin the applicable management agreement of the unconsolidated funds;

Advisory and transaction fees relating to the investments our funds make, or individual monitoring agreements with individual portfolio companies of the private equity funds and capital markets funds as well as advisory services provided to a capital markets fund; and

Carried interest with respect to our private equity funds and our capital markets funds.

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Our ability to grow our revenues depends in part on our ability to attract new capital and investors, which in turn depends on our ability to appropriately invest our funds capital, and on the conditions in the financial markets, including the availability and cost of leverage, and economic conditions in the United States, Western Europe, Asia, and to some extent, elsewhere in the world. The market factors that impact this include the following:

The strength of the alternative investment management industry, including the amount of capital invested and withdrawn from alternative investments. Allocations of capital to the alternative investment sector are dependent, in part, on the strength of the economy and the returns available from other investments relative to returns from alternative investments. Our share of this capital is dependent on the strength of our performance relative to the performance of our competitors. The capital we attract and our returns are drivers of our Assets Under Management, which, in turn, drive the fees we earn. In light of the current volatile conditions in the financial markets, our funds returns may be lower than they have been historically and fundraising efforts may be more challenging.

The strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically. The strength of these markets affects the value of and our ability to successfully exit our equity positions in our private equity portfolio companies in a timely manner.

The strength and liquidity of the U.S. and relevant global debt markets. Our funds and our portfolio companies borrow money to make acquisitions and our funds utilize leverage in order to increase investment returns that ultimately drive the performance of our funds. Furthermore, we utilize debt to finance the principal investments in our funds and for working capital purposes. To the extent our ability to borrow funds becomes more expensive or difficult to obtain, the net returns we can earn on those investments may be reduced.

Stability in interest rate and foreign currency exchange rate markets. We generally benefit from stable interest rate and foreign currency exchange rate markets. The direction and impact of changes in interest rates or foreign currency exchange rates on certain of our funds is dependent on the funds expectations and the related composition of their investments at such time.

For the most part, we believe the trends in these factors have historically created a favorable investment environment for our funds. However, adverse market conditions may affect our businesses in many ways, including reducing the value or hampering the performance of the investments made by our funds, and/or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow, and affect our financial condition and prospects. As a result of our value-oriented, contrarian investment style which is inherently long-term in nature, there may be significant fluctuations in our financial results from quarter to quarter and year to year.

The financial markets encountered a series of negative events in 2007 and 2008 which led to a global liquidity and broad economic crisis and impacted the performance of many of our portfolio companies and capital markets funds. The impact of such events on our private equity and capital markets funds resulted in volatility in our revenue. If this market volatility continues, we and the funds we manage may experience further tightening of liquidity, reduced earnings and cash flow, impairment charges, as well as challenges in raising additional capital, obtaining investment financing and making investments on attractive terms. These market conditions could also have an impact on our ability to liquidate positions in a timely and efficient manner.

For a more detailed description of how economic and global financial market conditions can materially affect our financial performance and condition, see Risk Factors Risks Related to Our Businesses Difficult market conditions may adversely affect our businesses in many ways, including by reducing the value or hampering the performance of the investments made by our funds or reducing the ability of our funds to raise or deploy capital, each of which could materially reduce our revenue, net income and cash flow and adversely affect our financial prospects and condition.

Uncertainty remains regarding Apollo s future taxation levels. On May 28, 2010, the House of Representatives passed legislation that would, if enacted in its present form, preclude us from qualifying for

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treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. See Risk Factors Risks Related to Taxation The U.S. Federal income tax law that determines the tax consequences of an investment in Class A shares is under review and is potentially subject to adverse legislative, judicial or administrative change, possibly on a retroactive basis, including possible changes that would result in the treatment of our long-term capital gains as ordinary income, that would cause us to become taxable as a corporation and/or have other adverse effects, Risk Factors Risks Related to Our Organization and Structure Members of the U.S. Congress have introduced and the House of Representatives has passed legislation that would, if enacted, preclude us from qualifying for treatment as a partnership for U.S. Federal income tax purposes under the publicly traded partnership rules. If this or any similar legislation or regulation were to be enacted and apply to us, we would incur a substantial increase in our tax liability and it could well result in a reduction in the value of our Class A shares and Material Tax Considerations Material U.S. Federal Tax Considerations Administrative Matters Possible New Legislation or Administrative or Judicial Action.

Our Recent Growth

Despite the recent economic difficulties, we have experienced significant growth in the number of funds that we manage during the past five years. We have achieved this growth by raising additional capital in our private equity, credit-oriented capital markets and real estate businesses, growing AUM where applicable through appreciation and by expanding our businesses using new strategies and geographies. Despite the market turmoil and volatility of the last two years, Fund VII had its final closing in December 2008, with total committed capital of $14.7 billion. In capital markets, we raised COF I, COF II, EPF and three additional strategic investment accounts. We formally introduced the real estate segment into our platform and launched a publicly-traded REIT and a vehicle that invests in CMBS. As a result of our growth, we have experienced an increase in our management fees. To support this growth, we have also experienced a material increase in operating expenses, resulting from hiring additional personnel, opening new offices to expand our geographical reach and incurring additional professional fees.

Managing Business Performance

We believe that the presentation of Economic Net Income (Loss) supplements a reader s understanding of the economic operating performance of each segment.

Economic Net Income (Loss)

ENI represents segment income (loss), excluding the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the consolidated and combined financial statements. Adjustments relating to income tax expense and Non-Controlling Interests are common in the calculation of supplemental measures of performance in our industry. We believe the exclusion of non-cash charges related to equity-based compensation provides investors with meaningful indication of our performance because these charges relate to the equity portion of our capital structure and not our core operating performance.

ENI is a key performance measure used for understanding the performance of our operations from period to period and although not every company in our industry defines these metrics in precisely the same way that we do, we believe that this metric, as we use it, facilitates comparisons with other companies in our industry. We use ENI to evaluate the performance of our private equity, capital markets and real estate segments as the amount of management fees, advisory and transaction fees and carried interest income are indicative of the company s performance. Management also uses ENI in making key operating decisions such as the following:

Decisions related to the allocation of resources such as staffing decisions including hiring and locations for deployment of the new hires. As the amount of fees, investment income, and ENI is indicative of

the performance of the management companies and advisors within each segment, management can assess the need for additional resources and the location for deployment of the new hires based on the results of this measure. For example, a positive ENI could indicate the need for additional staff to manage the respective segment whereas a negative ENI could indicate the need to reduce staff assigned to manage the respective segment.

Decisions related to capital deployment such as providing capital to facilitate growth for our business and/or to facilitate expansion into new businesses. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can assess the availability and need to provide capital to facilitate growth or expansion into new businesses based on the results of this measure. For example, a negative ENI may indicate the lack of performance of a segment and thus determine that available capital may be deployed to another segment.

Decisions related to compensation expense, such as determining annual discretionary bonuses to our employees. As the amount of fees, investment income, and ENI is indicative of the performance of the management companies and advisors within each segment, management can better identify higher performing businesses and employees to allocate discretionary bonuses based on the results of this measure. As it relates to compensation, our philosophy has been and remains to better align the interests of certain professionals and selected other individuals who have a profit sharing interest in the carried interest earned in relation to our funds with our own and with those of the investors in the funds. To achieve that objective, a significant amount of compensation paid is based on our performance and growth for the year. For example, a positive ENI could indicate a higher discretionary bonus for a team whereas a negative ENI could indicate the need to reduce bonuses based on poor performance.

ENI is a measure of profitability and has certain limitations in that it does not take into account certain items included under U.S. GAAP. The items we exclude when calculating ENI are significant to our business: (i) non-cash charges related to equity-based compensation are expected to be recurring components of our costs and we may be able to incur lower cash compensation costs as a result of the financial benefits provided to certain partners and employees and the equity grants that may be made under our equity incentive plan; furthermore, any measure that eliminates compensation costs has material limitations as a performance measure; (ii) income tax expense represents a necessary element of our costs and our ability to generate revenue because ongoing revenue generation is expected to result in future income tax expense; and (iii) Non-Controlling Interests which is expected to be a recurring item and represents the aggregate of the income or loss that is not owned by the company. In light of the foregoing limitations, we do not rely solely on ENI as a performance measure and also consider our U.S. GAAP results.

We believe that ENI is helpful to an understanding of our business and that investors should review the same supplemental financial measure that management uses to analyze our segment performance. This measure supplements and should be considered in addition to and not in lieu of the results of operations discussed below in the Overview of Results of Operations that have been prepared in accordance with U.S. GAAP.

The following summarizes the adjustments to ENI that reconcile ENI to the net income (loss) attributable to Apollo Global Management, LLC determined in accordance with U.S. GAAP:

Inclusion of the impact of non-cash charges such as equity-based compensation to our managing partners, contributing partners and employees related to Apollo Operating Group units, RSUs, AAA RDUs, ARI RSUs and ARI Restricted Stock Awards that were expensed during the period. Management assesses our performance based on management fees, advisory and transaction fees, and carried interest income generated by the business and excludes the impact of non-cash charges related to equity-based compensation because this non-cash charge is not viewed as part of our core operations.

Inclusion of the impact of income taxes as we do not take income taxes into consideration when evaluating the performance of our segments or when determining compensation for our employees. Additionally, income taxes at the segment level (which exclude APO Corp. s corporate taxes) are not meaningful, as the majority of the entities included in our segments operate as partnerships and therefore are only subject to New York City unincorporated business taxes and foreign taxes when applicable.

Carried interest income, management fees and other revenues from Apollo funds are reflected on an unconsolidated basis. As such, ENI excludes the Non-Controlling Interests in AAA and the consolidated VIEs, which remain consolidated in our consolidated and combined financial statements. Management views the business as an alternative asset management firm and therefore assesses performance using the combined total of carried interest income and management fees from each of our funds.

ENI may not be comparable to similarly titled measures used by other companies and is not a measure of performance calculated in accordance with U.S. GAAP. We use ENI as a measure of operating performance, not as a measure of liquidity. ENI should not be considered in isolation or as a substitute for operating income, net income, operating cash flows, investing and financing activities, or other income or cash flow statement data prepared in accordance with U.S. GAAP. The use of ENI without consideration of related U.S. GAAP measures is not adequate due to the adjustments described above. Management compensates for these limitations by using ENI as a supplemental measure to U.S. GAAP results to provide a more complete understanding of our performance as management measures it. To ensure a complete understanding, a reconciliation of ENI to our U.S. GAAP net loss attributable to Apollo Global Management, LLC can be found in the notes to our consolidated and combined financial statements included elsewhere in this prospectus.

In evaluating its various segments, the company also utilizes Adjusted ENI as a performance measure. In arriving at Adjusted ENI, the company removes items from ENI that management believes are non-recurring. Management also removes public offering costs, placement fees and litigation settlements and related insurance proceeds to arrive at Adjusted ENI. However, these costs will recur until our shares are registered, and may recur if we raise additional funds or reach legal settlements on existing or future legal matters. When evaluating the company s management business, management considers Adjusted ENI in the assessment of its performance and in making decisions regarding the allocation of resources and the deployment of its assets. Adjusted ENI is not a U.S. GAAP measure.

Operating Metrics

We monitor certain operating metrics that are common to the alternative asset management industry. These operating metrics include assets under management, private equity dollars invested and uncalled private equity commitments.

Assets Under Management

Assets Under Management, or AUM, refers to the assets we manage or with respect to which we have control. Our AUM equals the sum of:

(i) the fair value of our private equity investments plus the capital that we are entitled to call from our investors pursuant to the terms of their capital commitments plus non-recallable capital to the extent a fund is within the commitment period in which management fees are calculated based on total commitments to the fund;

(ii) the net asset value, or NAV, of our capital markets funds, other than collateralized senior credit opportunity funds (such as Artus, which we measure by using the mark-to-market value of the aggregate principal amount of the underlying collateralized loan obligations), plus used or available leverage and/or capital commitments;

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(iii) the gross asset values of our real estate entities and the structured portfolio vehicle investments included within the funds we manage, which includes the leverage used by such structured portfolio companies;

(iv) the incremental value associated with the reinsurance investments of the funds we manage; and

(v) the fair value of any other assets that we manage plus unused credit facilities, including capital commitments for investments that may require pre-qualification before investment plus any other capital commitments available for investment that are not otherwise included in the clauses above.

During the year ended December 31, 2009, the company refined its definition of AUM to reflect leveraged products that had not been identified in our previous AUM definition. Prior period AUM amounts have been recalculated utilizing the above definition.

Our AUM measure includes assets under management for which we charge either no or nominal fees. Our definition of AUM is not based on any definition of assets under management contained in our operating agreement or in any of our Apollo fund management agreements. We consider multiple factors for determining what should be included in our definition of AUM. Such factors include but are not limited to (1) our ability to influence the investment decisions for existing and available assets; (2) our ability to generate income from the underlying assets in our funds; and (3) the AUM measures that we believe are used by other asset managers. Given the differences in the investment strategies and structures among other alternative asset managers, our calculation of AUM may differ from the calculations employed by other asset managers and, as a result, this measure may not be directly comparable to similar measures presented by other asset managers.

AUM as of June 30, 2010 and 2009 and December 31, 2009, 2008 and 2007 are set forth below:

	June 30,		December 31,		
	2010	2009	2009	2008	2007
			(in millions)		
AUM:					
Private equity	$ 33,466	$ 30,512	$ 34,002	$ 29,094	$ 30,237
Capital markets	18,964	15,415	19,112	15,108	10,533
Real estate	2,103		495		
Total	$ 54,533	$ 45,927	$ 53,609	$ 44,202	$ 40,770

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The following tables summarize changes in total AUM and AUM for each of our segments for the six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007.

	Six Months Ended June 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
			(in millions)		
Change in AUM:					
Beginning of period	$ 53,609	$ 44,202	$ 44,202	$ 40,770	$ 24,578
Income (loss)	622	2,728	9,566	(11,738)	801
Subscriptions	753	249	1,934	9,871	14,235
Distributions / redemptions	(2,122)	(430)	(1,849)	(2,600)	(884)
Change in leverage	1,671	(822)	(244)	7,899	2,040
End of period	$ 54,533	$ 45,927	$ 53,609	$ 44,202	$ 40,770
Private Equity AUM Rollforward:					
Beginning of period	$ 34,002	$ 29,094	$ 29,094	$ 30,237	$ 20,186
Income (loss)	928	1,841	6,432	(8,625)	637
Subscriptions				5,223	9,459
Distributions / redemptions	(1,329)	(21)	(828)	(1,991)	(596)
Change in leverage	(135)	(402)	(696)	4,250	551
End of period	$ 33,466	$ 30,512	$ 34,002	$ 29,094	$ 30,237
Capital Markets AUM Rollforward:					
Beginning of period	$ 19,112	$ 15,108	$ 15,108	$ 10,533	$ 4,392
(Loss) income	(365)	887	3,137	(3,113)	164
Subscriptions	395	249	1,617	4,648	4,776
Distributions / redemptions	(610)	(409)	(1,021)	(609)	(288)
Change in leverage	432	(420)	271	3,649	1,489
End of period	$ 18,964	$ 15,415	$ 19,112	$ 15,108	$ 10,533
Real Estate AUM Rollforward:					
Beginning of period	$ 495	$	$	$	$
Income (loss)	59		(3)		
Subscriptions	358		317		
Distributions / redemptions	(183)				
Change in leverage	1,374		181		
End of period	$ 2,103	$	$ 495	$	$

Private Equity

During the six months ended June 30, 2010, the AUM in our private equity segment decreased by $0.5 billion, or 1.6%. This decrease was primarily due to $1.0 billion of distributions from Fund V, and $0.2 billion of distributions from Fund VII. This decrease was offset by $0.9 billion of income that was primarily attributable to improved investment valuations in our private equity funds, including $0.6 billion in Fund VI. See Segment Analysis, which includes a detailed discussion of the impact that significant changes in our AUM within our private equity, capital markets and real estate segments had on our revenues by segment.

During the six months ended June 30, 2009, the AUM in our private equity segment increased by $1.4 billion, or 4.9%. There was $1.8 billion of income that was primarily attributable to Fund VI offset by a $(0.4) billion change in leverage, which was primarily attributable to additional leverage provided by LeverageSource, L.P., or LeverageSource, a special-purpose entity that invests in numerous portfolio companies that in

turn invest in debt securities and derivative instruments.

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During the year ended December 31, 2009, the AUM in our private equity segment increased by $4.9 billion, or 16.9%. This increase was impacted by $6.4 billion of income that was primarily attributable to improved investment valuations in our private equity funds, including $4.2 billion in Fund VI. Offsetting this increase was $0.3 billion of distributions from Fund IV, $0.3 billion of distributions from Fund VI and $0.2 billion of distributions from Fund VII. See Segment Analysis, which includes a detailed discussion of the impact that significant changes in our AUM within our private equity, capital markets and real estate segments had on our revenues by segment.

During the year ended December 31, 2008, the AUM in our private equity segment decreased by $1.1 billion, or 3.8%. There was $5.2 billion of capital commitments raised for Fund VII and a $4.3 billion change in leverage, which was primarily attributable to additional leverage provided by LeverageSource. These AUM increases were offset by $2.0 billion in distributions, which was primarily attributable to $1.7 billion in sales of Fund V portfolio investments. There were also $4.8 billion and $1.9 billion of declines in the investment valuations of Fund VI and Fund V, respectively, which were primarily due to the economic crisis that expanded during 2008.

The $10.1 billion, or 49.8%, increase in the AUM of our private equity segment during the year-ended December 31, 2007 was primarily the result of raising $9.5 billion in capital commitments to Fund VII, which commenced operations during late 2007.

Capital Markets

During the six months ended June 30, 2010, AUM in our capital markets segment decreased by $0.1 billion, or 0.8%. This decrease was impacted by $0.4 billion of losses that were primarily attributable to lower investment valuations in our capital market funds and distributions of $0.6 billion. The decrease was offset by $0.4 billion of leverage and $0.4 billion in subscriptions primarily related to AIC and our strategic investment accounts.

During the six months ended June 30, 2009, AUM in our capital markets segment increased by $0.3 billion, or 2.0%. This increase was primarily attributable to $0.9 billion in income due to improved investment valuations, most notably with respect to ACLF and SOMA, along with $0.2 billion in additional subscriptions primarily resulting from AIC s equity issuances. Offsetting these increases was $0.4 billion in distributions, primarily with respect to SVF, VIF and AAOF, and $0.4 billion of net decreased leverage principally from COF I and COF II.

During the year ended December 31, 2009, AUM in our capital markets segment increased by $4.0 billion, or 26.5%. This increase was primarily attributable to improved investment valuations in COF I and COF II of $0.8 billion and $0.6 billion, respectively, and $0.7 billion and $0.4 billion of improved investment valuations in ACLF and the Value Funds, respectively. The overall AUM gain in our capital markets segment was also positively impacted by additional subscriptions of $1.6 billion, which was primarily comprised of additional capital raised by EPF, Palmetto and AIC of approximately $0.6 billion, $0.6 billion and $0.3 billion, respectively.

During the year ended December 31, 2008, AUM in our capital markets segment increased by $4.6 billion, or 43.4%. This increase was mainly driven by COF I and COF II, which had a combined $2.9 billion in additional subscriptions and $3.2 billion of leverage added during this period. These funds began investing in 2008 in order to capitalize on the supply-demand imbalances in the leveraged finance market. EPF also had $0.8 billion in subscriptions during the year ended December 31, 2008. Offsetting these increases were $3.1 billion of declines in the investment valuations in several of our capital markets funds, including $0.8 billion in AIC and $0.5 billion in AIE I, which were the result of the economic crisis that expanded during 2008.

During the year ended December 31, 2007, AUM in our capital markets segment increased by $6.1 billion, or 139.8%, which was primarily comprised of $4.8 billion in additional capital raised, including $1.0 billion for the collateralized loan obligation vehicle in which Artus has invested, $0.8 billion for SOMA, $0.7 billion for ACLF, $0.8 billion for AIC, $0.4 billion for AIE I, $0.4 billion for AAOF and $0.4 billion for EPF. There was also $1.5 billion in additional leverage that was primarily used by AIE I and AIC during 2007.

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Real Estate

During the six months ended June 30, 2010, AUM in our real estate segment increased by $1.6 billion, or 324.8%. This increase was comprised of $0.4 million of subscriptions that resulted from the initial public offering and concurrent private placement by ARI as well as the formation of the AGRE CMBS Account, and $1.4 billion in additional leverage, primarily due to the investment from Athene.

During the year ended December 31, 2009, AUM in our real estate segment increased by $0.5 billion. This increase was comprised of $0.3 billion of subscriptions that resulted from the $0.2 billion initial public offering and concurrent private placement by ARI as well as the formation of the AGRE CMBS Account, which raised $0.1 billion in equity capital.

Assets Under Management Fee-Generating/Non-Fee Generating

Fee-generating AUM consists of assets that we manage and on which we earn management fees or monitoring fees pursuant to management agreements on a basis that varies among the Apollo funds. Management fees are normally based on net asset value, gross assets, adjusted cost of all unrealized portfolio investments, capital commitments, adjusted assets, stockholders equity, invested capital or capital contributions, e defined in the applicable management agreement. Monitoring fees for AUM purposes are based on the total value of certain structured portfolio vehicle investments, which normally include leverage, less any portion of such total value that is already considered in fee-generating AUM.

Non-fee generating AUM consists of assets that do not produce management fees or monitoring fees. These assets generally consist of the following: (a) fair value above invested capital for those funds that earn management fees based on invested capital, (b) net asset values related to general partner interests and co-investments, (c) unused credit facilities, (d) available commitments on those funds that generate management fees on invested capital, and (e) structured portfolio vehicle investments that do not generate monitoring fees. We use non-fee generating AUM combined with fee-generating AUM as a performance measurement of our investment activities, as well as to monitor fund size in relation to professional resource and infrastructure needs. Non-fee generating AUM includes assets on which we could earn carried interest income.

The table below displays fee-generating and non-fee generating AUM by segment as of June 30, 2010 and 2009, and December 31, 2009, 2008 and 2007. The changes in market conditions and additional funds raised have had significant impacts to our AUM.

Assets Under Management Fee-Generating/Non-Fee Generating

	As of June 30,		As of December 31,		
	2010	2009	2009	2008	2007
			(in millions)		
Private equity	$ 33,466	$ 30,512	$ 34,002	$ 29,094	$ 30,237
Fee-generating	27,455	28,449	28,092	28,314	14,039
Non-fee generating	6,011	2,063	5,910	780	16,198
Capital markets	18,964	15,415	19,112	15,108	10,533
Fee-generating	15,335	12,757	14,854	12,629	8,502
Non-fee generating	3,629	2,658	4,258	2,479	2,031
Real estate	2,103		495		
Fee-generating	448		279		
Non-fee generating	1,655		216		
Total Assets Under Management	54,533	45,927	53,609	44,202	40,770
Fee-generating	43,238	41,206	43,225	40,943	22,541
Non-fee generating	11,295	4,721	10,384	3,259	18,229

The increases in our fee-generating AUM are generally the result of our fundraising efforts and changes in invested capital for new investments, which is partially offset by realizations of investments. Fund VII, which had its final closing on December 17, 2008, had final total committed capital of $14.7 billion, as compared with Fund VI, which had total committed capital of $10.1 billion. Additionally, in 2008, COF I, COF II and EPF raised significant capital, which is included in our capital markets AUM. In 2007, we raised approximately $4.8 billion of capital for our new capital markets funds. We also experienced significant negative value impacts on our AUM for periods in late 2008 and early 2009, as a result of the economic crisis that began in the second half of 2007. Investment values began to increase as signs of economic improvement were noted during the second and third quarters of 2009. During the six months ended June 30, 2010, our fee-generating AUM changed primarily as a result of a decrease in return of capital and sales in our private equity funds, offset by an increase in new capital raised in our capital market funds. During the six months ended June 30, 2010 and the year ended December 31, 2009, our non-fee generating AUM changed primarily as a result of the increases in fair values of investments above invested capital in our private equity and certain capital markets funds. During the six months ended June 30, 2010, there was also a $1.4 billion increase in the real estate segment s non-fee generating AUM, which was primarily the result of additional leverage used by the AGRE CMBS Account.

When the fair value of an investment exceeds invested capital, we are normally entitled to carried interest income on the difference between the fair value and invested capital after also considering certain expenses and preferred return amounts, as specified in their respective partnership agreements. However, we do not earn management fees on such excess. As a result of the growth in both the size and number of funds that we manage, we have experienced an increase in our management fees and advisory and transaction fees. To support this growth, we have also experienced an increase in operating expenses, resulting from hiring additional personnel, opening new offices to expand our geographical reach and incurring additional professional fees.

With respect to our private equity funds and certain of our capital markets funds, we charge management fees on the amount of committed or invested capital and we generally are entitled to carried interest on the realized gains on the investments that are disposed of. Certain funds may have current fair values below invested capital. However, the management fee would still be computed on the invested capital for such funds. With respect to ARI, we receive management fees on stockholders equity as defined in its management agreement. In addition, our fee-generating AUM reflects leverage vehicles that generate monitoring fees. Our total fee-generating AUM is comprised of approximately 84% of assets that earn management fees and the balance of assets earn monitoring fees.

See The Historical Investment Performance of Our Funds Investment Record for additional discussion of our funds investment performance.

The company s entire fee-generating AUM is subject to management or monitoring fees. The components of fee-generating AUM as of June 30, 2010 and as of December 31, 2009 are presented below:

	As of June 30, 2010			
	Private Equity	Capital Markets	Real Estate	Total
		(in millions)		
Fee-generating AUM based on capital commitments	$ 14,289	$ 1,544	$	$ 15,833
Fee-generating AUM based on invested capital	8,815	3,186		12,001
Fee-generating AUM based on gross/adjusted assets	879	4,801	448	6,128
Fee-generating AUM based on leverage[1]	3,472	3,385		6,857
Fee-generating AUM based on NAV		2,419		2,419
Total Fee-Generating AUM	**$ 27,455[2]**	**$ 15,335[3]**	**$ 448**	**$ 43,238**

(1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.

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(2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at June 30, 2010 is 80 months.
(3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.
(4) The fee-generating AUM for our real estate entities is based on an adjusted equity amount as specified by the respective management agreements.

	As of December 31, 2009			
	Private Equity	Capital Markets	Real Estate	Total
		(in millions)		
Fee-generating AUM based on capital commitments	$ 14,289	$ 2,472	$	$ 16,761
Fee-generating AUM based on invested capital	9,336	1,782		11,118
Fee-generating AUM based on gross/adjusted assets	902	4,755	279[4]	5,936
Fee-generating AUM based on leverage[1]	3,565	3,580		7,145
Fee-generating AUM based on NAV		2,265		2,265
Total Fee-Generating AUM	**$ 28,092** [2]	**$ 14,854** [3]	**$ 279**	**$ 43,225**

(1) Monitoring fees are normally based on the total value of certain special purpose vehicle investments, which includes leverage, less any portion of such total value that is already considered for fee-generating AUM. Monitoring fees are typically calculated using a 0.5% annual rate.
(2) The weighted average remaining life of the private equity funds excluding permanent capital vehicles at December 31, 2009 is 82 months.
(3) The fee-generating AUM for the capital markets funds has no concentration across the investment strategies.
(4) The fee-generating AUM for our real estate entities is based on an adjusted equity amount as specified by the respective management agreements.

Private Equity Dollars Invested and Uncalled Private Equity Commitments

Private equity dollars invested represents the aggregate amount of capital invested by our private equity funds during a reporting period. Uncalled private equity commitments, by contrast, represent unfunded commitments by investors in our private equity funds to contribute capital to fund future investments or expenses incurred by the funds, fees and applicable expenses. Private equity dollars invested and uncalled private equity commitments are indicative of the pace and magnitude of fund capital that is deployed or will be deployed, and which therefore could result in future revenues that include transaction fees and incentive income. Private equity dollars invested and uncalled private equity commitments can also give rise to future costs that are related to the hiring of additional resources to manage and account for the additional capital that is deployed or will be deployed. Management uses private equity dollars invested and uncalled private equity commitments as key operating metrics since we believe the results measure our investment activities.

The following table summarizes the private equity dollars invested during the specified reporting periods:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Year Ended December 31,		
	2010	2009	2010	2009	2009	2008	2007
					(in thousands)		
Private equity dollars invested	$ 1,967,000	$ 986,600	$ 2,263,300	$ 1,891,200	$ 3,475,500	$ 8,079,099	$ 3,638,326

The following table summarizes the uncalled private equity commitments as of June 30, 2010 and December 31, 2009, 2008 and 2007:

	As of June 30,	As of December 31,		
	2010	2009	2008	2007
		(in thousands)		
Uncalled private equity commitments	$ 10,802,300	$ 13,027,100	$ 13,554,800	$ 16,406,200

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The Historical Investment Performance of Our Funds

Below we present information relating to the historical performance of our funds, including certain legacy Apollo funds that do not have a meaningful amount of unrealized investments, and in respect of which the general partner interest has not been contributed to us. The data for these funds are presented from the date indicated through July 13, 2007 and have not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

When considering the data presented below, you should note that the historical results of our funds are not indicative of the future results that you should expect from such funds, from any future funds we may raise or from your investment in our Class A shares. An investment in our Class A shares is not an investment in any of the Apollo funds, and the assets and revenues of our funds are not directly available to us. As a result of the deconsolidation of most of our funds, we will not be consolidating those funds in our financial statements for periods after either August 1, 2007 or November 30, 2007. The historical and potential future returns of the funds we manage are not directly linked to returns on our Class A shares. Therefore, you should not conclude that continued positive performance of the funds we manage will necessarily result in positive returns on an investment in our Class A shares. However, poor performance of the funds that we manage would cause a decline in our revenue from such funds, and would therefore have a negative effect on our performance and in all likelihood the value in our Class A shares. There can be no assurance that any Apollo fund will continue to achieve the same results in the future.

Moreover, the historical returns of our funds should not be considered indicative of the future results you should expect from such funds or from any future funds we may raise, in part because:

- market conditions during previous periods were significantly more favorable for generating positive performance, particularly in our private equity business, than the market conditions we have experienced for the last two years and may continue to experience for the foreseeable future;

- our funds returns have benefited from investment opportunities and general market conditions that currently do not exist and may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of profitable investment opportunities;

- our private equity funds rates of return, which are calculated on the basis of net asset value of the funds investments, reflect unrealized gains, which may never be realized;

- our funds returns have benefited from investment opportunities and general market conditions that may not repeat themselves, including the availability of debt capital on attractive terms, and we may not be able to achieve the same returns or profitable investment opportunities or deploy capital as quickly;

- the historical returns that we present in this prospectus derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record;

- Fund VI and Fund VII are several times larger than our previous private equity funds, and we may not be able to deploy this additional capital as profitably as our prior funds;

- the attractive returns of certain of our funds have been driven by the rapid return of invested capital, which has not occurred with respect to all of our funds and we believe is less likely to occur in the future;

our track record with respect to our capital markets and real estate funds is relatively short as compared to our private equity funds;

in recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in private equity funds and periods of high liquidity in debt markets, which may result in lower returns for the funds; and

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our newly established funds may generate lower returns during the period that they take to deploy their capital; consequently, we do not provide return information for any funds which have not been actively investing capital for at least 36 months prior to the valuation date as we believe this information is not meaningful.

Finally, our private equity IRRs have historically varied greatly from fund to fund. For example, Fund IV has generated an 11% gross IRR and an 8% net IRR since its inception through June 30, 2010, while Fund V has generated a 62% gross IRR and a 45% net IRR since its inception through June 30, 2010. Accordingly, the IRR going forward for any current or future fund may vary considerably from the historical IRR generated by any particular fund, or for our private equity funds as a whole. Future returns will also be affected by the applicable risks described elsewhere in this prospectus, including risks of the industries and businesses in which a particular fund invests. See Risk Factors Risks Related to Our Businesses The historical returns attributable to our funds should not be considered as indicative of the future results of our funds or of our future results or of any returns expected on an investment in our Class A shares.

Investment Record

Private Equity

The following table summarizes the investment record for our private equity fund portfolios apart from AAA. All amounts are as of June 30, 2010, unless otherwise noted. See Terms Used in This Prospectus for the definitions of the terms multiple of invested capital, gross IRR, and net IRR used in the table below.

								As of June 30, 2010		As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Vintage Year	Committed Capital	Total Invested Capital	Realized	Unrealized(1)	Total Value	Multiple of Invested Capital(5)	Gross IRR	Net IRR	Gross IRR	Net IRR	Gross IRR	Net IRR	Gross IRR	Net IRR
		(in millions)													
Fund VII	2008	$ 14,676	$ 6,285	$ 2,362	$ 5,342	$ 7,704	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)	NM(4)
Fund VI	2006	10,136	11,277	3,261	9,423	12,684	1.3	6%	6%	5%	4%	NM(4)	NM(4)	NM(4)	NM(4)
Fund V	2001	3,742	5,192	10,951	1,657	12,608	3.4	62	45	62	46	63%	47%	71%	54%
Fund IV	1998	3,600	3,481	5,693	567	6,260	1.8	11	8	11	8	10	8	13	10
Fund III	1995	1,500	1,499	2,591	54	2,645	1.8	18	11	18	11	18	11	18	11
Fund I, II & MIA(2)	1990/92	2,220	3,773	7,924		7,924	3.6	47	37	47	37	47	37	47	37
Total		$ 35,874	$ 31,507	$ 32,782	$ 17,043	$ 49,825	2.4x(3)	39%	26%	39%	26%	39%	25%	41%	29%

(1) Figures include the market values, estimated fair value of certain unrealized investments and capital committed to investments. See Risk Factors Risks Related to Our Businesses Many of our funds invest in relatively high-risk, illiquid assets and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount we invest in these activities and Our funds may be forced to dispose of investments at a disadvantageous time for a discussion of why our unrealized investments may ultimately be realized at valuations different than those provided here.

(2) Fund I and Fund II were structured such that investments were made from either fund depending on which fund had available capital. We do not differentiate between Fund I and Fund II investments for purposes of performance figures because they are not meaningful on a separate basis and do not demonstrate the progression of returns over time.

(3) This figure represents an average of the multiples of invested capital for the funds included in the table, excluding funds that began investing less than 36 months from the valuation date.

(4) Fund VI and Fund VII did not begin investing the majority of their capital at least 36 months prior to the period indicated. Due to the limited investment period for these private equity funds and the longer overall investment period, we believe multiple of invested capital and return information, as applicable, is not yet meaningful.

(5) Multiple of invested capital means (i) with respect to a given investment as of any date, the actual amount realized with respect to such investment plus the estimated fair market value of the remaining interest in such investment as of such date divided by the total capital invested in such investment through such date, and (ii) with respect to a fund as of any date, the aggregate actual amount realized in respect of such fund s investments plus the estimated fair market value of the fund s remaining interests in such investments as of such date divided by the lesser of the total capital invested in such investments and the total

committed capital of such fund.

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Capital Markets and Real Estate

The following table summarizes the investment record for certain of our capital markets and real estate funds. Each fund included in the table below did not begin investing the majority of its capital at least 24 months prior to the valuation date of June 30, 2010. Due to the limited investment period for these funds, return information is not provided since we do not believe such information is meaningful. All amounts are as of June 30, 2010.

	Year of Inception	Committed Capital	Current Invested Capital	Current Net Asset Value
			(in millions)	
AIE II[(1)]	2008	$ 251.7	$ 227.5	$ 329.8
EPF[(1)]	2007	1,578.4	849.2	823.8
Palmetto	2008	759.0	252.0	284.8
ARI	2009	210.0	210.0	198.6
AGRE CMBS Account	2009	290.0	290.0	311.7

(1) Funds denominated in Euros and translated into U.S. Dollars at an exchange rate of 1.00 to $1.22 as of June 30, 2010.

The following table summarizes the investment record for the Value Funds, SOMA, AAOF, AIC, COF I, COF II, ACLF and Artus. All amounts are as of June 30, 2010, unless otherwise noted. See Terms Used in this Prospectus for the definitions of the terms used in the table below:

			Net Return						
	Year of Inception	Net Asset Value as of June 30, 2010 (in millions)	Since Inception to June 30, 2010	For the Six Months Ended June 30, 2010	For the Six Months Ended June 30, 2009	Since Inception to December 31, 2009	For Year Ended December 31, 2009	For Year Ended December 31, 2008	For Year Ended December 31, 2007
Value Funds	2003/2006	$ 870.3[(1)]	54.2%	4.3%	28.7%	47.9%	57.7%	(29.4)%	4.6%
SOMA[(2)]	2007	964.8	29.4	7.5	37.2	20.3	87.1	(36.4)	1.1
AAOF	2007	333.8	6.0	2.9	3.9	3.0	16.2	(23.9)	16.5
AIC[(3)]	2004	1,842.9	4.4	(3.3)	8.3	34.8	17.0	(35.1)	21.0
COF I[(4)]	2008	1,423.4	13.5	N/A[(4)]	N/A[(4)]	20.5	N/A[(4)]	N/A[(4)]	N/A
COF II[(4)]	2008	1,718.1	10.1	N/A[(4)]	N/A[(4)]	15.1	N/A[(4)]	N/A[(4)]	N/A
ACLF	2007	674.7	4.3	(6.2)	76.3	8.9	149.8	(85.5)	(18.2)
Artus	2007	55.9	(21.8)	52.8	N/A	(39.4)	N/A	(100.0)	(3.3)

(1) The net asset value of the Value Funds is exclusive of $105.3 million of investments that were transferred to a strategic investment account on January 1, 2010.
(2) SOMA returns for primary mandate.
(3) Return amounts for AIC represent net asset value returns.
(4) The net return is calculated differently for COF I and COF II in the table above. COF I and COF II calculate an internal rate of return since inception (IRR) which is computed based on the actual dates of capital contributions, distributions and ending limited partners capital as of the specified date above. The IRR of the limited partners is net of all fees and profit allocations (carried interest) to the general partner, if any. Year-to-date returns are not calculated for COF I and COF II as dates prior to 24 months from inception are not presented. All returns are inception to date.

For a description of each fund s investments and overall investment strategy, please refer to Business Our Businesses.

Performance information for our funds is included throughout this discussion and analysis to facilitate an understanding of our results of operations for the periods presented. An investment in our Class A shares is not an investment in any of our funds. The performance information reflected in this discussion and analysis is not indicative of the possible performance of our Class A shares and is also not necessarily indicative of the future results of any particular fund. There can be no assurance that our funds will continue to achieve, or that our future funds will achieve, comparable results.

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The following table provides a summary of the cost and fair value of our funds investments by segment. The cost and fair values of our private equity investments represent the current invested capital and unrealized values, respectively, in Fund VII, Fund VI, Fund V and Fund IV.

	As of June 30, 2010	As of December 31, 2009	2008	2007
	(in millions)			
Private Equity:				
Cost	$ 13,735	$ 12,788	$ 12,240	$ 6,011
Fair Value	16,989	15,971	8,890	12,295
Capital Markets:				
Cost	9,652	8,569	9,028	7,362
Fair Value	9,683	8,811	6,154	7,325
Real Estate:				
Cost	1,909	271		
Fair Value	1,921	270		

Redemption

Our distressed and hedge funds and our Palmetto fund generally permit investors to withdraw capital through redemptions, although our Palmetto fund is not permitted to withdraw capital from our private equity funds, capital markets funds or other co-investments that do not permit investors to redeem capital. Under the terms of their respective partnership agreements, investors in such funds are required to provide advance written notice prior to redemption. The timing of the required notice ranges from 5 days to 90 days prior to the redemption date or in the case of certain offshore feeder funds, such number of days as directors of the fund may from time to time determine. To date, none of the Apollo funds have suspended redemption requests. However, in December 2008 and March 2009, respectively, SVF and AAOF notified their investors of their intention to satisfy redemption requests partially in cash and partially in-kind. In respect of the in-kind portion of redemption payments, investors may choose between an actual in-kind distribution of securities having a net asset value equal to the remaining redemption proceeds due and the conversion of a portion of their interests in SVF or AAOF, as applicable, into a new liquidating class of interests. As investments are sold or monetized, the net proceeds attributable to liquidating interests are not reinvested but instead are held in cash or cash equivalents for distribution to the holders of liquidating interests. In the case of SVF, an investor holding a liquidating interest has a limited ability to direct SVF to sell assets for its benefit. In the case of AAOF, holders of liquidating interests may choose between two classes, one of which provides the holder with the additional limited ability to direct AAOF to sell assets for its benefit.

Our private equity funds and certain of our capital markets funds and real estate funds do not permit investors to withdraw capital through redemptions.

Significant redemption activity, if any, is discussed under the tables that summarize changes in total AUM and AUM for each of our segments. See Operating Metrics Assets Under Management for these tables.

See Business Fees, Carried Interest, Redemption and Termination for additional discussion of redemption features in our funds.

Overview of Results of Operations

Revenues

Advisory and Transaction Fees from Affiliates. As a result of providing advisory services with respect to actual and potential private equity and capital markets investments, we are entitled to receive fees for

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transactions related to the acquisition and, in certain instances, disposition of portfolio companies as well as fees for ongoing monitoring of portfolio company operations and directors fees. We also receive an advisory fee for advisory services provided to a capital markets fund. In addition, monitoring fees are generated on certain special purpose vehicle investments. Under the terms of the limited partnership agreements for certain of our private equity and capital markets funds, the advisory and transaction fees earned are subject to a reduction of a percentage of such advisory and transaction fees (the Management Fee Offsets).

The Management Fee Offsets are calculated for each fund as follows:

- 65%-68% for private equity funds gross advisory, transaction and other special fees;
- 65%-80% for certain capital markets funds gross advisory, transaction and other special fees; and
- 100% for certain other capital markets funds gross advisory, transaction and other special fees.

These offsets are reflected as a decrease in Advisory and Transaction fees from Affiliates on our consolidated and combined statements of operations.

Additionally, in the normal course of business, the management companies incur certain costs related to private equity funds (and certain capital markets funds) transactions that are not consummated, or broken deal costs. A portion of broken deal costs related to certain of our private equity funds, up to the total amount of advisory and transaction fees, are reimbursed by the unconsolidated funds (through reductions of the management fee offset described above), except for Fund VII and certain of our capital markets funds which initially bear all broken deal costs and these costs are factored into the Management Fee Offsets.

Management Fees from Affiliates. The significant growth of the assets we manage has had a positive effect on our revenues. Management fees are calculated based upon any of net asset value, gross assets, adjusted costs of all unrealized portfolio investments, capital commitments, invested capital, adjusted assets, capital contributions, or stockholders equity, each as defined in the applicable management agreement of the unconsolidated funds. Fees earned from our consolidated funds are eliminated in consolidation. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated on either August 1, 2007 or November 30, 2007, therefore, periods subsequent to these dates, management fees associated with these funds are included in the consolidated and combined statement of operations. As the number of funds we manage has increased year over year so have our management fees.

Carried Interest Income from Affiliates. The general partners of our funds, in general, are entitled to an incentive return that can amount to as much as 20% of the total returns on fund capital, depending upon performance of the underlying funds and subject to preferred returns and high water marks, as applicable. The carried interest income from affiliates is recognized in accordance with U.S. GAAP guidance applicable to accounting for arrangement fees based on a formula. In applying the U.S. GAAP guidance, the carried interest from affiliates for any period is based upon an assumed liquidation of the funds net assets at the reporting date, and distribution of the net proceeds in accordance with the funds allocation provisions.

The general partners of certain of our distressed and hedge funds accrue carried interest when the fair value of investments exceeds the cost basis of the individual investors investments in the fund, including any allocable share of expenses incurred in connection with such investments. These high water marks are applied on an individual investor basis. All of our distressed and hedge funds have investors with various high water marks and, subject to market conditions and investment performance, we believe that these high water marks are reasonably likely to be surpassed in future periods. As of June 30, 2010, the general partners of Fund V, Fund VII, our Value Funds, SOMA, COF I and COF II were accruing carried interest income because the fair value of the investments of certain investors in these funds are in excess of their cost basis and allocable share of expenses. The investment advisor of AIC was also accruing carried interest income because the underlying

investments of AIC were generating interest and dividend income. As of June 30, 2010, approximately 95% and 99% of the investments in the Value Funds and SOMA, respectively, were generating carried interest income. All of the limited partners of COF I and COF II were above each fund s 8.0% and 7.5% hurdle rates, respectively, and generating carried interest income. See Operating Metrics Private Equity Carried Interest Income for a detailed discussion of the carried interest income of our private equity funds, including Fund V and Fund VII.

Carried interest income from our private equity funds and certain capital markets funds is subject to contingent repayment by the general partner in the event of future losses to the extent that the cumulative carried interest distributed from inception to date exceeds the amount computed as due to the general partner at the final distribution. These general partner obligations, if applicable, are disclosed by private equity fund in the table below. There were no such general partner obligations related to our capital markets or real estate funds as of the June 30, 2010 balance sheet date. Carried interest receivables are reported on a separate line item within the consolidated and combined statements of financial condition. Carried interest from our consolidated funds is eliminated in consolidation. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated on either August 1, 2007 or November 30, 2007; therefore, subsequent to these dates, the carried interest income associated with these funds subsequent to deconsolidation is included in the consolidated and combined statement of operations.

Private Equity Carried Interest Income

The tables below present additional information related to carried interest income generated by the private equity funds that the company manages. Carried interest income fee rates are generally 20% for our private equity funds. In certain private equity funds, the company does not earn carried interest income until the investors in the fund have achieved cumulative investment returns on invested capital (including management fees and operating expenses) in excess of an 8% hurdle rate. So long as the investors achieve their priority returns, there is a catch-up formula whereby the company earns a priority return for a portion of the return until the company s carried interest income equates to its incentive fee rate for that fund; thereafter, the company participates in returns from the fund at the carried interest income rate. Carried interest income is subject to reversal to the extent that the carried interest income recognized exceeds the amount to which the general partner is entitled based on a fund s cumulative investment returns. The general partner obligation represents all amounts previously distributed to the general partner that would need to be repaid to the Apollo funds if these funds were to be liquidated based on the current fair value of the underlying funds investments as of the reporting date. The actual general partner obligation, however, would not become payable until the end of a fund s life.

The following table summarizes our carried interest income since the inception of our private equity funds through June 30, 2010:

	Carried interest income since inception				
Fund	**Undistributed by fund & recognized**	**Distributed by fund & recognized**	**General partner obligation as of June 30, 2010**	**Total undistributed and distributed by fund & recognized[1]**	**Maximum carried interest income subject to potential reversal[2]**
			(in millions)		
Fund VII	$ 131.6	$ 64.0	$	$ 195.6	$ 153.6
Fund VI		44.4	(13.1)	31.3	
Fund V	158.6	1,252.7		1,411.3	287.5
Fund IV		387.8		387.8	97.5
Total	$ 290.2	$ 1,748.9	$ (13.1)	$ 2,026.0	$ 538.6

(1) Amounts were computed based on the fair value of fund investments on June 30, 2010. As a result, carried interest income has been allocated to and recognized by the general partner. Based on the amount of carried interest income allocated, a portion is subject to potential reversal at June 30, 2010.

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(2) Represents the amount of carried interest income that would be reversed if remaining fund investments were liquidated at zero value on June 30, 2010. Amounts subject to potential reversal of carried interest income include amounts undistributed by a fund (i.e., the carried interest receivable), as well as a portion of the amounts that have been distributed by a fund, net of taxes not subject to a general partner obligation to return previously distributed carried interest income.

The following table summarizes the investment gains needed to generate carried interest income from funds that are currently not generating carried interest income based on the fair value of the underlying funds investments as of June 30, 2010.

Fund	Fair Value of Investments as of June 30, 2010	Gain to Cross Carried Interest Income Threshold	Gain to Cross Carried Interest Income Threshold %
	(in millions)		
Fund VI	$ 9,422.7	$ 899.3	9.5%
Fund IV	567.3	184.8	32.6
Total	$ 9,990.0	$ 1,084.1	10.9%

Note: Fund VII and Fund V are not included as these funds are allocating carried interest income to their general partner.

Expenses

Compensation and Benefits. Our most significant expense is compensation and benefits expense. This consists of fixed salary, discretionary and non-discretionary bonuses, profit sharing expense associated with the carried interest income earned from private equity funds and capital markets funds and recognition of compensation expense associated with the vesting of non-cash equity-based awards.

Our compensation arrangements with certain partners and employees contain a significant performance-based bonus component. Therefore, as our net revenues increase, our compensation costs also rise or can be lower when net revenues decrease. In addition, our compensation costs reflect the increased investment in people as we expand geographically and create new funds. All payments for services rendered by our managing partners prior to the Reorganization have been accounted for as partnership distributions rather than compensation and benefits expense. As a result, the financial statements have not reflected compensation expense for services rendered by these individuals. Subsequent to the Reorganization, our managing partners are considered employees of Apollo. As such, payments for services made to these individuals, including the expense associated with Apollo Operating Group unit grants described below, have been recorded as compensation expense. The Apollo Operating Group units were granted to the managing partners and contributing partners at the time of the Reorganization, as discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus.

In addition, certain professionals and selected other individuals have a profit sharing interest in the carried interest earned in relation to these funds in order to better align their interests with our own and with those of the investors in these funds. Profit sharing expense is part of our compensation and benefits expense and is based upon a fixed percentage of private equity and capital markets carried interest income on a pre-tax and a pre-consolidated basis. Profit sharing expense can reverse during periods when there is a decline in carried interest income that was previously recognized. Profit sharing amounts are normally distributed to employees after the corresponding investment gains have been realized and preferred returns achieved for the investors. Therefore, changes in our unrealized gains (losses) for investments have the same effect on our profit sharing expense. Profit sharing expense increases when unrealized gains increase. Realizations only impact profit sharing expense to the extent that the effects on investments have not been recognized previously. If losses on other investments within a fund are subsequently realized, the profit sharing amounts previously distributed are normally subject to a general partner obligation to return carried interest income previously distributed back to the funds. This general partner obligation due to the funds would be realized only when the fund is liquidated,

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which generally occurs at the end of the fund s term. However, indemnification clauses may also exist for pre-reorganization realized gains, which, although our managing partners and contributing partners would remain personally liable, may indemnify our managing partners and contributing partners for 17.5% to 100% of the previously distributed profits regardless of the fund s future performance. Refer to note 13 to our consolidated and combined financial statements included elsewhere in this prospectus for further discussion of indemnification.

Salary expense for services rendered by our managing partners is limited to $100,000 per year for a five-year period that commenced in September 2007 and will likely increase subsequent to September 2012. Additionally, in connection with the Reorganization, the managing partners and contributing partners received Apollo Operating Group units with a vesting period of five to six years and certain employees were granted RSUs that typically have a vesting period of six years. Managing partners, contributing partners and certain employees have also been granted AAA RDUs, or incentive units that provide the right to receive AAA RDUs, which both represent common units of AAA and generally vest over three years for employees and fully vested for managing partners and contributing partners on the grant date. Refer to note 12 to our consolidated and combined financial statements included elsewhere in this prospectus for further discussion of Apollo Operating Group units and other share-based compensation.

Other Expenses. Other expenses includes interest, litigation settlement, professional fees, placement fees, occupancy, depreciation and amortization and other general operating expenses. Interest expense consists primarily of interest related to the AMH credit facility which has a variable interest amount based on LIBOR and ABR interest rates as discussed in note 10 to our consolidated and combined financial statements included elsewhere in this prospectus. The litigation settlement was a result of the December 2008 agreement with Huntsman Corporation, or Huntsman, to settle certain actions related to the Hexion Specialty Chemicals, Inc., or Hexion, now-terminated acquisition of Huntsman, or the Hexion/Huntsman litigation settlement, as discussed in note 13 of the aforementioned financial statements. Placement fees are incurred in connection with our capital raising activities. Occupancy expense represents charges related to office leases and associated expenses, such as utilities and maintenance fees. Depreciation and amortization of fixed assets is normally calculated using the straight-line method over their estimated useful lives, ranging from two to sixteen years, taking into consideration any residual value. Leasehold improvements are amortized over the shorter of the useful life of the asset or the expected term of the lease. Intangible assets recognized from the acquisition of the Non-Controlling Interests during the third quarter of 2007 are amortized using the straight-line method over the expected useful lives of the assets, as discussed in note 3 to our consolidated and combined financial statements included elsewhere in this prospectus. Other general operating expenses normally include costs related to travel, information technology and administration.

Other Income

Net (losses) gains from investment activities. The performance of the consolidated Apollo funds has impacted our net (losses) gains from investment activities, which includes both realized gains and losses and the change in unrealized gains and losses in our investment portfolio between the opening balance sheet date and the closing balance sheet date. Net unrealized gains (losses) are a result of changes in the fair value of investments that have not been realized as of the balance sheet date. Significant judgment and estimation goes into the assumptions that drive these models and the actual values realized with respect to investments could be materially different from values obtained based on the use of those models. The valuation methodologies applied impact the reported value of investment company holdings and their underlying portfolios in our consolidated and combined financial statements. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated on either August 1, 2007 or November 30, 2007. Therefore subsequent to deconsolidation, the consolidated and combined financial statements include only the net realized and unrealized gains (losses) of AAA and the Metals Trading Fund, the two funds that are consolidated at June 30, 2010.

Net gains (losses) from investment activities of consolidated variable interest entities. Changes in the fair value of the consolidated VIE assets and liabilities and related interest, dividend and other income and expenses subsequent to consolidation are presented within net gains (losses) from investment activities of consolidated variable interest entities and are attributable to Non-Controlling Interests in consolidated entities in the condensed consolidated statements of operations.

Interest Income. Interest income is recognized as earned on an accrual basis. Discounts and premiums on securities purchased are accreted or amortized over the life of the respective investments using the effective interest method.

Other Income, Net. Other income, net includes insurance proceeds received from certain of the company s professional liability insurance carriers in connection with a prior period litigation settlement, rental income, gains (losses) arising from the remeasurement of foreign currency denominated assets and liabilities of foreign subsidiaries and other miscellaneous income and expenses.

Debt Repurchase. To the extent we repurchase any of our debt, a gain or loss is recorded on the trade date of such transaction for any difference between cash paid and the carrying value of the debt purchased.

Income Tax (Provision) Benefit

Apollo has historically operated as partnerships for U.S. Federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. As a result, income has not been subject to U.S. Federal and state income taxes. Taxes related to income earned by these entities represent obligations of the individual partners and members and have not been reflected in the consolidated and combined financial statements. Income taxes shown on the historical consolidated and combined statements of operations are attributable to the New York City unincorporated business tax and income taxes on certain entities located in non-U.S. jurisdictions.

Following the Reorganization, the Apollo Operating Group and its subsidiaries continue to operate in the U.S. generally as partnerships for U.S. Federal income tax purposes and generally as corporate entities in non-U.S. jurisdictions. Accordingly, these entities in some cases continue to be subject to New York City unincorporated business tax, or in the case of non-U.S. entities, to non-U.S. corporate income taxes. In addition, APO Corp. is subject to federal, state and local corporate income taxes at the entity level and these taxes are reflected in the consolidated and combined financial statements.

Non-Controlling Interests

For entities that are consolidated, but not 100% owned, a portion of the income or loss and corresponding equity is allocated to owners other than Apollo. The aggregate of the income or loss and corresponding equity that is not owned by the company is included in Non-Controlling Interests in the consolidated and combined financial statements. Subsequent to the Reorganization, the Non-Controlling Interests relating to Apollo Global Management, LLC primarily includes (i) the 71.4% ownership interest in the Apollo Operating Group held by the managing partners and contributing partners as of June 30, 2010 through their partnership interests in Holdings; (ii) the approximate 97% ownership interest held by the limited partners in AAA; and (iii) limited partner interests of Apollo managed funds in consolidated VIEs.

In December 2007, the Financial Accounting Standards Board, or FASB, issued authoritative guidance for Non-Controlling Interests in consolidated financial statements. This guidance requires reporting entities to present Non-Controlling (minority) Interests as equity (as opposed to a liability or mezzanine equity) and provides guidance on the accounting for transactions between an entity and Non-Controlling Interests. This guidance applies prospectively as of January 1, 2009, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. The company adopted this guidance effective January 1, 2009 and as a result, (1) Non-Controlling Interests were reclassified as a separate component of

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Shareholders Equity on the company s consolidated and combined statements of financial condition, (2) Net Loss was adjusted to include the net loss attributed to the Non-Controlling Interests on the company s consolidated and combined statements of operations, (3) the primary components of Non-Controlling Interests are now separately presented in the company s consolidated and combined financial statements to clearly distinguish the interest in the Apollo Operating Group and the interest held by limited partners in our consolidated funds from the interests of the company, and (4) profits and losses are allocated to Non-Controlling Interests in proportion to their ownership interests regardless of their basis. Prior to January 1, 2009, when losses attributable to the Non-Controlling Interests exceeded their basis, the company stopped attributing losses to the Non-Controlling Interests account and recorded the losses in excess of basis as part of accumulated deficit.

On January 1, 2010, the company adopted amended consolidation guidance issued by FASB on issues related to VIEs. The amended guidance significantly affects the overall consolidation analysis, changing the approach taken by companies in identifying which entities are VIEs and in determining which party is the primary beneficiary. The amended guidance requires continuous assessment of the reporting entity s involvement with such VIEs. The amended guidance also enhances the disclosure requirements for a reporting entity s involvement with VIEs, including presentation on the condensed consolidated statements of financial condition of assets and liabilities of consolidated VIEs that meet the separate presentation criteria and disclosure of assets and liabilities recognized in the condensed consolidated statements of financial condition and the maximum exposure to loss for those VIEs in which a reporting entity is determined to not be the primary beneficiary but in which it has a variable interest. The guidance provides a limited scope deferral for a reporting entity s interest in an entity that meets all of the following conditions: (a) the entity has all the attributes of an investment company as defined under AICPA Audit and Accounting Guide, *Investment Companies*, or does not have all the attributes of an investment company but is an entity for which it is acceptable based on industry practice to apply measurement principles that are consistent with the AICPA Audit and Accounting Guide, *Investment Companies*, (b) the reporting entity does not have explicit or implicit obligations to fund any losses of the entity that could potentially be significant to the entity and (c) the entity is not a securitization entity (i.e., VIE entity), asset-backed financing entity or an entity that was formerly considered a qualifying special-purpose entity. The reporting entity is required to perform a consolidation analysis for entities that qualify for the deferral in accordance with previously issued guidance on variable interest entities. Apollo s involvement with the funds it manages is such that all three of the above conditions are met with the exception of certain vehicles which fail condition (c) above. As previously mentioned, the incremental impact of adopting the amended consolidation guidance resulted in the consolidation of one VIE as of January 1, 2010. The company also consolidated an additional VIE upon its formation during the second quarter of 2010. Further disclosures related to Apollo s involvement with VIEs are presented in note 4 to our condensed consolidated financial statements included elsewhere in this prospectus.

Investment Platform and Cost Trends

In order to accommodate the increasing demands of our funds rapidly growing investment portfolios, we have expanded our investment platform, which is comprised primarily of our people, financial and operating systems and supporting infrastructure. Expansion of our investment platform required increases in headcount, consisting of newly hired professionals and support staff, as well as leases and associated improvements to new offices to accommodate the increasing number of employees, and related augmentation of systems and infrastructure. Our headcount increased from 276 employees as of December 31, 2007 to 418 employees as of June 30, 2010. As a result, our compensation and other personnel-related expenses have increased, as have our rent and other office-related expenses. As we continue to expand our global platform, we anticipate our headcount and related expenses will continue to increase.

Our future growth will depend in part, on our ability to maintain an operating platform and management system sufficient to address our growth and will require us to incur significant additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges:

- maintaining adequate financial, regulatory and business controls;

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implementing new or updated information and financial systems, processes and procedures; and

training, managing and hiring qualified professionals and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

We may not be able to manage our expanding operations effectively or be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

Results of Operations

Below is a discussion of our condensed consolidated results of operations for the three and six months ended June 30, 2010 and 2009 and for our consolidated and combined financial statements for the years ended December 31, 2009, 2008 and 2007. For additional analysis of the factors that affected our results at the segment level, refer to Segment Analysis following the analysis of the three and six months ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007.

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

Revenues

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Amount Change	Percentage Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 26,844	$ 7,427	$ 19,417	261.4%
Management fees from affiliates	106,112	94,442	11,670	12.4
Carried interest (loss) income from affiliates	(53,676)	39,840	(93,516)	NM[1]
Total Revenues	$ 79,280	$ 141,709	$ (62,429)	(44.1)%

(1) NM denotes not meaningful. Changes from negative to positive amounts and positive to negative amounts are not considered meaningful. Increases or decreases from zero and changes greater than 500% are also not considered meaningful.

Our revenues include fixed components that result from measures of capital and asset levels, and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, increased by $19.4 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This increase was primarily attributable to new acquisitions and divestitures during the period. Net advisory and transaction fees earned for the private equity and capital markets segments increased by $18.0 million and $1.4 million, respectively. During the three months ended June 30, 2010, gross and net transaction fees were $58.3 million and $16.6 million, respectively, and gross and net advisory fees, including directors fees, were $27.1 million and $10.2 million, respectively. During the three months ended June 30, 2009, there were no transaction fees while gross and net advisory fees, including directors fees, were $25.5 million and $7.4 million, respectively. Transaction and advisory fees are reported net of Management Fee Offsets as calculated under the terms of the respective limited partnership agreements. Refer to Overview of Results of Operations Revenues Advisory and Transaction Fees from Affiliates for a summary that addresses how the Management Fee Offsets are calculated for each fund.

Management fees from affiliates increased by $11.7 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to an increase in management fees earned by our capital markets and private equity segments of $8.2 million and $1.9 million, respectively, as a result of increased net assets managed during the period. In addition, management fees earned from our real estate segment were $1.6 million during the three months ended June 30, 2010.

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Carried interest (loss) income from affiliates changed by $(93.5) million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. Carried interest (loss) income is related to investment losses and gains of unconsolidated affiliates. During the three months ended June 30, 2010, there was $(117.2) million and $63.5 million of unrealized and realized carried interest (loss) income, respectively, resulting in a net carried interest loss from affiliates of $(53.7) million. During the three months ended June 30, 2009, there was $20.8 million and $19.0 million of unrealized and realized carried interest income, respectively, resulting in total carried interest income from affiliates of $39.8 million. The $138.0 million decrease in unrealized carried interest income was driven by significant changes in the fair value of portfolio investments held by certain of our private equity and capital markets funds due to unfavorable market conditions during the three months ended June 30, 2010 as compared to the same period during 2009 that resulted in decreased valuations across all industries. The $44.5 million increase in realized carried interest income was attributable to dispositions of portfolio investments held by certain of our private equity and capital markets funds during the three months ended June 30, 2010 as compared to the same period during 2009.

Expenses

	Three Months Ended June 30,		Amount Change	Percentage Change
	2010	2009		
	(in thousands)			
Compensation and benefits	$ 313,997	$ 342,646	$ (28,649)	(8.4)%
Interest expense	9,502	12,748	(3,246)	(25.5)
Professional fees	9,539	8,811	728	8.3
General, administrative and other	16,990	11,930	5,060	42.4
Placement fees	680	1,417	(737)	(52.0)
Occupancy	5,361	7,296	(1,935)	(26.5)
Depreciation and amortization	6,041	6,109	(68)	(1.1)
Total Expenses	$ 362,110	$ 390,957	$ (28,847)	(7.4)%

Compensation and benefits decreased by $28.6 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. Compensation and benefits is comprised of non-cash compensation expense, profit sharing expense and salary, bonus and benefits expense. The decrease in compensation and benefits was primarily attributable to a change in profit sharing expense of $(38.3) million which was driven by the change in carried interest income earned from our private equity and capital markets funds resulting in a decrease of $44.6 million, partially offset by higher incentive-based compensation of $6.3 million during the period. This net decrease was partially offset by an increase in salary, bonus and benefits expenses of $5.3 million driven by an increase in headcount along with an increase in non-cash compensation expense of $4.4 million, primarily related to additional grants of RSUs subsequent to June 30, 2009.

Interest expense decreased by $3.2 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to lower interest expense incurred on the AMH credit facility due to the $90.9 million debt repurchase during April and May 2009, combined with lower LIBOR and ABR interest rates during the three months ended June 30, 2010 as compared to the same period during 2009.

Professional fees increased by $0.7 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to additional external accounting, tax, audit, legal and consulting fees incurred during the three months ended June 30, 2010 as compared to the same period during 2009, which was primarily associated with incremental costs incurred to register Class A shares in connection with this offering.

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General, administrative and other expenses increased by $5.1 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to increased travel, information technology and other expenses incurred in connection with the launch of our new real estate funds and continued expansion of our global investment platform during the three months ended June 30, 2010 as compared to the same period during 2009.

Placement fees decreased by $0.7 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. Placement fees are incurred in connection with the raising of capital for new and existing funds. The fees are normally payable to placement agents, who are third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors. This change was primarily attributable to decreased fundraising efforts during the second quarter of 2010 in connection with our capital markets funds, which resulted in lower placement fees of $0.8 million.

Occupancy expense decreased by $1.9 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the three months ended June 30, 2010, as compared to the same period during 2009.

Other (Loss) Income

	Three Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Net (losses) gains from investment activities	$ (11,005)	$ 279,666	$ (290,671)	NM
Net losses from investment activities of consolidated variable interest entities	(19,432)		(19,432)	NM
Gain from repurchase of debt		36,193	(36,193)	(100.0)%
(Loss) income from equity method investments	(1,712)	32,572	(34,284)	NM
Interest income	300	293	7	2.4
Other income, net	25,264	23,218	2,046	8.8
Total Other (Loss) Income	$ (6,585)	$ 371,942	$ (378,527)	NM

Net (losses) gains from investment activities changed by $(290.7) million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This decrease was primarily attributable to a change in net unrealized gains (losses) of $(277.0) million related to changes in the fair value of AAA s portfolio investments during the period, along with net unrealized gains (losses) of $(11.2) million related to the change in the fair value of Artus during 2009, where we, as the general partner, were allocated any negative equity of the fund. In addition, $(2.5) million of net unrealized gains (losses) were attributable to the change in the fair value of the Metals Trading Fund s portfolio investments during the three months ended June 30, 2010 as compared to the same period during 2009.

Net losses from investment activities of consolidated VIEs were $19.4 million during the three months ended June 30, 2010. This amount was attributable to net realized and unrealized losses relating to the changes in the fair values of investments and debt held by the consolidated VIEs of $(24.6) million along with other expenses of $7.0 million during the three months ended June 30, 2010, partially offset by interest income of $12.2 million.

Gain from repurchase of debt was $36.2 million during the three months ended June 30, 2009 and was attributable to the purchase of $90.9 million face value of AMH debt related to the AMH credit facility for

$54.7 million in cash. As discussed in note 8 to our condensed consolidated financial statements included elsewhere in this prospectus, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the reacquisition price resulted in a gain on extinguishment of debt of $36.2 million.

(Loss) income from equity method investments changed by $(34.3) million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This decrease was primarily driven by unfavorable market conditions that negatively impacted the fair values of certain Apollo funds in which the company has a direct interest during the three months ended June 30, 2010 as compared to the same period during 2009. COF I, ACLF, Fund VII, COF II, Vantium C and AIE II had the most significant impact and together generated $(3.0) million of equity method investment loss during the three months ended June 30, 2010 compared to $35.2 million of equity method investment income during the three months ended June 30, 2009. Refer to note 3 to our condensed consolidated financial statements included elsewhere in this prospectus for a complete summary of income (loss) from equity method investments by fund for the three months ended June 30, 2010 and 2009.

Other income increased by $2.0 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to an additional $12.5 million of insurance reimbursement received during the three months ended June 30, 2010, totaling $27.5 million, relating to the $200.0 million Hexion/Huntsman litigation settlement during 2008, as compared to $15.0 million received during the three months ended June 30, 2009. This was offset by a loss of $10.5 million, primarily attributable to losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries due to volatility in foreign exchange markets during the three months ended June 30, 2010 as compared to the same period during 2009.

Income Tax Provision

The income tax provision was $12.7 million for the three months ended June 30, 2010 compared to $0.9 million for the three months ended June 30, 2009, an increase of $11.8 million. As discussed in note 7 to our condensed consolidated financial statements included elsewhere in this prospectus, the company s income tax provision primarily relates to the earnings generated by APO Corp., a wholly-owned subsidiary of Apollo Global Management, LLC that is subject to federal, state and local taxes. The change in APO Corp. s income (loss) before taxes during the period resulted in increased federal and state income taxes totaling $10.2 million, utilizing a 35% tax rate for federal taxes and a combined 6% tax rate for state and local taxes. The remaining increase of $1.6 million in the income tax provision was primarily driven by increases in the New York City Unincorporated Business Tax, or NYC UBT, as well as taxes on foreign subsidiaries during the three months ended June 30, 2010 as compared to the same period in 2009.

Non-Controlling Interests

Non-Controlling Interests in consolidated entities consisted of the following:

	Three Months Ended June 30,	
	2010	2009
	(in thousands)	
AAA[1]	$ 11,573	$ (256,470)
Consolidated variable interest entities[2]	19,432	
Former Employees[3]	(7,261)	(762)
Total Non-Controlling Interests in consolidated entities	$ 23,744	$ (257,232)

(1) Reflects the Non-Controlling Interests in the net loss (income) of AAA and is calculated based on the Non-Controlling Interest ownership percentage in AAA, which was approximately 97% during the three months ended June 30, 2010 and 2009.

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(2) Reflects the Non-Controlling Interests in the net loss of the consolidated VIEs during the three months ended June 30, 2010. Also includes $3.6 million of losses, recorded within appropriated partners deficit related to a consolidated VIE.
(3) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies.

Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Three Months Ended June 30,	
	2010	2009
	(in thousands)	
Net (loss) income	$ (302,142)	$ 121,749
Net loss (income) attributable to Non-Controlling Interests in consolidated entities	23,744	(257,232)
Net loss after Non-Controlling Interests in consolidated entities	(278,398)	(135,483)
Adjustments:		
Income tax provision[1]	12,727	945
NYC UBT and foreign tax provision[2]	(3,124)	(1,552)
Net loss (income) in non-Apollo Operating Group entities	790	(565)
Total adjustments	10,393	(1,172)
Net loss after adjustments	(268,005)	(136,655)
Approximate ownership percentage of Apollo Operating Group	71.36%	71.50%
Net loss attributable to Apollo Operating Group before basis adjustment[3]	(191,234)	(98,108)
Other adjustments:		
AMH special allocation[4]	(12,040)	
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	$ (203,274)	$ (98,108)

(1) Reflects all taxes recorded in our condensed consolidated statements of operations. Of this amount, U.S. Federal, state, and local corporate income tax attributable to APO Corp. is added back to income (loss) of the Apollo Operating Group before calculating Non-Controlling Interests as the income (loss) allocable to the Apollo Operating Group is not subject to such taxes.
(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to its operations in the U.S. as partnerships and in non-U.S. jurisdictions as corporations. As such, these amounts are considered in the income (loss) attributable to the Apollo Operating Group.
(3) This amount is calculated by applying the ownership percentage noted above to the consolidated net income (loss) of the Apollo Operating Group before a corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities. For the 2010 period, the ownership percentage was approximately 71.36% from March 13, 2010 to June 30, 2010. For the 2009 period, the ownership percentage was approximately 71.50% from February 11, 2009 to June 30, 2009.
(4) These amounts represent special allocation of income to APO Corp. and reduction of income allocated to Holdings due to the amendment to the AMH limited partnership agreement as discussed in note 11 to our condensed consolidated financial statements included elsewhere in this prospectus.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Revenues

	Six Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 37,913	$ 15,898	$ 22,015	138.5%
Management fees from affiliates	209,916	189,538	20,378	10.8

Carried interest income from affiliates	55,045	92,998	(37,953)	(40.8)
Total Revenues	$ 302,874	$ 298,434	$ 4,440	1.5%

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Our revenues include fixed components that result from measures of capital and asset levels, and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, increased by $22.0 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This increase was primarily attributable to new acquisitions and divestitures during the period. Net advisory and transaction fees earned for the private equity and capital markets segments increased by $18.3 million and $3.7 million, respectively. During the six months ended June 30, 2010, gross and net transaction fees were $61.8 million and $18.1 million, respectively, and gross and net advisory fees, including directors fees, were $56.7 million and $19.8 million, respectively. During the six months ended June 30, 2009, there were no transaction fees while gross and net advisory fees, including directors fees, were $52.2 million and $15.4 million, respectively. Transaction and advisory fees are reported net of Management Fee Offsets as calculated under the terms of the respective limited partnership agreements. Refer to Overview of Results of Operations Revenues Advisory and Transaction Fees from Affiliates for a summary that addresses how the Management Fee Offsets are calculated for each fund.

Management fees from affiliates increased by $20.4 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to an increase in management fees earned from the capital markets and private equity segments of $15.0 million and $2.1 million, respectively, as a result of increased net assets managed during the period. In addition, management fees earned from our real estate segment were $3.2 million during the six months ended June 30, 2010.

Carried interest income from affiliates changed by $(38.0) million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Carried interest income (loss) is related to investment gains and losses of unconsolidated affiliates. During the six months ended June 30, 2010, there was $(72.0) million and $127.0 million of unrealized and realized carried interest (loss) income, respectively, resulting in net carried interest income from affiliates of $55.0 million. During the six months ended June 30, 2009, there was $35.4 million and $57.6 million of unrealized and realized carried interest income, respectively, resulting in total carried interest income from affiliates of $93.0 million. The $107.4 million decrease in unrealized carried interest income was driven by significant changes in the fair value of portfolio investments held by certain of our private equity and capital markets funds due to unfavorable market conditions during the six months ended June 30, 2010 as compared to the same period during 2009, which resulted in decreased valuations across all industries. The $69.4 million increase in realized carried interest income was attributable to dispositions of portfolio investments held by certain of our private equity and capital markets funds during the six months ended June 30, 2010 as compared to the same period during 2009.

Expenses

	Six Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Compensation and benefits	$ 688,874	$ 684,216	$ 4,658	0.7%
Interest expense	20,324	26,105	(5,781)	(22.1)
Professional fees	22,404	14,383	8,021	55.8
General, administrative and other	31,503	22,788	8,715	38.2
Placement fees	4,541	3,765	776	20.6
Occupancy	10,808	13,370	(2,562)	(19.2)
Depreciation and amortization	12,146	12,098	48	0.4
Total Expenses	$ 790,600	$ 776,725	$ 13,875	1.8%

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Compensation and benefits increased by $4.7 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Compensation and benefits is comprised of non-cash compensation expense, profit sharing expense and salary, bonus and benefits expenses. The change in compensation and benefits was primarily attributable to an increase in salary, bonus and benefits expense of $13.0 million driven by an increase in headcount along with an increase in non-cash compensation of $4.1 million, primarily related to additional grants of RSUs subsequent to June 30, 2009. These increases were partially offset by the change in profit sharing expense of $(12.4) million which was driven by the change in carried interest income earned from our private equity and capital markets funds resulting in a decrease of $21.7 million, partially offset by higher incentive-based compensation of $9.3 million during the six months ended June 30, 2010 as compared to the same period during 2009.

Interest expense decreased by $5.8 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to lower interest expense incurred on the AMH credit facility due to the $90.9 million debt repurchase during April and May 2009, combined with lower variable LIBOR and ABR interest rates during the six months ended June 30, 2010 as compared to the same period in 2009.

Professional fees increased by $8.0 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was attributable to additional external accounting, tax, audit, legal and consulting fees incurred during the six months ended June 30, 2010 as compared to the same period during 2009, which was primarily associated with incremental costs incurred to register Class A shares in connection with this offering.

General, administrative and other expenses increased by $8.7 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to increased travel, information technology and other expenses incurred in connection with the launch of our new real estate funds and continued expansion of our global investment platform during the six months ended June 30, 2010 as compared to the same period during 2009.

Placement fees increased by $0.8 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Placement fees are incurred in connection with the raising of committed capital for new and existing funds. The fees are normally payable to placement agents, who are third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors. This change was primarily attributable to active fundraising efforts during the first quarter of 2010, which resulted in higher placement fees for our capital markets funds of $1.8 million, partially offset by decreased fundraising efforts for our private equity funds, which resulted in lower placement fees of $1.0 million during the six months ended June 30, 2010 as compared to the same period during 2009.

Occupancy expense decreased by $2.6 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the six months ended June 30, 2010 as compared to the same period during 2009.

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Other Income

	Six Months Ended June 30,		Amount Change	Percentage Change
	2010	2009		
	(in thousands)			
Net gains from investment activities	$ 100,716	$ 113,068	$ (12,352)	(10.9)%
Net losses from investment activities of consolidated variable interest entities	(265)		(265)	NM
Gain from repurchase of debt		36,193	(36,193)	(100.0)
Income from equity method investments	6,168	23,134	(16,966)	(73.3)
Interest income	662	701	(39)	(5.6)
Other income, net	21,906	39,151	(17,245)	(44.0)
Total Other Income	$ 129,187	$ 212,247	$ (83,060)	(39.1)%

Net gains from investment activities changed by $(12.4) million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This decrease was primarily attributable to the change in net unrealized gains (losses) of $(18.7) million related to changes in the fair value of AAA s portfolio investments, partially offset by the change in net unrealized gains (losses) of $9.7 million related to the increase in the fair value of Artus during 2009, where we, as the general partner, are guaranteeing the negative equity of the fund. In addition, $(3.4) million of net unrealized gains (losses) were attributable to the change in the fair value of the Metals Trading Fund s portfolio investments during the six months ended June 30, 2010 as compared to the same period during 2009.

Net losses from investment activities of consolidated VIEs were $0.3 million during the six months ended June 30, 2010. This amount was attributable to net realized and unrealized gains (losses) relating to the changes in the fair values of investments and debt held by the VIEs of $(13.6) million along with other expenses of $10.1 million during the six months ended June 30, 2010, partially offset by interest income of $23.4 million.

Gain from repurchase of debt was $36.2 million during the six months ended June 30, 2009 and was attributable to the purchase of $90.9 million face value of debt related to the AMH credit facility for $54.7 million in cash. As discussed in note 8 to our condensed consolidated financial statements included elsewhere in this prospectus, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the reacquisition price resulted in a gain on extinguishment of debt of $36.2 million.

Income from equity method investments changed by $(17.0) million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily driven by unfavorable market conditions which negatively impacted the fair values of certain Apollo funds in which the company has a direct interest during the six months ended June 30, 2010 as compared to the same period during 2009. ACLF, COF I, Fund VII, COF II and AIE II had the most significant impact and together generated $(0.5) million of equity method investment loss during the six months ended June 30, 2010 as compared to equity method income of $24.2 million during the six months ended June 30, 2009. Refer to note 3 to our condensed consolidated financial statements included elsewhere in this prospectus for a complete summary of income (loss) from equity method investments by fund for the six months ended June 30, 2010 and 2009.

Other income decreased by $17.2 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to $11.7 million of losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries due to volatility in foreign exchange markets during the six months ended June 30, 2010 as compared to the same period during 2009. The remaining decrease of $5.5 million was primarily attributable to an additional $2.5 million of insurance reimbursement received during the six months ended June 30, 2009, totaling $30.0 million, relating to the $200.0 million Hexion/Huntsman litigation settlement incurred during 2008, as compared to $27.5 million received during the six months ended June 30, 2010.

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Income Tax Provision

The income tax provision was $16.8 million for the six months ended June 30, 2009 compared to $7.1 million for the six months ended June 30, 2009, an increase of $9.7 million. As discussed in note 7 to our condensed consolidated financial statements included elsewhere in this prospectus, the company s income tax provision primarily relates to the earnings generated by APO Corp., a wholly-owned subsidiary of Apollo Global Management, LLC that is subject to federal, state and local taxes. The change in APO Corp. s income (loss) before taxes during the period resulted in increased federal and state income taxes totaling $9.0 million utilizing a 35% tax rate for federal taxes and a combined 6% tax rate for state and local taxes. The remaining increase of $0.7 million in the income tax provision was primarily driven by increases in the NYC UBT, as well as taxes on foreign subsidiaries during the six months ended June 30, 2010 as compared to the same period in 2009.

Non-Controlling Interests

Non-Controlling Interests in consolidated entities consisted of the following:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(in thousands)	
AAA[(1)]	$ (97,896)	$ (114,121)
Consolidated variable interest entities[(2)]	265	
Former Employees[(3)]	(9,767)	(3,040)
Total Non-Controlling Interests in consolidated entities	$ (107,398)	$ (117,161)

(1) Reflects the Non-Controlling Interests in the net income of AAA and is calculated based on the Non-Controlling Interest ownership percentage in AAA, which was approximately 97% during the six months ended June 30, 2010 and 2009.
(2) Reflects the Non-Controlling Interests in the net loss of the consolidated VIEs during the six months ended June 30, 2010. Also includes $3.6 million of losses, recorded within appropriated partners deficit related to a consolidated VIE.
(3) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies.

Non-Controlling Interests in Apollo Operating Group consisted of the following:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(in thousands)	
Net loss	$ (375,321)	$ (273,160)
Net income attributable to Non-Controlling Interests in consolidated entities	(107,398)	(117,161)
Net loss after Non-Controlling Interests in consolidated entities	(482,719)	(390,321)
Adjustments:		
Income tax provision[(1)]	16,782	7,116
NYC UBT and foreign tax provision[(2)]	(4,623)	(3,965)
Net loss in non-Apollo Operating Group entities	1,566	83
Total adjustments	13,725	3,234
Net loss after adjustments	(468,994)	(387,087)
Approximate ownership percentage of Apollo Operating Group	71.50%/71.36%	71.15%/71.50%
Net loss attributable to Apollo Operating Group before basis adjustment[(3)]	(334,873)	(276,767)

Other adjustments:				
AMH special allocation[4]		(12,040)		
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	$	(346,913)	$	(276,767)

(1) Reflects all taxes recorded in our condensed consolidated statements of operations. Of this amount, U.S. Federal, state and local corporate income tax attributable to APO Corp. is added back to income (loss) of the Apollo Operating Group before calculating Non-Controlling Interests as the income (loss) allocable to the Apollo Operating Group is not subject to such taxes.
(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to its operations in the U.S. as partnerships and in non-U.S. jurisdictions as corporations. As such, these amounts are considered in the income (loss) attributable to the Apollo Operating Group.
(3) This amount is calculated by applying the ownership percentage noted above to the consolidated net income (loss) of the Apollo Operating Group before a corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities. For the 2010 period, the ownership percentage was approximately 71.50% from January 1, 2010 to March 12, 2010 and approximately 71.36% from March 13, 2010 to June 30, 2010. For the 2009 period, the ownership percentage was approximately 71.15% from January 1, 2009 to February 10, 2009 and approximately 71.50% from February 11, 2009 to June 30, 2009.
(4) These amounts represent special allocation of income to APO Corp. and reduction of income allocated to Holdings due to the amendment to the AMH limited partnership agreement as discussed in note 11 to our condensed consolidated financial statements included elsewhere in this prospectus.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues

	Year Ended December 31,		Amount	Percentage
	2009	2008	Change	Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 56,075	$ 145,181	$ (89,106)	(61.4)%
Management fees from affiliates	406,257	384,247	22,010	5.7
Carried interest income (loss) from affiliates	504,396	(796,133)	1,300,529	NM
Total Revenues	$ 966,728	$ (266,705)	$ 1,233,433	NM

Our revenues and other income include fixed components that result from measures of capital and asset levels and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, decreased by $89.1 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease was primarily attributable to fewer acquisitions and divestitures during the year ended December 31, 2009, which led to lower transaction fees during this period. Net advisory and transaction fees earned for the private equity and capital markets segments decreased by $72.2 million and $16.9 million, respectively. During the year ended December 31, 2009, gross and net transaction fees were $68.1 million and $22.9 million, respectively, and gross and net advisory fees, including directors fees, were $108.5 million and $39.1 million, respectively. During the year ended December 31, 2008, gross and net transaction fees were $304.8 million and $115.0 million, respectively, and gross and net advisory fees were $105.8 million and $39.7 million, respectively. The net transaction and net advisory fees were further offset by $5.9 million and $9.5 million in broken deal costs that the company was obligated to repay, during the years ended December 31, 2009 and 2008, respectively, primarily relating to Fund VII. Transaction and advisory fees are reported net of Management Fee Offsets as calculated under the terms of the respective limited partnership agreements. See Overview of Results of Operations Revenues Advisory and Transaction Fees from Affiliates for a summary that addresses how the Management Fee Offsets are calculated for each fund.

Management fees from affiliates increased by $22.0 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was attributable to an increase in management fees earned from our private equity funds of $16.0 million primarily as a result of increased invested capital by Fund VI during the period. Management fees earned by our capital markets and real estate segments increased by $4.8 million and $1.2 million, respectively, as a result of increased net assets managed during the year ended December 31, 2009 as compared to 2008.

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Carried interest income (loss) is related to investment gains and losses of unconsolidated funds. During the year ended December 31, 2009, there was $383.0 million of unrealized carried interest income and $121.4 million of realized carried interest income, resulting in total carried interest income from affiliates of $504.4 million. During the year ended December 31, 2008, there was $1,211.3 million of unrealized carried interest loss and $415.2 million of realized carried interest income, resulting in total carried interest loss from affiliates of $796.1 million. The $1,594.3 million change in unrealized carried interest income was impacted by improvements in the fair value of portfolio investments held by certain of our private equity and capital markets funds during the year ended December 31, 2009 as compared to 2008. The $1,594.3 million change in unrealized carried interest income was offset by the $293.8 million decrease in realized carried interest income that resulted from larger dispositions of portfolio investments in Fund V during 2008 as compared to the same period in 2009.

Expenses

	Year Ended December 31,		Amount	Percentage
	2009	2008	Change	Change
	(in thousands)			
Compensation and benefits	$ 1,495,010	$ 843,600	$ 651,410	77.2%
Interest expense	50,252	62,622	(12,370)	(19.8)
Professional fees	33,889	76,450	(42,561)	(55.7)
Litigation settlement		200,000	(200,000)	(100.0)
General, administrative and other	61,066	71,789	(10,723)	(14.9)
Placement fees	12,364	51,379	(39,015)	(75.9)
Occupancy	29,625	20,830	8,795	42.2
Depreciation and amortization	24,299	22,099	2,200	10.0
Total Expenses	$ 1,706,505	$ 1,348,769	$ 357,736	26.5%

Compensation and benefits increased $651.4 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Compensation and benefits expense is comprised of non-cash compensation expense, profit sharing expense and salary, bonus and benefits expense. The increase in compensation and benefits was primarily attributable to the change in profit sharing expense of $644.6 million which was driven by the change in carried interest income earned from our private equity and capital markets funds, combined with an increase in compensation and salary, bonus and benefits expense of $31.9 million. These increases were partially offset by a decrease in non-cash compensation expense of $25.1 million primarily related to RSUs and AAA RDUs due to the decrease in fair value of granted shares in 2009 compared with 2008, as discussed in note 12 to our consolidated and combined financial statements included elsewhere in this prospectus.

Interest expense decreased by $12.4 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to lower interest expense incurred on the AMH credit facility due to the $90.9 million debt repurchase during April and May 2009 combined with lower LIBOR and ABR interest rates during the year ended December 31, 2009 as compared to 2008.

Professional fees decreased by $42.6 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to lower external accounting, tax, audit, legal and consulting fees incurred during year ended December 31, 2009 as compared to the same period during 2008.

A litigation settlement expense of $200.0 million was incurred during 2008 in connection with the Hexion/Huntsman litigation settlement, as discussed in note 13 to our consolidated and combined financial statements included elsewhere in this prospectus. Included in other income (loss) are the insurance reimbursements of $37.5 million received in 2009 related to the Hexion/Huntsman litigation settlement.

General, administrative and other expenses fees decreased by $10.7 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008, which was primarily attributable to decreases in various expenses such as travel, information technology and other general expenses incurred as a result of our cost management initiatives across the company during the year ended December 31, 2009. These expense decreases were partially offset by $8.0 million of costs that related to the launch of ARI during the third quarter of 2009.

Placement fees decreased $39.0 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Placement fees are incurred in connection with the raising of capital for new and existing funds. These fees are normally payable to placement agents, who are third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering and marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors. This change was primarily attributable to active fundraising efforts during 2008 in connection with raising capital for Fund VII, COF I and COF II. During 2009, we reduced our fundraising activities to focus more on existing investment opportunities with the capital currently under management. Accordingly, there were no significant private equity or capital markets funds formed in 2009 that required considerable fundraising services provided by placement agents, which resulted in lower placement fees incurred for our private equity and capital markets funds of $25.6 million and $13.4 million, respectively, during the year ended December 31, 2009 as compared to 2008.

Occupancy expense fees increased by $8.8 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. The increase was attributable to additional office space leased during 2009 as a result of the increase in our headcount to support the expansion of our global investment platform, as well as increased maintenance fees incurred on existing leased space and losses incurred on two subleases.

Depreciation and amortization expense increased by $2.2 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to increased depreciation expense associated with additional assets placed in service during the period totaling $3.4 million, partially offset by decreased amortization expense of $1.2 million incurred during 2009 relating to the intangible assets recognized from the acquisition of the contributing partners interest at the date of Reorganization.

Other Income (Loss)

	Year Ended December 31, 2009	2008 (in thousands)	Amount Change	Percentage Change
Net gains (losses) from investment activities	$ 510,935	$ (1,269,100)	$ 1,780,035	NM
Gain on repurchase of debt	36,193		36,193	NM
Interest income	1,450	19,368	(17,918)	(92.5)%
Income (loss) from equity method investments	83,113	(57,353)	140,466	NM
Other income (loss), net	41,410	(4,609)	46,019	NM
Total Other Income (Loss)	$ 673,101	$ (1,311,694)	$ 1,984,795	NM

Net gains (losses) from investment activities increased by $1,780.0 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to a change in net unrealized gains (losses) of $1,702.5 million related to changes in the fair value of AAA Investments portfolio investments. Along with, a change in unrealized gains (losses) of $76.9 million which was related to the change in the fair value of Artus during 2009, where we as the general partner are allocated any negative equity of the fund.

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Gain from repurchase of debt was $36.2 million during the year ended December 31, 2009. This was attributable to the purchase of $90.9 million face value of debt related to the AMH credit facility for $54.7 million in cash. As discussed in note 10 to our consolidated and combined financial statements included elsewhere in this prospectus, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the reacquisition price resulted in a gain on extinguishment of $36.2 million.

Interest income decreased by $17.9 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to lower average cash balances combined with lower base rates, LIBOR and the Federal Funds Rate, resulting in less interest earned during the year ended December 31, 2009 as compared to 2008.

Income (loss) from equity method investments changed by $140.5 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This increase was driven primarily by improved market conditions in 2009 compared to 2008, which positively impacted the fair values of certain Apollo funds in which the company has a direct interest. The change in market conditions and corresponding impact on valuations across investment classes is more fully discussed at Business Environment. Fund VII had the most significant impact and generated $31.5 million of equity method income during the year ended December 31, 2009, compared to a $14.8 million equity method loss during the year ended December 31, 2008. The $46.3 million change was also indirectly impacted by additional capital contributions to Fund VII that were made by the company during 2009, which led to greater equity method income as market conditions improved over the same period. See the complete summary of income (loss) from equity method investments by fund for the years ended December 31, 2009 and 2008 in note 4 to our consolidated and combined financial statements included elsewhere in this prospectus.

Other income (loss) increased by $46.0 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This change was primarily attributable to a $37.5 million insurance reimbursement received during 2009 relating to the $200.0 million litigation settlement incurred during 2008. In addition, $8.5 million of increases in other income were primarily attributable to gains resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the year ended December 31, 2009 as compared to 2008.

Income Tax (Provision) Benefit

The income tax (provision) benefit was $(28.7) million for the year ended December 31, 2009 compared to $37.0 million for the year ended December 31, 2008, a change of $65.7 million. As discussed in note 9 to our consolidated and combined financial statements included elsewhere in this prospectus, the company s income tax (provision) benefit primarily relates to the earnings generated by APO Corp., a wholly-owned subsidiary of Apollo Global Management, LLC that is subject to federal, state and local taxes. APO Corp. had income (loss) before taxes of $66.3 million and $(71.2) million for the years ended December 31, 2009 and 2008, respectively, after adjusting for permanent tax differences. The $137.5 million change in income (loss) before taxes resulted in increased federal income taxes of $48.1 million utilizing a 35% tax rate and $8.3 million for state and local taxes utilizing a combined 6% rate. The remaining $9.3 million change in the income tax (provision) benefit in 2009 compared to 2008 was primarily affected by increases in the NYC UBT as well as taxes on foreign subsidiaries.

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Non-Controlling Interests

Non-Controlling Interests in consolidated entities consisted of the following:

	Year Ended December 31,	
	2009	2008
	(in thousands)	
AAA[1]	$ (452,408)	$ 1,191,034
Former employees[2]	(7,818)	(15,251)
Other		333
Total Non-Controlling Interests in consolidated entities	$ (460,226)	$ 1,176,116

(1) Reflects the Non-Controlling Interests in the net (income) loss of AAA and is calculated based on the Non-Controlling Interests ownership percentage in AAA, which was approximately 97%.
(2) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies.

Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31,	
	2009	2008
	(in thousands)	
Net loss	$ (95,390)	$ (2,890,173)
Net (income) loss attributable to Non-Controlling Interests in consolidated entities	(460,226)	1,176,116
Net loss after Non-Controlling Interests in consolidated entities	(555,616)	(1,714,057)
Adjustments:		
Income tax provision (benefit)[1]	28,714	(36,995)
NYC UBT and foreign tax (provision) benefit[2]	(11,638)	2,317
Net loss (income) in non-Apollo Operating Group entities	9,336	(3,937)
Total adjustments	26,412	(38,615)
Net loss after adjustments	(529,204)	(1,752,672)
Approximate ownership percentage of Apollo Operating Group	71.50%	71.15%
Net loss attributable to Apollo Operating Group before basis adjustment[3]	(378,381)	(1,247,026)
Other adjustments:		
AMH special allocation[4]	(22,059)	
Losses in excess of basis[5]		445,227
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	$ (400,440)	$ (801,799)

(1) Reflects all taxes recorded in our consolidated and combined statements of operations. Of this amount, U.S. Federal, state, and local corporate income tax attributable to APO Corp. is added back to income (loss) of the Apollo Operating Group before calculating Non-Controlling Interest as the income (loss) allocable to the Apollo Operating Group is not subject to such taxes.
(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to its operations in the U.S. as partnerships and in non-U.S. jurisdictions as corporations. As such, these amounts are considered in the income (loss) attributable to the Apollo Operating Group.

(3) This amount is calculated by applying the ownership percentage of approximately 71.15% during 2008 and prior to the share repurchase during February 2009, and approximately 71.50% thereafter to the consolidated net income (loss) of the Apollo Operating Group before a corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities.

(4) These amounts represent special allocation of income to APO Corp. and reduction of income allocated to Holdings due to the amendment to the AMH partnership agreement as discussed in note 13 to our consolidated and combined financial statements included elsewhere in this prospectus.

(5) Prior to January 1, 2009, when losses attributable to the Non-Controlling Interests exceeded their basis, the company stopped attributing losses to the Non-Controlling Interests account and reflects the losses in the excess of basis in the net loss attributable to Apollo Global Management, LLC in the consolidated and combined statements of operations.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Revenues

	Year Ended December 31,		Amount	Percentage
	2008	2007	Change	Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 145,181	$ 150,191	$ (5,010)	(3.3)%
Management fees from affiliates	384,247	192,934	191,313	99.2
Carried interest (loss) income from affiliates	(796,133)	294,725	(1,090,858)	NM
Total Revenues	$ (266,705)	$ 637,850	$ (904,555)	NM

Our revenues and other income include fixed components that result from measures of capital and asset levels, and variable components that result from realized and unrealized investment performance, as well as the value of successfully completed transactions.

Total revenues were $(266.7) million for the year ended December 31, 2008 compared to $637.9 million for the year ended December 31, 2007, a decrease of $904.6 million. This change was primarily attributable to decreased carried interest income from affiliates due to the decline in the fair value of our private equity fund portfolio investments, partially offset by increased management fees driven by an increase in the net asset value of existing capital markets funds, as well as increased management fees earned from affiliates as a result of new funds with sizable capital commitments that commenced operations during the period.

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, were $145.2 million for the year ended December 31, 2008 compared to $150.2 million for the year ended December 31, 2007, a decrease of $5.0 million or 3.3%. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated during 2007. As such, a decrease of $59.6 million was attributable to Management Fee Offsets included in advisory and transaction fees that were previously eliminated in consolidation, which was offset by an increase in transaction and advisory activity during the year ended December 31, 2008. Net advisory and transaction fees earned for the private equity and capital markets segments increased by $30.4 million and $24.2 million, respectively. During the year ended December 31, 2008, gross and net transaction fees were $304.8 million and $115.0 million, respectively, and gross and net advisory fees were $105.8 million and $39.7 million, respectively. The net transaction and net advisory fees were further offset by $9.5 million in broken deal costs that the company was obligated to repay during the years ended December 31, 2009 and 2008, respectively, primarily relating to Fund VII. During the year ended December 31, 2007 and after excluding the effects of the $59.6 million of Management Fee Offsets that were previously eliminated in consolidation, gross and net transaction fees were $161.0 million and $64.6 million, respectively, and gross and net advisory fees were $46.7 million and $13.0 million, respectively. The net transaction and net advisory fees were increased by $13.0 million in broken deal costs related to Fund VI for which the company was reimbursed.

Management fees from affiliates were $384.2 million for the year ended December 31, 2008 compared to $192.9 million for the year ended December 31, 2007, an increase of $191.3 million or 99.2%. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated during 2007. As such, approximately $56.5 million of this increase was attributable to the management fees earned from the Apollo funds that were previously eliminated in consolidation. Excluding the impact of the above, management fees for private equity and capital markets segments increased by $95.3 million and $39.5 million, respectively. The $95.3 million increase in management fees earned from our private equity funds was primarily attributable to the commencement of Fund VII during the third quarter of 2007, which had committed capital of approximately $14.7 billion at December 31, 2008 and earned management fees of $177.9 million. The management fee increase was partially offset by a decrease within our existing private equity funds totaling $82.6 million which was primarily due to the reduction of

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management fees earned from Fund VI as its management fee calculation formula changed in 2008 after the investment period ended and its step-down date commenced. The $39.5 million increase in management fees earned from our capital markets funds was primarily driven by an increase in total net assets managed as a result of our new funds, EPF and ACLF which commenced operations during the third and fourth quarter of 2007, respectively, and COF I, COF II and AIE II which commenced operations during the second quarter of 2008.

Carried interest (loss) income from affiliates was $(796.1) million for the year ended December 31, 2008 compared to $294.7 million for the year ended December 31, 2007, a decrease of $(1,090.9) million. Carried interest (loss) income is related to investment gains and losses of unconsolidated funds. As discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated during 2007. As such, a change of approximately $442.4 million was attributable to the carried interest income that was previously eliminated in the consolidation of the Apollo funds. Furthermore, unrealized carried interest income from private equity funds decreased by $1,594.0 million primarily due to the decline in fair value of investments held by Fund IV, Fund V and Fund VI. Realized carried interest income from private equity funds increased by $92.5 million which was primarily driven by realized gains from the disposition of private equity investments, primarily in Fund V, partially offset by a decrease in realized gains on Fund IV and Fund VI. Unrealized carried interest income from capital markets funds decreased by $10.5 million, which was primarily due to a decline in the fair value of portfolio investments held by certain capital markets funds. Realized carried interest income from capital markets funds decreased by $21.3 million, which was primarily driven by a decrease in realized gains in certain capital markets funds.

Expenses

	Year Ended December 31,		Amount	Percentage
	2008	2007	Change	Change
		(in thousands)		
Compensation and benefits	$ 843,600	$ 1,450,330	$ (606,730)	(41.8)%
Interest expense	62,622	105,968	(43,346)	(40.9)
Interest expense beneficial conversion feature		240,000	(240,000)	(100.0)
Professional fees	76,450	81,824	(5,374)	(6.6)
Litigation settlement	200,000		200,000	NM
General, administrative and other	71,789	36,618	35,171	96.0
Placement fees	51,379	27,253	24,126	88.5
Occupancy	20,830	12,865	7,965	61.9
Depreciation and amortization	22,099	7,869	14,230	180.8
Total Expenses	$ 1,348,769	$ 1,962,727	$ (613,958)	(31.3)%

Total expenses were $1,348.8 million for the year ended December 31, 2008 compared to $1,962.7 million for the year ended December 31, 2007, a decrease of $614.0 million or 31.3%. This change was primarily attributable to decreased compensation and benefits expense due to lower profit sharing expense, combined with lower interest expense since the BCF that was recognized during 2007. These decreases were partially offset by the litigation settlement expense incurred during 2008 associated with the Hexion/Huntsman litigation settlement, as discussed in note 14 to our consolidated and combined financial statements included elsewhere in this prospectus.

Compensation and benefits were $843.6 million for the year ended December 31, 2008 compared to $1,450.3 million for the year ended December 31, 2007, a decrease of $606.7 million or 41.8%. The $843.6 million of compensation and benefits expense for the year ended December 31, 2008 was comprised of $1,125.2 million of non-cash compensation expense combined with $201.1 million for salary, bonus and benefit expenses, partially offset by a $482.7 million reversal of previously recognized profit sharing expense resulting from a decrease in carried interest income earned due to a decline in the fair value of

several of our private equity portfolio investments. The $1,450.3 million of compensation and benefits expense for the year ended December 31, 2007 was comprised of $989.8 million of non-cash compensation expense, $307.7 million of profit sharing expense and $152.8 million for salary, bonus and benefit expenses. Amortization on Apollo Operating Group units is the largest component of non-cash compensation expense, which was $1,034.9 million for the year ended December 31, 2008 compared to $980.7 million for the year ended December 31, 2007, an increase of $54.2 million or 5.5%. Non-cash compensation expense related to RSUs was $75.4 million and $5.3 million for the years ended December 31, 2008 and 2007, respectively, an increase of $70.1 million since RSUs were granted for the first time during the fourth quarter of 2007. In addition, non-cash compensation related to AAA RDUs was $14.9 million and $3.9 million for the years ended December 31, 2008 and 2007, respectively, an increase of $11.0 million. The $48.3 million increase in salary, bonus and benefit expenses was primarily driven by the hiring of additional employees to support the expansion of our investment platform during 2008.

Interest expense was $62.6 million during the year ended December 31, 2008 compared to $106.0 million for the year ended December 31, 2007, a decrease of $43.3 million or 40.9%. This decrease was primarily attributable to interest expense incurred during 2007 on the convertible notes and a related write-off of unamortized debt issuance costs as discussed in note 10 to our consolidated and combined financial statements included elsewhere in this prospectus. The convertible notes were issued on July 13, 2007 and yielded 7% per annum with a 15-year term and a principal amount of $1.2 billion. The notes included provisions calling for either an optional or mandatory conversion of the loan to 60,000,001 non-voting Class A shares at a conversion price of $20 per share. The mandatory conversion occurred at the time of the Private Placement, which was completed on August 8, 2007 at $24 per share. There was $44.3 million of unamortized debt issuance costs that were associated with the convertible debt, which were written off on the conversion date and included as a component of interest expense during the year ended December 31, 2007, as well as $6.1 million of interest expense that was incurred on the convertible notes prior to their mandatory conversion in 2007. These decreases were partially offset by $7.1 million of interest expense that was incurred during the year ended December 31, 2008, which was primarily attributable to the AMH credit facility that was entered into during April 2007.

As discussed in note 10 to our consolidated and combined financial statements included elsewhere in this prospectus, interest expense of $240.0 million was incurred during 2007 as a result of the accelerated amortization of the BCF when the notes subject to contingent conversion issued to the Strategic Investors on July 13, 2007 were mandatorily converted to 60,000,001 Class A shares on August 8, 2007. The intrinsic value of the BCF was based on the difference between the conversion price of $20 per share and $24 fair value per share.

Professional fees were $76.5 million for the year ended December 31, 2008 compared to $81.8 million for the year ended December 31, 2007, a decrease of $5.4 million or 6.6%. This change was primarily attributable to lower broken deal costs of $10.8 million due to reimbursement from Fund VII, partially offset by a $5.4 million increase in external accounting, tax, audit, legal and consulting fees that were incurred in connection with the expansion of our investment platform during 2008.

As discussed in note 14 to our consolidated and combined financial statements included elsewhere in this prospectus, $200.0 million was incurred during 2008 in connection with our December 2008 agreement with Huntsman to settle certain actions related to Hexion s now-terminated merger agreement with Huntsman.

General, administrative and other expenses were $71.8 million for the year ended December 31, 2008 compared to $36.6 million for the year ended December 31, 2007, an increase of $35.2 million or 96.0%. This change was primarily attributable to increased travel, information technology and other expenses incurred as a result of expanding our global platform and increased headcount during 2008.

Placement fees were $51.4 million for the year ended December 31, 2008 compared to $27.3 million for the year ended December 31, 2007, an increase of $24.1 million or 88.5%. Placement fees are incurred in connection with the raising of committed capital for new or existing funds. The fees are normally payable to placement

agents, who are independent third parties that assist in identifying potential investors, securing commitments to invest from such potential investors, preparing or revising offering and marketing materials, developing strategies for attempting to secure investments by potential investors and/or providing feedback and insight regarding issues and concerns of potential investors. This change was primarily attributable to increased fundraising for our funds.

Occupancy expense was $20.8 million for the year ended December 31, 2008 compared to $12.9 million for the year ended December 31, 2007, an increase of $8.0 million or 61.9%. This change was primarily attributable to additional office space leased during 2008 to support the expansion of our investment platform, as well as increased maintenance fees incurred on our existing leased space.

Depreciation and amortization expense was $22.1 million for the year ended December 31, 2008 compared to $7.9 million for the year ended December 31, 2007, an increase of $14.2 million or 180.8%. This change was primarily attributable to increased amortization expense of $9.3 million incurred during 2008 relating to the intangible assets recognized from the acquisition of the contributing partners interest during the third quarter of 2007. The remaining increase of $4.9 million was primarily attributable to depreciation expense associated with new assets placed in service during 2008.

Other (Loss) Income

	Year Ended December 31, 2008	2007	Amount Change	Percentage Change
	(in thousands)			
Net (losses) gains from investment activities	$ (1,269,100)	$ 2,279,263	$ (3,548,363)	NM
Dividend income from affiliates		238,609	(238,609)	(100.0)%
Interest income	19,368	52,500	(33,132)	(63.1)
(Loss) income from equity method investments	(57,353)	1,722	(59,075)	NM
Other loss, net	(4,609)	(36)	(4,573)	NM
Total Other (Loss) Income	$ (1,311,694)	$ 2,572,058	$ (3,883,752)	NM

Total other (loss) income was $(1,311.7) million for the year ended December 31, 2008 compared to $2,572.1 million for the year ended December 31, 2007, a decrease of $3,883.8 million. This change was primarily attributable to increased net losses from investment activities driven by a decline in the fair values of fund portfolio investments, combined with lower realized gains due to the deconsolidation of certain Apollo funds during 2007.

Net (losses) gains from investment activities were $(1,269.1) million for the year ended December 31, 2008 compared to $2,279.3 million for the year ended December 31, 2007, a decrease of $3,548.4 million. As discussed in note 1 to our consolidated and combined financials statements included elsewhere in this prospectus, most of the Apollo funds were deconsolidated during 2007. As such, a decrease of $2,041.2 million was attributable to the realized gains of these funds during the year ended December 31, 2007. The remaining change was primarily attributable to an increase in net unrealized losses of $1,468.8 million related to the decline in the fair values of AAA Investments portfolio investments to a net unrealized loss of $1,230.7 million for the year ended December 31, 2008, as compared with net unrealized gains of $238.1 million during 2007. In addition, $38.4 million of unrealized losses for the year ended December 31, 2008 were attributable to a new capital markets fund, Artus.

Dividend income was $238.6 million for the year ended December 31, 2007. This income was attributable to dividends from portfolio company investments earned by the Apollo funds during 2007 that were previously consolidated as discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus.

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Interest income was $19.4 million for the year ended December 31, 2008 compared to $52.5 million for the year ended December 31, 2007, a decrease of $33.1 million or 63.1%. This change was due to interest income of $33.1 million that was generated by the Apollo funds that were previously consolidated as discussed in note 1 to our consolidated and combined financial statements included elsewhere in this prospectus.

(Loss) income from equity method investments was $(57.4) million for the year ended December 31, 2008 compared to $1.7 million for the year ended December 31, 2007, a decrease of $59.1 million. Private equity losses from equity method investments increased by $23.0 million, which was primarily driven by losses incurred from investments in new equity method investments. Capital markets losses from equity method investments increased by $36.1 million primarily driven by losses from investments in our new capital markets funds, ACLF, COF I, COF II, Artus and EPF totaling $33.3 million.

Other loss was $(4.6) million for the year ended December 31, 2008, which was primarily attributable to $13.6 million of net losses from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries partially offset by expense reimbursements totaling $8.5 million during 2008.

Income Tax Benefit (Provision)

The income tax benefit (provision) was $37.0 million for the year ended December 31, 2008 compared to $(6.7) million for the year ended December 31, 2007, a decrease of $43.7 million. As a result of the Reorganization of Apollo during the third quarter of 2007, two intermediate holding companies were created, APO Corp. and APO Asset Co., LLC. In addition, a third intermediate holding company, APO (FC), LLC was established during 2008. As discussed in note 9 to our consolidated and combined financial statements included elsewhere in this prospectus, the earnings allocated to APO Corp. are taxed at a combined 41% marginal rate which includes federal, state, local and foreign taxes. Prior to the Reorganization, Apollo was only subject to NYC UBT and taxes on foreign subsidiaries. The net loss reported by APO Corp. for the year ended December 31, 2008 has resulted in an incremental federal and state deferred corporate tax benefit of $36.0 million, combined with lower current and deferred NYC UBT and foreign tax expense of $7.7 million.

Non-Controlling Interests

Non-Controlling Interests in consolidated entities consisted of the following:

	Year Ended December 31,	
	2008	2007
	(in thousands)	
AAA[1]	$ 1,191,034	$ (226,569)
Private equity and capital markets funds consolidated prior to Reorganization[2]		(1,857,615)
Former employees[3]	(15,251)	(6,081)
Other	333	1,610
Total Non-Controlling Interests in consolidated entities	$ 1,176,116	$ (2,088,655)

(1) Reflects the Non-Controlling Interests in the net loss (income) of AAA and is calculated based on the Non-Controlling Interests ownership percentage in AAA. The Non-Controlling Interests percentage is approximately 97% of AAA.
(2) Reflects the Non-Controlling Interests in the net income of our private equity and capital markets funds prior to deconsolidation and is calculated based on the Non-Controlling Interests ownership percentage in the underlying funds after elimination of carried interest income.
(3) Reflects the remaining interest held by certain former employees in the net income of our capital markets management companies. In 2007, the amount also reflects interests held by contributing partners.

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Non-Controlling Interests in the Apollo Operating Group consisted of the following:

	Year Ended December 31, 2008	2007
	(in thousands)	
Net (loss) income	$ (2,890,173)	$ 1,240,455
Net loss (income) attributable to Non-Controlling Interests in consolidated entities	1,176,116	(2,088,655)
Net loss after Non-Controlling Interests in consolidated entities	(1,714,057)	(848,200)
Adjustments:		
Income tax (benefit) provision[1]	(36,995)	6,726
NYC UBT and foreign tax benefit (provision)[2]	2,317	(4,854)
Net loss before private placement[3]		455,419
Net income of non-Apollo Operating Group entities	(3,937)	
Total adjustments	(38,615)	457,291
Net loss after adjustments[4]	(1,752,672)	(390,909)
Approximate ownership percentage of Apollo Operating Group	71.15%	71.75% / 71.15%
Net loss attributable to Apollo Operating Group before basis adjustment[5]	(1,247,026)	(278,549)
Other adjustments:		
Losses in excess of basis[6]	445,227	
Net loss attributable to Non-Controlling Interests in Apollo Operating Group	$ (801,799)	$ (278,549)

(1) Reflects all taxes recorded in our consolidated and combined statements of operations. Of this amount, U.S. Federal, state, and local corporate income tax attributable to APO Corp. is added back to income of the Apollo Operating Group before calculating Non-Controlling Interest as the income allocable to the Apollo Operating Group is not subject to such taxes.

(2) Reflects NYC UBT and foreign taxes that are attributable to the Apollo Operating Group and its subsidiaries related to their operations in the U.S. as partnerships and in non U.S. jurisdictions as corporations. As such, these amounts are considered in the income attributable to the Apollo Operating Group.

(3) Reflects Net Loss for period prior to the Private Placement (January 1, 2007 - August 8, 2007). This amount was excluded to reflect the losses that were incurred and attributable to the Apollo Operating Group for the period during 2007 after the Private Placement.

(4) Of the $(390,909) Net Loss incurred during the period from August 8, 2007 to December 31, 2007, $(69,499) was attributable to the period from August 8, 2007 to August 30, 2007 and $(321,410) was attributable to the period from September 1, 2007 to December 31, 2007.

(5) This amount is calculated by applying the ownership percentage of approximately 71.75% for the period from August 8, 2007 to August 30, 2007 and approximately 71.15% thereafter to the consolidated net loss of the Apollo Operating Group before corporate income tax provision and after allocations to the Non-Controlling Interests in consolidated entities.

(6) Prior to January 1, 2009, when losses attributable to the Non-Controlling Interests exceeded their basis, the company stopped attributing losses to the Non-Controlling Interests account and reflected the losses in the excess of basis in the net loss attributable to Apollo Global Management, LLC in the consolidated and combined statements of operations.

Segment Analysis

Discussed below are our results of operations for each of our reportable segments. They represent the segment information available and utilized by our executive management, which consists of our managing partners, who operate collectively as our chief operating decision maker, to assess performance and to allocate resources. Management divides its operations into three reportable segments: private equity, capital markets and real estate. These segments were established based on the nature of investment activities in each fund, including the specific type of investment made, the frequency of trading, and the level of control over the investment. Segment results do not consider consolidation of funds, non-cash equity-based compensation, income taxes and Non-Controlling Interests.

In addition to providing the financial results of our three reportable business segments, we further evaluate our individual reportable segments based on what we refer to as our management and incentive businesses. Our management business is generally characterized by the predictability of its financial metrics, including revenues and expenses. This business includes management fee revenues, advisory and transaction fee revenues, carried interest income from certain of our mezzanine funds and expenses, each of which we believe are more stable in nature. The financial performance of our incentive business, which is partially dependent upon quarterly

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mark-to-market unrealized valuations in accordance with U.S. GAAP guidance applicable to fair value measurements, includes carried interest income and profit sharing expenses that are associated with our general partner interests in the Apollo funds, which are generally less predictable and more volatile in nature.

Our financial results vary, since carried interest, which generally constitutes a large portion of the income from the funds that we manage, as well as the transaction and advisory fees that we receive, can vary significantly from quarter to quarter and year to year. As a result, we emphasize long-term financial growth and profitability to manage our business.

Private Equity

Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

The following table sets forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the three months ended June 30, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the condensed consolidated financial statements. ENI is not a U.S. GAAP measure.

	Three Months Ended June 30, 2010			Three Months Ended June 30, 2009		
	Management	Private Equity Incentive	Total	Management	Private Equity Incentive	Total
	(in thousands)					
Revenues:						
Advisory and transaction fees from affiliates	$ 24,324	$	$ 24,324	$ 6,349	$	$ 6,349
Management fees from affiliates	65,101		65,101	63,155		63,155
Carried interest (loss) income from affiliates:						
Unrealized (losses) gains		(83,700)	(83,700)		20,713	20,713
Realized gains		44,071	44,071		6,928	6,928
Total carried interest (loss) income from affiliates		(39,629)	(39,629)		27,641	27,641
Total Revenues	89,425	(39,629)	49,796	69,504	27,641	97,145
Expenses:						
Compensation and benefits[1]	30,303	(19,053)	11,250	33,337	12,043	45,380
Interest expense	5,157		5,157	7,293		7,293
Professional fees[2]	4,067		4,067	4,886		4,886
General, administration and other[3]	9,812		9,812	6,618		6,618
Placement fees	151		151	37		37
Occupancy	2,838		2,838	4,335		4,335
Depreciation and amortization	3,928		3,928	4,155		4,155
Total Expenses	56,256	(19,053)	37,203	60,661	12,043	72,704
Other Income:						
Net gains from investment activities[4]					4	4
Gain from repurchase of debt				20,548		20,548
Income from equity method investments		1,521	1,521		18,297	18,297
Interest income	167		167	128		128
Other income, net	27,872		27,872	17,957		17,957
Total Other Income	28,039	1,521	29,560	38,633	18,301	56,934
Economic Net Income (Loss)	$ 61,208	$ (19,055)	$ 42,153	$ 47,476	$ 33,899	$ 81,375

(1) Excludes non-cash charges related to equity-based compensation.
(2) Excludes professional fees related to consolidated funds.

(3) Excludes general and administrative expenses related to consolidated funds.
(4) Excludes investment income and net gains (losses) from investments related to consolidated funds.

Revenues

	Three Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 24,324	$ 6,349	$ 17,975	283.1%
Management fees from affiliates	65,101	63,155	1,946	3.1
Carried interest (loss) income from affiliates:				
Unrealized (losses) gains	(83,700)	20,713	(104,413)	NM
Realized gains	44,071	6,928	37,143	NM
Total carried interest (loss) income from affiliates	(39,629)	27,641	(67,270)	NM
Total Revenues	$ 49,796	$ 97,145	$ (47,349)	(48.7)%

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, increased by $18.0 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to new acquisitions and divestitures during the period, primarily by Fund VII, Fund VI and AAA totaling $10.5 million, $4.2 million and $2.4 million, respectively. Gross advisory and transaction fees, including directors fees, were $66.5 million and $21.1 million for the three months ended June 30, 2010 and 2009, respectively, an increase of $45.4 million or 215.2%. Transaction fees earned during the three months ended June 30, 2010 primarily related to three portfolio investment transactions, specifically LyondellBasell Industries, Noranda Aluminum Inc. and Aleris International, which together generated $44.1 million and $15.5 million of the gross and net transactions fees, respectively. The advisory fees earned during both periods were primarily generated by advisory and monitoring arrangements relating to several portfolio investments including LeverageSource, Harrah s Entertainment and Realogy, which together generated $14.2 million and $5.3 million of the gross and net advisory fees during the three months ended June 30, 2010, respectively, and $12.6 million and $4.6 million of the gross and net advisory fees during the three months ended June 30, 2009, respectively. Advisory and transaction fees, including directors fees, are reported net of Management Fee Offsets totaling $42.2 million and $14.8 million for the three months ended June 30, 2010 and 2009, respectively, an increase of $27.4 million or 185.1%.

Management fees from affiliates increased by $1.9 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to increased management fees earned from Fund VI of $1.4 million as a result of increased invested capital during the three months ended June 30, 2010 as compared to the same period during 2009.

Carried interest (loss) income from affiliates changed by $(67.3) million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was attributable to a significant decline in the fair value of the underlying portfolio investments held due to unfavorable market conditions during the three months ended June 30, 2010 as compared to the same period during 2009, resulting in a decrease of $104.4 million in net unrealized gains primarily by Fund V and Fund VII. This decrease was partially offset by an increase in net realized gains of $37.1 million resulting from dispositions of portfolio investments held, primarily by Fund VII, during the three months ended June 30, 2010 as compared to the same period during 2009.

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Expenses

	Three Months Ended June 30,		Amount Change	Percentage Change
	2010	2009		
	(in thousands)			
Compensation and benefits	$ 11,250	$ 45,380	$ (34,130)	(75.2)%
Interest expense	5,157	7,293	(2,136)	(29.3)
Professional fees	4,067	4,886	(819)	(16.8)
General, administrative and other	9,812	6,618	3,194	48.3
Placement fees	151	37	114	308.1
Occupancy	2,838	4,335	(1,497)	(34.5)
Depreciation and amortization	3,928	4,155	(227)	(5.5)
Total Expenses	$ 37,203	$ 72,704	$ (35,501)	(48.8)%

Compensation and benefits decreased by $34.1 million for three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to a $31.1 million decrease in profit sharing expense which was driven by the change in carried interest income earned from our private equity funds along with a decrease in salary, bonus and benefits expense of $3.0 million during the three months ended June 30, 2010 as compared to the same period during 2009.

Interest expense decreased by $2.1 million during the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to lower interest expense incurred on the AMH credit facility due to the $90.9 million debt repurchase during April and May 2009, combined with lower LIBOR and ABR interest rates during the three months ended June 30, 2010 as compared to the same period during 2009.

Professional fees decreased by $0.8 million for the three months ended June 30, 2010 as compared with the three months ended June 30, 2009. This change was primarily attributable to lower external accounting, tax, audit, legal and consulting fees incurred during the three months ended June 30, 2010 as compared to the same period during 2009.

General, administrative and other expenses increased by $3.2 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to increased travel, information technology and other expenses incurred associated with the expansion of our global investment platform during the three months ended June 30, 2010 as compared to the same period during 2009.

Occupancy expense decreased by $1.5 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the three months ended June 30, 2010 as compared to the same period during 2009.

Other Income

	Three Months Ended June 30,		Amount Change	Percentage Change
	2010	2009		
	(in thousands)			
Net gains from investment activities	$	$ 4	$ (4)	(100.0)%
Gain from repurchase of debt		20,548	(20,548)	(100.0)
Income from equity method investments	1,521	18,297	(16,776)	(91.7)
Interest income	167	128	39	30.5
Other income, net	27,872	17,957	9,915	55.2
Total Other Income	$ 29,560	$ 56,934	$ (27,374)	(48.1)%

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Gain from repurchase of debt was $20.5 million during the three months ended June 30, 2009 and was attributable to the purchase of AMH debt related to the AMH credit facility. As discussed in note 8 to our condensed consolidated financial statements included elsewhere in this prospectus, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the reacquisition price resulted in a gain on extinguishment of debt, of which $20.5 million was allocated to the private equity segment.

Income from equity method investments changed by $(16.8) million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This decrease was driven by changes in the fair values of our private equity investments held, primarily relating to Apollo s ownership interest in AAA units, Fund VII and Vantium C, which generated decreased equity method investment income of $8.4 million, $7.7 million and $4.2 million, respectively, during the period. These decreases were partially offset by the investment in Vantium A which generated investment income of $3.6 million during the three months ended June 30, 2010 as compared to the same period during 2009.

Other income, net increased by $9.9 million for the three months ended June 30, 2010 as compared to the three months ended June 30, 2009. This change was primarily attributable to an additional $12.5 million of insurance reimbursement received during the three months ended June 30, 2010, totaling $27.5 million, relating to the $200.0 million Hexion/Huntsman litigation settlement during 2008, as compared to $15.0 million received during the three months ended June 30, 2009. This increase was offset by $2.6 million of losses primarily attributable to fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the three months ended June 30, 2010 as compared to the same period during 2009.

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Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

The following table sets forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the six months ended June 30, 2010 and 2009, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the condensed consolidated financial statements. ENI is a not a U.S. GAAP measure.

	Six Months Ended June 30, 2010			Six Months Ended June 30, 2009		
		Private Equity			Private Equity	
	Management	Incentive	Total	Management	Incentive	Total
	(in thousands)					
Revenues:						
Advisory and transaction fees from affiliates	$ 32,099	$	$ 32,099	$ 13,754	$	$ 13,754
Management fees from affiliates	129,450		129,450	127,328		127,328
Carried interest income (loss) from affiliates:						
Unrealized (losses) gains		(26,187)	(26,187)		34,629	34,629
Realized gains		56,503	56,503		32,837	32,837
Total carried interest income from affiliates		30,316	30,316		67,466	67,466
Total Revenues	161,549	30,316	191,865	141,082	67,466	208,548
Expenses:						
Compensation and benefits[1]	63,495	21,015	84,510	63,765	27,638	91,403
Interest expense	11,027		11,027	14,770		14,770
Professional fees[2]	11,739		11,739	8,160		8,160
General, administration and other[3]	17,626		17,626	12,245		12,245
Placement fees	1,031		1,031	2,098		2,098
Occupancy	5,570		5,570	7,472		7,472
Depreciation and amortization	7,899		7,899	8,283		8,283
Total Expenses	118,387	21,015	139,402	116,793	27,638	144,431
Other Income:						
Net gains from investment activities[4]					4	4
Gain from repurchase of debt				20,548		20,548
Income from equity method investments		9,087	9,087		10,500	10,500
Interest income	275		275	272		272
Other income, net	26,901		26,901	34,821		34,821
Total Other Income	27,176	9,087	36,263	55,641	10,504	66,145
Economic Net Income	$ 70,338	$ 18,388	$ 88,726	$ 79,930	$ 50,332	$ 130,262

(1) Excludes non-cash charges related to equity-based compensation.
(2) Excludes professional fees related to consolidated funds.
(3) Excludes general and administrative expenses related to consolidated funds.
(4) Excludes investment income and net gains (losses) from investments related to consolidated funds.

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Revenues

	Six Months Ended June 30, 2010	2009	Amount Change	Percentage Change
	(in thousands)			
Advisory and transaction fees from affiliates	$ 32,099	$ 13,754	$ 18,345	133.4%
Management fees from affiliates	129,450	127,328	2,122	1.7
Carried interest (loss) income from affiliates:				
Unrealized (losses) gains	(26,187)	34,629	(60,816)	NM
Realized gains	56,503	32,837	23,666	72.1
Total carried interest income from affiliates	30,316	67,466	(37,150)	(55.1)
Total Revenues	$ 191,865	$ 208,548	$ (16,683)	(8.0)%

Advisory and transaction fees from affiliates, including directors fees and reimbursed broken deal costs, increased by $18.3 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to new acquisitions and divestitures during the period, primarily by Fund VII, Fund VI and AAA totaling $10.7 million, $3.9 million and $2.8 million, respectively. Gross advisory and transaction fees were $88.8 million and $42.3 million for the six months ended June 30, 2010 and 2009, respectively, an increase of $46.5 million, or 109.9%. Transaction fees earned during the six months ended June 30, 2010 primarily related to three portfolio investment transactions, specifically LyondellBasell Industries, Noranda Aluminum Inc. and Aleris International, which together generated $44.1 million and $15.5 million of the gross and net transactions fees, respectively. The advisory fees earned during both periods were primarily generated by advisory and monitoring arrangements relating to several portfolio investments including LeverageSource, Harrah s Entertainment and Realogy, which together generated $28.3 million and $10.6 million of the gross and net advisory fees during the six months ended June 30, 2010, respectively, and $26.4 million and $10.0 million of the gross and net advisory fees during the six months ended June 30, 2009, respectively. Advisory and transaction fees, including directors fees, are reported net of Management Fee Offsets totaling $56.7 million and $28.8 million for the six months ended June 30, 2010 and 2009, respectively, an increase of $27.9 million or 96.9%.

Management fees from affiliates increased by $2.1 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to increased management fees earned from AAA of $2.3 million as a result of increased adjusted assets managed during the six months ended June 30, 2010 as compared to the same period during 2009.

Carried interest income from affiliates changed by $(37.2) million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was attributable to a significant decline in the fair value of the underlying portfolio investments held primarily by Fund V and Fund VII due to unfavorable market conditions during the six months ended June 30, 2010 as compared to the same period during 2009, resulting in a decrease of $60.8 million in net unrealized gains. This decrease was partially offset by an increase in net realized gains of $23.7 million, primarily resulting from dispositions of portfolio investments held by Fund V and Fund VII, totaling $44.4 million, partially offset by the reversal of previously recognized gains of $20.7 million in Fund VI due to the general partner obligation to return previously distributed carried interest income during the six months ended June 30, 2010 as compared to the same period during 2009.

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Expenses

	Six Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Compensation and benefits	$ 84,510	$ 91,403	$ (6,893)	(7.5)%
Interest expense	11,027	14,770	(3,743)	(25.3)
Professional fees	11,739	8,160	3,579	43.9
General, administrative and other	17,626	12,245	5,381	43.9
Placement fees	1,031	2,098	(1,067)	(50.9)
Occupancy	5,570	7,472	(1,902)	(25.5)
Depreciation and amortization	7,899	8,283	(384)	(4.6)
Total Expenses	$ 139,402	$ 144,431	$ (5,029)	(3.5)%

Compensation and benefits decreased by $6.9 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to a decrease in profit sharing expense of $6.6 million driven by the change in carried interest income earned from our private equity funds along with a decrease in salary, bonus and benefits of $0.3 million during the six months ended June 30, 2010 as compared to the same period during 2009.

Interest expense decreased by $3.7 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to lower interest incurred on the AMH credit facility due to the $90.9 million debt repurchase during April and May 2009, combined with lower variable LIBOR and ABR interest rates during the six months ended June 30, 2010 as compared to the same period in 2009.

Professional fees increased by $3.6 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to additional external accounting, tax, audit, legal and consulting fees incurred during the six months ended June 30, 2010 as compared to the same period during 2009.

General, administrative and other expense increased by $5.4 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to increased travel, information technology and other expenses incurred associated with the expansion of our global investment platform during the six months ended June 30, 2010 as compared to the same period during 2009.

Placement fees decreased by $1.1 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to decreased fundraising efforts for our private equity funds resulting in lower placement fees incurred during the six months ended June 30, 2010 as compared to the same period during 2009, primarily related to Fund VII.

Occupancy expense decreased by $1.9 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to cost savings resulting from negotiating new office leases and lower maintenance fees incurred on existing leased space during the six months ended June 30, 2010 as compared to the same period during 2009.

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Other Income

	Six Months Ended June 30,		Amount	Percentage
	2010	2009	Change	Change
	(in thousands)			
Net gains from investment activities	$	$ 4	$ (4)	(100.0)%
Gain from repurchase of debt		20,548	(20,548)	(100.0)
Income from equity method investments	9,087	10,500	(1,413)	(13.5)
Interest income	275	272	3	1.1
Other income, net	26,901	34,821	(7,920)	(22.7)
Total Other Income	$ 36,263	$ 66,145	$ (29,882)	(45.2)%

Gain from repurchase of debt was $20.5 million during the six months ended June 30, 2009 and was attributable to the purchase of AMH debt related to the AMH credit facility. As discussed in note 8 to our condensed consolidated financial statements included elsewhere in this prospectus, the debt purchase was accounted for as if the debt was extinguished and the difference between the carrying amount and the reacquisition price resulted in a gain on extinguishment of debt, of which $20.5 million was allocated to the private equity segment.

Income from equity method investments changed by $(1.4) million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This decrease was driven by changes in the fair values of our private equity investments held during the period, primarily relating to Fund VII which generated decreased equity method investment income of $5.2 million, partially offset by increased investment income generated by Vantium A of $4.8 million during the six months ended June 30, 2010 as compared to the same period during 2009.

Other income, net decreased by $7.9 million for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. This change was primarily attributable to $3.0 million of losses resulting from fluctuations in exchange rates of foreign denominated assets and liabilities of subsidiaries during the six months ended June 30, 2010 as compared to the same period during 2009. The remaining decrease of $4.9 million was primarily attributable to an additional $2.5 million of insurance reimbursement received during the six months ended June 30, 2009, totaling $30.0 million, relating to the $200.0 million Hexion/Huntsman litigation settlement during 2008, as compared to $27.5 million received during the six months ended June 30, 2010.

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Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

The following table sets forth our segment statement of operations information and our supplemental performance measure, ENI, for our private equity segment for the years ended December 31, 2009 and 2008, respectively. ENI represents segment income (loss), excluding the impact of non-cash charges related to equity-based compensation, income taxes and Non-Controlling Interests. In addition, segment data excludes the assets, liabilities and operating results of the Apollo funds that are included in the consolidated and combined financial statements. ENI is not a U.S. GAAP measure.

	Year Ended December 31, 2009			Year Ended December 31, 2008		
	Management	Private Equity Incentive	Total	Management	Private Equity Incentive	Total
			(in thousands)			
Revenues:						
Advisory and transaction fees from affiliates	$ 48,642	$	$ 48,642	$ 120,813	$	$ 120,813
Management fees from affiliates	260,478		260,478	244,468		244,468
Carried interest income (loss) from affiliates:						
Unrealized gains (losses)		262,890	262,890		(1,206,060)	(1,206,060)
Realized gains		47,981	47,981		361,481	361,481
Total Revenues	309,120	310,871	619,991	365,281	(844,579)	(479,298)
Expenses:						
Compensation and benefits(1)	127,751	124,048	251,799	118,889	(482,682)	(363,793)
Interest expense	28,808		28,808	34,190		34,190
Professional fees(2)	19,228		19,228	45,430		45,430
Litigation settlement				200,000		200,000
General, administrative and other(3)	27,745		27,745	42,713		42,713
Placement fees	2,644		2,644	28,236		28,236
Occupancy	14,683		14,683	9,601		9,601
Depreciation and amortization	16,420		16,420	16,663		16,663
Total Expenses	237,279	124,048	361,327	495,722	(482,682)	13,040
Other Income (Loss):						
Net gains from investment activities(4)		584	584			
Gain from repurchase of debt	20,548		20,548			
Interest income	603		603	11,967		11,967
Income (loss) from equity method investments		54,639	54,639		(67,052)	(67,052)
Other income (loss), net	37,550		37,550	(6,886)		(6,886)
Total Other Income (Loss)	58,701	55,223	113,924	5,081	(67,052)	(61,971)
Economic Net Income (Loss)	$ 130,542	$ 242,046	$ 372,588	$ (125,360)	$ (428,949)	$ (554,309)